

SECTION 5

Consolidated Financial Statements of

**GREATER SUDBURY UTILITIES INC./
SERVICES PUBLICS DU GRAND
SUDBURY INC.**

Year ended December 31, 2002

AUDITORS' REPORT

To the Shareholder of the Greater Sudbury Utilities Inc.
/Services Publics du Grand Sudbury Inc.

We have audited the consolidated balance sheet of the **Greater Sudbury Utilities Inc./Services Publics du Grand Sudbury Inc.** (the "Company") as at December 31, 2002 and the consolidated statements of loss and deficit and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

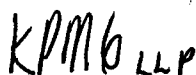
In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



COLLINS BARROW-MAHEU NOISEUX LLP
Chartered Accountants



FREELANDT CALDWELL REILLY LLP
Chartered Accountants



KPMG LLP
Chartered Accountants

Sudbury, Canada
March 5, 2003

GREATER SUDBURY UTILITIES INC./SERVICES PUBLICS DU GRAND SUDBURY INC.

Consolidated Balance Sheet

December 31, 2002, with comparative figures for 2001

	2002	2001
Assets		
Current assets:		
Cash (note 3)	\$ 1,553,096	\$ 7,242,978
Investments	-	700,000
Accounts receivable (note 4)	5,080,237	5,976,519
Payment in lieu of taxes receivable	153,403	-
Unbilled revenues - distribution	2,096,959	4,549,100
Unbilled revenues - energy sales	8,252,406	-
Inventory	1,150,437	1,187,946
Prepaid expenses	214,009	179,174
	18,500,547	19,835,717
Capital assets (note 5)	67,647,895	67,901,651
Payment in lieu of future taxes (note 15)	1,183,138	748,430
Regulatory assets (note 6)	2,957,432	123,731
Other assets	232,146	232,146
	\$ 90,521,158	\$ 88,841,675

**GREATER SUDBURY UTILITIES INC./SERVICES PUBLICS DU GRAND
SUDBURY INC.**

Consolidated Balance Sheet

December 31, 2002, with comparative figures for 2001

	2002	2001
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,733,553	\$ 1,773,792
Payable for energy purchases	6,293,490	7,019,455
Promissory note payable (note 7)	52,340,819	52,340,819
Interest payable	1,394,710	1,394,710
Current portion of long-term obligations	332,507	272,367
	<u>63,095,079</u>	<u>62,801,143</u>
Long-term obligations (note 8)	8,251,709	7,428,321
Preferred shares (note 10)	1,394,709	-
Shareholder's equity:		
Share capital (note 11)	22,431,779	22,431,779
Deficit	(4,652,118)	(3,819,568)
	<u>17,779,661</u>	<u>18,612,211</u>
Commitments and contingency (note 12)		
	<u>\$ 90,521,158</u>	<u>\$ 88,841,675</u>

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

GREATER SUDBURY UTILITIES INC./SERVICES PUBLICS DU GRAND SUDBURY INC.

Consolidated Statement of Loss and Deficit

Year ended December 31, 2002, with comparative figures for 2001

	2002	2001
Revenue:		
Energy sales	\$ 65,692,547	\$ 55,775,403
Distribution	14,903,021	13,956,126
	80,595,568	69,731,529
Cost of energy	65,692,547	55,775,403
Gross profit	14,903,021	13,956,126
Other operating revenue and expenses:		
Gain on sale of capital assets	8,550	15,346
Other operating revenue	4,282,824	4,047,395
Gain on employee future benefit costs	-	432,205
OPGI settlement (note 13)	-	284,928
Voluntary exit packages (note 14)	-	(1,227,353)
	4,291,374	3,552,521
	19,194,395	17,508,647
Expenses:		
Operating and administration	11,293,169	10,549,353
Amortization	4,837,362	4,983,877
Interest on promissory note payable	3,799,943	3,799,943
Interest	385,634	385,219
	20,316,108	19,718,392
Loss before payment in lieu of taxes	(1,121,713)	(2,209,745)
Payment in lieu of taxes (note 15)		
Current	145,545	48,000
Future	(434,708)	(748,430)
	(289,163)	(700,430)
Net loss	(832,550)	(1,509,315)
Deficit, beginning of year, as previously stated	(3,819,568)	(1,213,337)
Prior period adjustment (note 20)	-	(96,916)
Deficit, as restated	(3,819,568)	(1,310,253)
Dividends paid	-	(1,000,000)
Deficit, end of year	\$ (4,652,118)	\$ (3,819,568)

See accompanying notes to the consolidated financial statements.

GREATER SUDBURY UTILITIES INC./SERVICES PUBLICS DU GRAND SUDBURY INC.

Consolidated Cashflow Statement

Year ended December 31, 2002, with comparative figures for 2001

	2002	2001
Cashflows from operating activities:		
Net loss	\$ (832,550)	\$(1,509,315)
Adjustments for:		
Amortization	4,837,362	4,983,877
Payment in lieu of future taxes	(434,708)	(748,430)
Other amortization	206,651	215,911
Gain on the sale of assets	(8,550)	(15,346)
Interest and accrual for employee future benefit obligation	264,445	(87,177)
	4,032,650	2,839,520
Net increase in customer deposits	650,136	55,484
Change in non-cash operating working capital (note 16)	(4,820,916)	(969,270)
	(138,130)	1,925,734
Cashflows from investing activities:		
Purchase of capital assets	(5,499,645)	(4,673,651)
Proceeds on disposal of capital assets	8,869	15,346
Contributions in aid of construction	709,069	1,227,773
Regulatory assets	(2,833,701)	(72,621)
	(7,615,408)	(3,503,153)
Cashflows from financing activities:		
Dividends	-	(1,000,000)
Repayment of long term obligations	(31,053)	(23,500)
Issuance of preferred shares	1,394,709	-
	1,363,656	(1,023,500)
Decrease in cash and cash equivalents	(6,389,882)	(2,600,919)
Cash and cash equivalents, beginning of year	7,942,978	10,543,897
Cash and cash equivalents, end of period	\$ 1,553,096	\$ 7,942,978
Cash and cash equivalents consist of:		
Cash	\$ 1,553,096	\$ 7,242,978
Investments	-	700,000
Cash and cash equivalents	\$ 1,553,096	\$ 7,942,978

See accompanying notes to the consolidated financial statements.

GREATER SUDBURY UTILITIES INC./SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to the Consolidated Financial Statements

December 31, 2002

1. Incorporation and reorganization:

On October 1, 2000, Greater Sudbury Utilities Inc./Services Publics du Grand Sudbury Inc. (the Corporation) was incorporated under the Business Corporations Act (Ontario), along with its wholly owned subsidiaries, (Greater Sudbury Hydro Inc./Hydro du Grand Sudbury Inc., Greater Sudbury Hydro Plus Inc./Hydro Plus du Grand Sudbury Inc., Greater Sudbury Telecommunications Inc./Télécommunications du Grand Sudbury Inc.). The incorporation of Greater Sudbury Utilities Inc./Services Publics du Grand Sudbury Inc. was required in accordance with the Electricity Act, 1998 (Ontario) (the "EA").

2. Significant accounting policies:

(a) General:

These consolidated financial statements are the representation of the Corporation's management and are prepared in accordance with Canadian generally accepted accounting principles (GAAP) and policies as set forth in the Accounting Procedure Manual issued by the Ontario Energy Board (OEB) under the 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 fulfil obligations to connect and service customers.

(b) Basis of consolidation:

These consolidated financial statements include the accounts of the corporation and its wholly owned subsidiaries: Greater Sudbury Hydro Inc./Hydro du Grand Sudbury Inc.; Greater Sudbury Hydro Plus Inc./Hydro Plus du Grand Sudbury Inc.; Greater Sudbury Telecommunications Inc./Télécommunications du Grand Sudbury Inc.

(c) Basis of accounting:

(i) Measurement uncertainty:

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and note disclosures related thereto. Due to the inherent uncertainty in making estimates, actual results could differ from these estimates. The most significant estimates relate to the estimation of unbilled revenue at the balance sheet date.

GREATER SUDBURY UTILITIES INC./SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to the Consolidated Financial Statements, page 2

December 31, 2002

2. Significant accounting policies (continued):

(c) Basis of accounting (cont'd):

(ii) Cash:

Cash consists of cash on hand and in banks and readily convertible investments. Readily convertible investments are carried at the lower rate of cost or market.

(iii) Investments:

Investments consist of Government of Ontario Savings Bonds and guaranteed investment certificates maturing within 12 months and bearing interest at 4.4% to 7%.

(iv) Accounts receivable:

Accounts receivable are recorded net of an allowance for doubtful accounts.

(v) Unbilled revenues:

Revenue is recorded in the accounts to various dates on the basis of monthly or quarterly meter readings. At the end of an accounting cycle, there is energy used by consumers for which meter readings are not available. This unbilled revenue is estimated and recorded in the accounts at the end of each fiscal year. The related cost of energy is recorded on the basis of energy used.

(vi) Inventory:

Inventory is recorded at the lower of cost and net realizable value. Cost is determined on an average cost basis.

(vii) Regulation:

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

GREATER SUDBURY UTILITIES INC./SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to the Consolidated Financial Statements, page 3

December 31, 2002

2. Significant accounting policies (continued):

(c) Basis of accounting (cont'd):

(viii) Capital assets:

Capital assets are recorded at cost less government grants received and include an allocation of engineering and other overhead. Amortization is provided annually using the straight-line method at the following rates recommended by the Municipal Electric Association.

Buildings and fixtures	50 - 60 years
Distribution systems	25 - 40 years
System supervisory equipment	15 years
Vehicles	4 - 8 years
Office and miscellaneous equipment	5 - 10 years
Water heaters	10-15 years
Fibre optics	5 -25 years
Computer equipment	5 years

(ix) Payment in lieu of taxes:

Effective October 1, 2001 and pursuant to the EA, the Corporation is required to compute taxes under the Income Tax Act ("ITA") and the Ontario Corporations Tax Act ("OCTA") and remit amounts computed thereunder to the Ontario Electricity Financial Corporation ("OEFC"). These amounts, referred to as payments in lieu of taxes ("PILS") under the EA, are applied to reduce certain debt obligations of the former Ontario Hydro now owing by the OEFC.

Payment in lieu of future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount and their tax bases. Payment in lieu of future tax assets are recognized for the benefit of any deductions or losses available to be carried forward to future periods for tax purposes that are likely to be realized. These amounts are measured using enacted or substantively enacted tax rates and are re-measured annually for changes in these rates. Any payment in lieu of future income tax assets are reassessed each year to determine if a valuation allowance is required. Any effect of the re-measurement or reassessment is recognized in the period of the change.

(x) Contributions in aid of construction:

In certain cases, non-refundable contributions are received in aid of construction or for acquisition of capital assets. Prior to January 1, 2000 these amounts were added to the Corporation's equity. Contributions received subsequent to January 1, 2000 are classified as contra-assets and are amortized at the same rate as the assets to which they relate.

GREATER SUDBURY UTILITIES INC./SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to the Consolidated Financial Statements, page 4

December 31, 2002

2. Significant accounting policies (continued):

(c) Basis of accounting (cont'd):

(xi) Deferred transition costs:

The Corporation has incurred 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 which qualify for deferral and amortization against future revenue. Transition costs which are capital in nature, such as software, are accounted for as part of capital assets. These assets were initially recorded as part of construction in progress until placed in service. Once completed, amortization commenced with the amortization charge recorded to the deferred transition cost account. To the extent that transition costs have been incurred which do not qualify for deferral, these costs have been expensed during the period they were incurred.

(xii) Employee future benefits:

Gains or losses on employee future benefits arise when the expected amount of the Accrued Post-Retirement Benefit Obligation (APBO) differs from the actual amounts. These gains or losses are recognized in the year that they occur.

3. Cash:

The Company has arranged for a line of credit up to \$7,500,000 for operating purposes at the corporate bank prime rate of interest. The line of credit is secured by an unlimited guarantee by the Company, Greater Sudbury Hydro Inc./Hydro du Grand Sudbury Inc., Greater Sudbury Hydro Plus Inc./Hydro Plus du Grand Sudbury Inc., and Greater Sudbury Telecommunications Inc./Telecommunications du Grand Sudbury Inc., and a subordination agreement regarding the promissory note owing to the City of Greater Sudbury.

4. Accounts receivable:

	2002	2001
Electrical energy	\$ 4,029,287	\$ 5,052,335
Other receivables	2,316,450	1,870,884
	6,345,737	6,923,219
Allowance for doubtful accounts	(1,265,500)	(946,700)
	\$ 5,080,237	\$ 5,976,519

GREATER SUDBURY UTILITIES INC./SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to the Consolidated Financial Statements, page 5

December 31, 2002

5. Capital assets:

	Cost	Accumulated Amortization	2002 Net Book Value	2001 Net Book Value
Land	\$ 750,874	\$ -	\$ 750,874	\$ 747,221
Buildings and fixtures	8,116,722	2,628,061	5,488,661	5,594,581
Distribution systems	108,707,384	55,396,298	53,311,086	53,571,915
System supervisory equipment	1,244,032	607,688	636,344	694,939
Vehicles	2,866,846	2,647,192	219,654	302,441
Office and miscellaneous equipment	7,150,210	6,160,862	989,348	1,182,454
Water heaters	7,605,471	6,327,797	1,277,674	1,252,452
Fibre optics	7,092,564	2,429,050	4,663,514	4,250,248
Construction in progress	226,725	-	226,725	305,400
Computer equipment	105,019	21,004	84,015	-
	\$143,865,847	\$76,217,952	\$67,647,895	\$67,901,651

Contributions in aid of construction received during the year were \$709,069 (2001 \$1,227,773). Total contributions in aid of construction received at December 31, 2002 were \$3,000,704 (2001 \$2,291,635) with related accumulated amortization of \$262,480 (2001 \$139,870) resulting in a net contra-asset of \$2,738,224 (2001 \$2,151,765) which has been offset against the assets to which they relate.

6. Regulatory assets:

	2002	2001
Deferred transition costs (a)	\$ 812,812	\$ 123,731
Pre-market opening energy variances (b)	1,186,179	-
Retail settlement variances (c)	958,441	-
	\$2,957,432	\$ 123,731

The regulatory assets arise as a result of the rate setting process. The Minister of Energy has indicated in a letter to the Company that these amounts will be recoverable no later than 2006.

- a) The OEB (Ontario Energy Board) had established a process for the recording of costs incurred by the Corporation to be market ready, as deferred transition costs to be recovered by some means deemed appropriate by the OEB.

GREATER SUDBURY UTILITIES INC./SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to the Consolidated Financial Statements, page 6

December 31, 2002

6. Regulatory assets (continued):

The OEB requires the Corporation to track variances for the following, that are to be disposed of pending further direction from the OEB.

- b) The cost of energy purchased and amounts billed to customers from January 1, 2002 to April 30, 2002. The electricity market was open to competition on May 1, 2002. The variances arise as a result of the differing rates on time of use energy purchases by the company as compared to the average rates charged to its customers.
- c) The amount paid to the IMO (Independent Electricity Market Operation) for energy less corresponding amounts billed by the company to its customers, as well as other deregulation costs incurred by the company which will be recovered by some means deemed appropriate by the OEB.

7. Promissory note payable:

The promissory note payable to the City of Greater Sudbury is unsecured and interest bears at 7.25% per annum.

The note is repayable in full upon six months written notice of the holder of the note. As at December 31, 2002, the holder has not issued a demand to repay the note.

8. Long-term obligations:

	2002	2001
Employee future benefit obligation (note 9)	\$ 7,055,205	\$ 6,790,760
Customer deposits	1,111,832	834,730
Deferred developer contributions	219,866	-
Retailer deposits	153,168	-
Vested sick leave	44,145	75,198
	8,584,216	7,700,688
Portion included in current liabilities	(332,507)	(272,367)
	\$ 8,251,709	\$ 7,428,321

GREATER SUDBURY UTILITIES INC./SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to the Consolidated Financial Statements, page 7

December 31, 2002

9. Employee future benefit obligation:

The Company pays certain health, dental and life insurance benefits on behalf of its retired employees. The Company recognizes these post-retirement costs in the period in which the employees rendered their services. The employee future benefit obligation at December 31, 2002 and the expense for the year then ended was determined based on an actuarial valuation using a discount rate of 6.0%.

Information about the Company's employee future benefit obligation is as follows:

	2002	2001
Employee future benefit obligation, beginning of year	\$ 6,790,760	\$ 6,889,592
Expense for the period	564,864	547,873
Benefits paid for the period	(300,419)	(214,500)
Actuarial gain	-	(432,205)
Employee future benefit obligation, end of year	\$ 7,055,205	\$ 6,790,760

The main actuarial assumptions underlying the valuations are as follows:

a) General and medical inflation:

The health care cost trend is estimated to decrease from 7.5% to 4.5% over five years. Other medical and dental expenses are assumed to remain consistent at a 4.5% increase per year.

b) Interest (discount) rate:

The obligation at December 31, 2002, being the present value of future liabilities and the expense for the period then ended, were determined using a discount rate of 6.0%.

c) Salary levels:

Future general salary and wage levels were assumed to increase at 2% per year.

10. Preferred shares:

Authorized:

Unlimited 7.25% non-cumulative, class A preferred shares, non-voting, redeemable and retractable at \$100 per share

During the year, the Company issued 13,947 class A, 7.25% non-voting, redeemable, retractable preferred shares from treasury for cash consideration of \$1,394,709.

GREATER SUDBURY UTILITIES INC./SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to the Consolidated Financial Statements, page 8

December 31, 2002

11. Share capital:

Authorized:

Unlimited common shares

	2002	2001
Issued:		
1,001 voting common shares	\$22,431,779	\$22,431,779

12. Commitments and contingencies:

Greater Sudbury Utilities Inc./Services Publics du Grand Sudbury Inc. has arranged and received approval for a \$9,048,386 Letter of Guarantee to the Independent Market Operator ("IMO"). This was a requirement of the IMO for market opening on May 1, 2002. At December 31, 2002, no amounts have been drawn on this financing agreement.

Litigation:

A class action lawsuit claiming \$500 million in restitutionary payments plus interest was served on Toronto Hydro-Electric Commission on November 8, 1998. This 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 after April 1, 1981.

The claim is 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 Municipal Electric Association is undertaking the defence of this class action. At this time it is not possible to quantify the effect, if any, on the financial statements of the Hydro-Electric System.

Accordingly, no provision has been made in these consolidated financial statements with respect to any possible losses that may arise as a result of this matter.

On February 1, 2003 the OEB issued its decision and order for Falconbridge Limited to grant leave to sell to Greater Sudbury Hydro Inc./Hydro Du Grand Sudbury Inc. certain electricity distribution assets located within the boundaries within the geographic township of Falconbridge in the City of Greater Sudbury. The transitional distribution license of Greater Sudbury Hydro Inc./Hydro Du Grand Sudbury Inc. is amended to include the geographic boundaries of the former township of Falconbridge in its service area. The date of purchase and purchase price have not been finalized as of the date of these financial statements.

13. OPGI settlement:

A court order was made May 31, 2001, allowing a settlement between Ontario Hydro (now Ontario Power Generation Inc. (OPGI)) and Ontario municipal electric utilities (MEU). The order provided for the distribution of \$29.0 million to participant MEUs. The original claim was that MEUs overcharged for the cost of power purchased from Ontario Hydro. Greater Sudbury Hydro Inc.'s share of this distribution was \$284,928.

GREATER SUDBURY UTILITIES INC./SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to the Consolidated Financial Statements, page 9

December 31, 2002

14. Voluntary exit packages:

The Company offered a voluntary exit package to certain employees which opened January 8, 2001 and closed January 19, 2001. The total cost of the voluntary exit package was \$1,227,353.15.

15. Payment in lieu of taxes

a) The components of payment in lieu of future taxes are as follows:

	2002	2001
Payment in lieu of future taxes:		
Non-capital loss carryforwards	\$ 1,301,006	\$ 409,348
Difference between tax basis of depreciable capital assets and carrying amount	765,300	353,197
Regulatory assets deducted for tax purposes	(672,337)	-
Other	-	(14,115)
	1,393,969	748,430
Valuation allowance	(210,831)	-
	\$ 1,183,138	\$ 748,430

b) The provision for payment in lieu of taxes recorded in the financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 33% (2001 - 34%) to the loss for the years as follows:

	2002	2001
Loss for the year before payment in lieu of taxes	\$(1,121,713)	\$(2,209,745)
Anticipated tax recovery	(370,203)	(751,313)
Reduction due to non-taxable operating income	-	50,883
Valuation allowance	210,831	-
Large corporations tax not deductible for tax purposes	(156,341)	-
Reduction in payment in lieu of future taxes resulting from reduction in tax rate	22,016	-
Other	4,534	-
Provision for payment in lieu of taxes	\$ (289,163)	\$ (700,430)

GREATER SUDBURY UTILITIES INC./SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to the Consolidated Financial Statements, page 10

December 31, 2002

16. Change in non-cash operating working capital:

	2002	2001
Change in non-cash operating working capital:		
Accounts receivable	\$ 896,282	\$ 49,878
Unbilled revenues - distribution	2,452,141	83,200
Unbilled revenues - energy	(8,252,406)	-
Inventory	37,509	64,130
Prepaid expenses	(34,835)	(18,538)
Accounts payable and accrued liabilities	959,761	(1,105,608)
Payable for energy purchases	(725,965)	(1,437,042)
Interest payable	-	1,394,710
Payment in lieu of taxes	(153,403)	-
	<u>\$(4,820,916)</u>	<u>\$ (969,270)</u>

17. Loss carryforwards:

For payment in lieu of taxes, the following companies have losses which can be applied to reduce future years' taxable income. The 2001 losses totalling \$ 1,203,966 expire in 2008. The 2002 losses totalling \$ 2,739,840 expire in 2009.

	2002	2001
Greater Sudbury Hydro Inc./Hydro du Grand Sudbury Inc.	\$ 2,160,587	\$ 1,113,933
Greater Sudbury Telecommunications Inc./ Telecommunications du Grand Sudbury Inc.	<u>579,253</u>	<u>90,033</u>
	<u>\$ 2,739,840</u>	<u>\$ 1,203,966</u>

18. Industry restructuring:

The EA provides for a competitive marketplace in the sale of electricity. The marketplace was deregulated May 1, 2002 and electricity retailers started competing for customers.

GREATER SUDBURY UTILITIES INC./SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to the Consolidated Financial Statements, page 11

December 31, 2002

19. Pension agreements:

The Corporation makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 100 members of its staff, including part time contributing members. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employee based on the length of service and rates of pay.

No premiums were paid, by the corporation or its employees, from January 1, to December 31, 2002, due to the legislated OMERS premium holiday. The contributions will resume in 2003. Premiums will be phased in over 3 years to a maximum of \$418,000 in year three based on current rates.

20. Prior period adjustment:

An understatement in the calculation of amortization on fibre optic-electronics in Greater Sudbury Telecommunications Inc./Telecommunications du Grand Sudbury Inc. in the amount of \$96,916 occurred in the 2001 fiscal period. Consequently, the prior year financial statements have been adjusted to increase the accumulated amortization on fibre optic-electronics by this amount with a corresponding decrease in retained earnings.

21. Comparative figures:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. These changes do not affect prior year earnings.