Financial Statements of

Brantford Power Inc.

December 31, 2015

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Management Report
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The accompanying financial statements are the responsibility of management of Brantford Power Inc. (the Company). In management's opinion, these financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Management has selected accounting principles and methods that are appropriate to the Company's circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. The notes to the financial statements and any other supplementary information presented are consistent with that in the financial statements.

The Company maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate, that transactions are properly authorized and that the Company's assets are properly accounted for and adequately safeguarded.

The financial statements have been examined by KPMG LLP, the external auditors of the Company. The responsibility of the external auditors is to express their opinion on whether the financial statements are fairly presented, in all material respects, in accordance with IFRS.

The board of directors, through the audit committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The audit committee meets periodically with management, as well with the external auditors to satisfy itself that each party is properly discharging its responsibilities with respect to internal controls and financial reporting. The audit committee also reviews the financial statements and recommends their approval to the board of directors. KPMG LLP has full and free access to the audit committee, with and without the presence of management.

Paul Kwasnik
President and Chief Executive Officer
March 23, 2016

Brian D'Amboise, CPA, CA
Chief Financial Officer
March 23, 2016

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Brantford Power Inc.:

We have audited the accompanying financial statements of Brantford Power Inc., which comprise the statements of financial position as at December 31, 2015, December 31, 2014 and January 1, 2014 as at December 31, 2014, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and December 31, 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Brantford Power Inc. as at December 31, 2015, December 31, 2014 and January 1, 2014 and its financial performance and its cash flows for the years ended December 31, 2015, and December 31, 2014 in accordance with International Financial Reporting Standards**.**

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 23, 2016

Hamilton, Canada

Brantford Power Inc.

Statements of Financial Position

as at December 31, 2015, December 31 2014 and January 1, 2014

Assets	**December 31, 2015**	December 31, 2014	January 1, 2014
	$	$	$
Current Assets			
Cash and cash equivalents - note 5	**12,891,079**	11,331,058	14,642,729
Accounts receivable - note 6	**10,092,566**	10,357,405	9,275,123
Unbilled revenue	**12,149,878**	10,642,144	11,018,050
Payments in lieu of corporate income taxes	**99,504**	622,158	324,099
Materials and supplies - note 7	**1,130,595**	853,548	859,915
Prepaid expenses	**331,631**	215,962	165,619
Total Current Assets	**36,695,253**	34,022,275	36,285,535
Non-Current Assets			
Property, plant and equipment- note 8	**65,055,237**	64,023,642	64,379,612
Intangible assets - note 9	**840,019**	641,038	482,104
Deferred payments in lieu of corporate income taxes - note 10	**-**	424,351	180,850
Total Non-Current Assets	**65,895,256**	65,089,031	65,042,566
Total Assets	**102,590,509**	99,111,306	101,328,101
Regulatory balances - note 11	**6,897,781**	6,357,296	6,578,677
Total Assets and Regulatory Balances	**109,488,290**	105,468,602	107,906,778

Signed on behalf of the Board:

______________________ Director

______________________ Director

See accompanying notes

Brantford Power Inc.

Statements of Financial Position

as at December 31, 2015, December 31 2014 and January 1, 2014

Liabilities and Shareholder's Equity	**December 31, 2015**	December 31, 2014	January 1, 2014
	$	$	$
Current Liabilities			
Accounts payable and accrued liabilities - note 12	**14,875,482**	14,314,888	13,692,859
Due to affiliates - note 20	**59,351**	75,349	280,313
Accounts payable to the City of Brantford - note 20	**449,725**	639,065	952,468
Interest payable to the City of Brantford - note 13	**1,419,904**	1,419,904	1,419,904
Current portion of long-term debt - note 13	**1,141,430**	1,088,567	1,038,479
Customer deposits	**1,606,069**	1,455,091	1,470,152
Total Current Liabilities	**19,551,961**	18,992,864	18,854,175
Non-Current Liabilities			
Long-term debt - note 13	**40,919,717**	42,057,704	43,143,585
Post employment benefits - note 15	**1,236,004**	1,205,061	1,077,901
Vested sick leave - note 14	**111,037**	106,410	92,262
Deferred revenues	**837,901**	439,812	-
Derivative liabilities - note 24	**292,054**	333,600	372,285
Deferred payments in lieu of corporate income taxes - note 10	**459,557**	-	-
Total Non-Current Liabilities	**43,856,270**	44,142,587	44,686,033
Total Liabilities	**63,408,231**	63,135,451	63,540,208
Contingencies and Commitments - note 19			
Equity			
Share capital - note 16	**22,437,505**	22,437,505	22,437,505
Retained Earnings	**18,639,596**	16,535,739	14,687,285
Accumulated Other Comprehensive Income	**719,904**	696,592	762,176
Total Equity	**41,797,005**	39,669,836	37,886,966
Total Liabilities and Equity	**105,205,236**	102,805,287	101,427,174
Regulatory balances - note 11	**4,283,054**	2,663,315	6,479,604
Total Liabilities, Equity and Regulatory Balances	**109,488,290**	105,468,602	107,906,778

Brantford Power Inc.

Statements of Comprehensive Income

for the year ended December 31, 2015, with comparative information for 2014

	2015 $	2014 $
Revenue		
Sale of energy	**110,089,757**	95,313,553
Distribution revenue	**17,231,694**	17,733,523
IESO conservation programs	**2,537,140**	3,407,271
Other income - note 17	**1,178,498**	792,603
	131,037,089	117,246,950
Operating Expenses		
Cost of power purchased	**108,636,420**	99,969,443
Distribution operations and maintenance	**3,405,612**	3,694,721
Billing and collecting	**2,850,842**	2,852,974
General administration	**3,387,179**	2,779,297
IESO conservation programs	**2,283,586**	3,407,271
Impairment loss on due from affiliates	**136,261**	-
Amortization - note 22	**3,018,325**	3,018,923
	123,718,225	115,722,629
Income from operating activities	**7,318,864**	1,524,321
Finance income - note 18	**352,260**	380,537
Finance costs - note 18	**(2,279,989)**	(2,338,717)
Income (loss) before income taxes	**5,391,135**	(433,859)
Income tax expense - note 10	**1,139,101**	(368,663)
Net income (loss) for the year	**4,252,034**	(65,196)
Movement in regulatory balances, net of tax	**(1,148,177)**	2,663,650
Net income for the year and net movement in regulatory balances	**3,103,857**	2,598,454
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefits	**31,717**	(89,230)
Tax on remeasurements	**(8,405)**	23,646
Other comprehensive (loss) income for the year	**23,312**	(65,584)
Total comprehensive income for the year	**3,127,169**	2,532,870

Brantford Power Inc.

Statements of Changes in Equity

for the year ended December 31, 2015, with comparative information for 2014

	Share capital	Retained earnings	Accumulated other comprehensive income	Total
	$	$	$	$
Balance at January 1, 2014	22,437,505	14,687,285	762,176	37,886,966
Net Income and net movement in regulatory balances	-	2,598,454	-	2,598,454
Other comprehensive loss	-	-	(65,584)	(65,584)
Dividends	-	(750,000)	-	(750,000)
Balance at December 31, 2014	**22,437,505**	**16,535,739**	**696,592**	**39,669,836**
Balance at January 1, 2015	22,437,505	16,535,739	696,592	39,669,836
Net Income and net movement in regulatory balances	-	3,103,857	-	3,103,857
Other comprehensive income	-	-	23,312	23,312
Dividends	-	(1,000,000)	-	(1,000,000)
Balance at December 31, 2015	**22,437,505**	**18,639,596**	**719,904**	**41,797,005**

Brantford Power Inc.
Statements of Cash Flows
for the year ended December 31, 2015, with comparative information for 2014

	2015	2014
	$	$
Operating activities		
Net income and net movement in regulatory balances	**3,103,857**	2,598,454
Items not affecting cash		
Amortization - note 22	**3,171,722**	3,153,561
Amortization of deferred revenue	**(14,241)**	(5,394)
Post-employment benefits	**30,943**	127,160
Vested sick leave	**4,627**	14,148
Deferred payments in lieu of corporate income taxes	**883,908**	(243,501)
Loss (gain) on disposal of property, plant and equipment	**53,782**	(13,477)
Income tax expense	**263,864**	(148,808)
Other items not affecting cash	**88,726**	(100,566)
	7,587,188	5,381,577
Changes in non-cash working capital components - note 21	**(1,129,377)**	(661,749)
Regulatory balances	**1,079,254**	(3,594,908)
Income tax paid	**(99,504)**	(149,251)
Income tax received	**358,294**	-
Net cash from operating activities	**7,795,855**	975,669
Investing activities		
Acquisition of property, plant and equipment	**(4,122,840)**	(2,656,015)
Acquisition of intangible assets	**(379,202)**	(305,304)
Contributions received from customers	**308,811**	445,206
Proceeds from disposal of property, plant and equipment	**45,964**	17,252
Net cash used by investing activities	**(4,147,267)**	(2,498,861)
Financing activities		
Repayment of long-term debt	**(1,088,567)**	(1,038,479)
Dividends paid	**(1,000,000)**	(750,000)
Net cash used by financing activities	**(2,088,567)**	(1,788,479)
Change in cash and cash equivalents	**1,560,021**	(3,311,671)
Cash and cash equivalents, beginning of year	**11,331,058**	14,642,729
Cash and cash equivalents, end of year	**12,891,079**	11,331,058

1. Description of Business

On March 1, 2000, Brantford Power Inc. (the Company) was incorporated under the Business Corporations Act (Ontario) along with its affiliate companies, Brantford Hydro Inc. and Brantford Energy Corporation. Another affiliated company, Brantford Generation Inc., was incorporated in 2007. The incorporations were pursuant to the provisions of the Energy Competition Act, 1998. The Company is a wholly-owned subsidiary of Brantford Energy Corporation which is wholly owned by the City of Brantford. The Company provides electricity distribution services to residents of the City of Brantford. The operations of the company are regulated by the Ontario Energy Board (OEB).

The Company's head office is located at 84 Market Street and it maintains operational offices at 220 Colborne Street and 400 Grand River Avenue. All of these offices are located in the City of Brantford.

2. Basis of Presentation

Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Adoption of IFRS

These are the Company's first financial statements prepared in accordance with IFRS and IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 25.

The financial statements were approved by the Board of Directors on March 23, 2016.

Basis of measurement

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

2. Basis of Presentation - continued

Use of estimates and judgments

Assumptions and estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosures of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in future years affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment is included in the following notes:

(i) Note 3 - measurement of unbilled revenue

(ii) Note 3 - estimation of useful lives of its property, plant and equipment and intangible assets.

(iii) Notes 3 and 11 - recognition and measurement of regulatory balances

(iv) Notes 3 and 15 - measurement of defined benefit obligations: key actuarial assumptions

(v) Note 19 - recognition and measurement of provisions and contingencies

Judgments

No significant judgments were made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements.

2. Basis of Presentation - continued

Rate regulation

The Company is regulated by the Ontario Energy Board (OEB), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfil obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies (LDCs), such as the Company, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

The Company is required to bill customers for the debt retirement charge set by the province. The Company may file to recover uncollected debt retirement charges from the Ontario Electricity Financial Corporation (OEFC) once each year.

Rate setting - Distribution revenue

For the distribution revenue, the Company files a Cost of Service (COS) rate application with the OEB every four or five years where rates are determined through a review of the forecasted annual amount of operating and capital expenditures, debt and shareholder's equity required to support the Company's business. The Company estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and interveners and rates are approved based upon this review, including any revisions resulting from that review.

In the intervening years, an Incentive Rate Mechanism (IRM) application is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand (GDP IPI-FDD) net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor.

As a licensed distributor, the Company is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Company is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Company ultimately collects these amounts from the customers.

2. Basis of Presentation - continued

The Company last filed a COS application in 2013 for rates effective March 1, 2014 to December 31, 2014. The GDP IPI-FDD for 2015 is 1.60%, the Company's productivity factor is (0.00)% and the stretch factor is 0.30%, resulting in a net adjustment of 1.3% to the previous year's rates.

Rate setting - Electricity rates

Under an established Regulated Price Plan, the OEB sets electricity prices for low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. Remaining consumers pay either the market price for electricity or the contracted price for electricity if they have enrolled with a retailer. The Company is billed for the cost of the electricity that its customers use and pass this cost on to the customer at a cost without a mark-up.

3. Significant Accounting Policies

Financial Instruments

All financial assets are classified as loans and receivables and all financial liabilities are classified as other liabilities with the exception of derivative instruments. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described later in this note under ***Impairment of assets***. The Company has two derivative instruments related to its long term debt facilities with the Royal Bank of Canada. These are classified as a financial asset or liability at fair value through profit or loss.

Hedge accounting has not been used in the presentation of these financial statements.

Cash and cash equivalents include cash and short-term instruments with maturities of three months or less from the date of acquisition.

3. Significant Accounting Policies - continued

Revenue recognition

Sale and distribution of electricity

Revenue from the sale and distribution of electricity is recognized as the electricity is delivered to customers on the basis of cyclical meter readings and estimated customer usage since the last meter reading date to the end of the year. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges or credits. The related cost of power is recorded on the basis of power used.

For customer billings related to the electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Company has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Customer billings for debt retirement charges are recorded on a net basis as the Company is acting as an agent for this billing stream.

Other revenue

Revenue earned from the provision of services is recognized as the service is rendered or contract milestones are achieved. Amounts received in advance of these milestones are presented as deferred revenue.

Certain customers and developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. Cash contributions are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Company's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

Government grants and the related performance incentive payments under Conservation and Demand Management (CDM) programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received. Funding for CDM related performance incentive payments is recognized as revenue in the year when the Company receives confirmation by the applicable agency that the performance incentive payments will be received.

3. Significant Accounting Policies - continued

Materials and supplies

Materials and supplies, the majority of which is consumed by the Company in the provision of its services, is valued at the lower of cost and net realizable value, with cost being determined on a weighted average cost basis, and includes expenditures incurred in acquiring the materials and supplies and other costs incurred in bringing them to their existing location and condition.

Property, plant and equipment

Items of property, plant and equipment (PP&E) used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the transition date (see Note 25, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is contributed by customers, its fair value, less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes contracted services, materials and transportation costs, direct labour, overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset based upon the weighted average cost of debt incurred on the Company's borrowings. Qualifying assets are considered to be those that take in excess of 12 months to construct.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E.

When items of PP&E are retired or otherwise disposed of, a gain or loss on disposal is determined by comparing the proceeds from disposal, if any, with the carrying amount of the item and is included in profit or loss.

Major spare parts and standby equipment are recognized as items of PP&E.

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

The need to estimate the decommissioning costs at the end of the useful lives of certain assets is reviewed periodically. The Company has concluded it does not have any legal or constructive obligation to remove PP&E.

3. Significant Accounting Policies - continued

Depreciation is calculated to write off the cost of items of PP&E using the straight-line method over their estimated useful lives, and is recognized in profit or loss. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate. Land is not depreciated. Construction-in-progress assets are not depreciated until the project is complete and the asset is available for use. The Company applies the half year rule for depreciation in the year of acquisition.

The estimated useful service life are as follows.

Buildings	20-50 years
Transformer station	20-50 years
Distribution stations	30 years
Distribution lines - overhead	3-60 years
Distribution lines - underground	3-60 years
Distribution transformers	3-40 years
Distribution meters	15-35 years
Vehicles	8-20 years
Office furniture	10 years
Computer hardware	2-4 years
Tools and other equipment	5-15 years

3. Significant Accounting Policies - continued

Intangible assets

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the transition date (see Note 25), less accumulated amortization. All other intangible assets are measured at cost.

Payments to obtain rights to access land (land rights) are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Company does not hold title. Land rights acquired after January 1, 2014 are measured at cost less accumulated amortization.

Capital contributions relate to projects undertaken by the Company that required the alteration of a neighbouring utility's PP&E to accommodate the Company's joint use of those facilities for its PP&E. Capital contributions paid are measured at cost less accumulated amortization.

Computer software that is acquired or developed by the Company after January 1, 2014, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate. The estimated useful lives are:

Land rights	50 years
Capital contribution paid	45 years
Software	2-5 years
Other	5 years

Impairment of assets

Financial assets measured at amortized cost

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

3. Significant Accounting Policies - continued

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount. Losses are recognized in profit or loss. An impairment loss is reversed through profit or loss if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

The Company recorded an impairment loss of $136,261 (2014 - $NIL) related to the receivable balance from their affiliate, Brantford Generation Inc.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than materials and supplies and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or CGU). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Customer deposits

Customer deposits represent cash deposits from electricity distribution customers to guarantee the payment of energy bills. Interest is paid on customer deposits.

Deposits are refundable to customers who demonstrate an acceptable level of credit risk as determined by the Company in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

3. Significant Accounting Policies - continued

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Regulatory balances

Regulatory deferral account debit balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Company.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory debit balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or OCI.

The probability of recovery of the regulatory deferral account debit balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover the balance. The assessment of likelihood of recovery is based upon previous decisions made by the OEB for similar circumstances, policies or guidelines issued by the OEB, etc. Any resulting impairment loss is recognized in profit or loss in the year incurred.

When the Company is required to refund amounts to ratepayers in the future, the Company recognizes a regulatory deferral account credit balance. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. The amounts returned to the customers are recognized as a reduction of revenue. The credit balance is reduced by the amount of these customer repayments with the offset to net movement in regulatory balances in profit or loss or OCI.

3. Significant Accounting Policies - continued

Pension plan

The Company provides a pension plan for all its full-time employees through Ontario Municipal Employees Retirement System (OMERS). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund (the Fund), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Company to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. The Company is not responsible for any other contractual obligations other than the contributions. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due.

Post-employment benefits, other than pension

The Company provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans.

The obligations for these post-employment benefit plans are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Remeasurements of the net defined benefit obligations, including actuarial gains and losses and the return on plan assets (excluding interest), are recognized immediately in other comprehensive income. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Accumulated vested sick leave credits

Certain employees have accumulated sick leave credits and are entitled to receive special payments upon separation or retirement. Payments are charged to the liability when made. The annual change in accumulated vested sick leave entitlements are expensed in the year earned. An estimate of sick time utilized in excess of the annual entitlement has been made and a related accrual has been recorded under IFRS.

3. Significant Accounting Policies - continued

Finance income and finance costs

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents and late payments on customer electricity accounts receivable balances.

Finance costs comprise interest expense on borrowings, interest on customer deposits and the gain or loss on derivative liabilities. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets.

Payments in Lieu of Corporate Income taxes

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case, it is recognized in equity.

The Company is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the "Tax Acts"). Under the *Electricity Act*, 1998, the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation (OEFC). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts as modified by the *Electricity Act*, 1998, and related regulations. Prior to October 1, 2001, the Company was not subject to income or capital taxes.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes. Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted, at the reporting date.

4. New Standards and Interpretations Not Yet Adopted

The Company is still evaluating the adoption of the following new and revised standards along with any subsequent amendments.

Revenue Recognition

In July 2015, the IASB announced a one-year deferral of the Revenue from Contracts with Customers ("IFRS 15") effective date. IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and various interpretations and establishes principles regarding the nature, amount, timing and uncertainty of revenue arising from contracts with customers. The standard requires entities to recognize revenue for the transfer of goods or services to customers measured at the amounts an entity expects to be entitled to in exchange for those goods or services. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company is assessing the impact of IFRS 15 on its results of operations, financial position, and disclosures.

Financial Instruments

In July 2014, the IASB issued a new standard, IFRS 9 *Financial Instruments*, which will replace IAS 39 Financial Instruments: Recognition and Measurement. The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 is part of the first phase of this project. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively. The Company is assessing the impact of IFRS 9 on its results of operations, financial position, and disclosures.

Property, Plant, and Equipment and Intangible Assets

In May 2014, the IASB issued amendments to IAS 16, *Property, Plant and Equipment* and IAS 38 *Intangible Assets,* which are effective for years beginning on or after January 1, 2016. The amendments clarify when revenue-based depreciation methods are permitted. The Company is assessing the impact of the amendments on its results of operations, financial positions, and disclosures.

Leases

In January 2016, IASB issued IFRS 16 to establish principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 replaces IAS 17 and it is effective for annual periods beginning on or after January 1, 2019. The Company is assessing the impact of IFRS 16 on its results of operations, financial positions, and disclosures.

5. Cash and Cash Equivalents

	December 31, 2015	December 31, 2014	January 1, 2014
	$	$	$
Bank balances	**12,888,979**	11,328,958	14,641,129
Cash balances	**2,100**	2,100	1,600
	12,891,079	11,331,058	14,642,729

6. Accounts Receivable

	December 31, 2015	December 31, 2014	January 1, 2014
	$	$	$
Trade receivable	**9,371,511**	9,451,553	8,349,516
Other trade receivables	**65,387**	43,611	106,119
Billable work	**457,274**	862,241	819,488
IESO conservation program funding	**198,394**	-	-
	10,092,566	10,357,405	9,275,123

7. Material and supplies

The amount of inventory consumed by the Company and recognized as an expense during 2015 was $282,068 (2014 - $258,275).

8. Property, Plant and Equipment

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Total
Cost or deemed cost	$	$	$	$	$
Balance at January 1, 2015	1,127,545	64,031,366	1,836,225	36,735	67,031,871
Additions	-	3,468,542	611,836	42,464	4,122,842
Disposals/retirements	-	(102,134)	(6,500)	-	(108,634)
Balance at December 31, 2015	1,127,545	67,397,774	2,441,561	79,199	71,046,079
Balance at January 1, 2014	1,123,690	61,714,995	1,499,513	41,414	64,379,612
Additions (disposals)	3,855	2,371,619	336,712	(4,679)	2,707,507
Disposals/retirements	-	(55,248)	-	-	(55,248)
Balance at December 31, 2014	1,127,545	64,031,366	1,836,225	36,735	67,031,871
Accumulated depreciation	$	$	$	$	$
Balance at January 1, 2015	27,527	2,730,877	249,825	-	3,008,229
Depreciation	27,605	2,688,845	275,050	-	2,991,500
Disposals/retirements	-	(8,887)	-	-	(8,887)
Balance December 31, 2015	55,132	5,410,835	524,875	-	5,990,842
Balance at January 1, 2014	-	-	-	-	-
Depreciation	27,527	2,765,140	249,825	-	3,042,492
Disposals/retirements	-	(34,263)	-	-	(34,263)
Balance December 31,2014	27,527	2,730,877	249,825	-	3,008,229

8. Property, Plant and Equipment - continued

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Total
	$	$	$	$	$
Carrying amounts					
At December 31,2015	1,072,413	61,986,939	1,916,686	79,199	65,055,237
At December 31,2014	1,100,018	61,300,489	1,586,400	36,735	64,023,642
At January 1,2014	1,123,690	61,714,995	1,499,513	41,414	64,379,612

No borrowing costs were capitalized during 2015 (2014 - Nil).

9. Intangible Assets

	Land rights	Capital contributions paid	Software	Other	Total
Cost or deemed cost	$	$	$	$	$
Balance at January 1, 2015	89,712	168,856	491,222	36,578	786,368
Additions	8,475	245,752	112,926	12,050	379,203
Balance at December 31, 2015	98,187	414,608	604,148	48,628	1,165,571
Balance at January 1, 2014	85,462	-	373,637	23,005	482,104
Additions	4,250	168,856	117,585	13,573	304,264
Balance at December 31, 2014	89,712	168,856	491,222	36,578	786,368
Accumulated depreciation	$	$	$	$	$
Balance at January 1, 2015	1,864	1,876	131,660	9,930	145,330
Depreciation	1,949	6,483	157,589	14,201	180,222
Balance December 31, 2015	3,813	8,359	289,249	24,131	325,552
Balance at January 1, 2014	-	-	-	-	-
Depreciation	1,864	1,876	131,660	9,930	145,330
Balance December 31, 2014	1,864	1,876	131,660	9,930	145,330
Carrying amounts					
At December 31, 2015	94,374	406,249	314,899	24,497	840,019
At December 31, 2014	87,848	166,980	359,562	26,648	641,038
At January 1, 2014	85,462	-	373,637	23,005	482,104

10. Income Tax Expense

	2015	2014
	$	$
Current tax expense		
Current year	**-**	(148,808)
Adjustment for prior years	**263,594**	-
	263,594	(148,808)
Deferred tax expense		
Change in recognized deductible temporary differences	**875,507**	(219,855)
	875,507	(219,855)
Total income tax expense	**1,139,101**	(368,663)
Reconciliation of effective tax rate		
Income before taxes	**5,391,135**	(433,859)
Canada and Ontario statutory Income tax rates	**26.5 %**	26.5 %
Expected tax provision on income at statutory rates	**1,428,651**	(114,973)
Increase (decrease) in income taxes resulting from:		
Permanent differences	**2,039**	13,547
Prior periods and other	**(291,589)**	(267,237)
Income tax expense	**1,139,101**	(368,663)

Significant components of the Company's deferred tax balances:

	December 31, 2015	December 31, 2014	January 1, 2014
	$	$	$
Deferred tax assets (liabilities)			
Property, plant and equipment	**(2,037,405)**	(1,378,225)	(665,303)
Cumulative eligible capital	**213,800**	181,780	158,460
Post-employment benefits	**352,630**	347,536	310,092
Allowance for doubtful accounts	**198,750**	238,500	207,230
Regulatory balances	**425,698**	286,450	77,561
Losses available for carry forward	**314,420**	665,000	-
Other	**72,550**	83,310	92,810
	(459,557)	424,351	180,850

11. Regulatory Balances

Reconciliation of the carrying amount for each class of regulatory balances

	January 1, 2015 $	Additions $	Recovery/ reversal $	December 31, 2015 $	Remaining recovery/ reversal years
Regulatory deferral account debit balances					
Group 1 deferred accounts					
Retail Settlement Variance Accounts	3,058,748	1,634,350	(1,501,508)	3,191,590	2
Retailer cost variance accounts	48,103	28,218	-	76,321	2
Stranded meters	2,332,050	(695,904)	-	1,636,146	2
Other regulatory accounts	540,630	288,603	(107,734)	721,499	2
Income tax	377,765	894,460	-	1,272,225	N/A
	6,357,296	2,149,727	(1,609,242)	6,897,781	

	January 1, 2014 $	Additions $	Recovery/ reversal $	December 31, 2014 $	Remaining years
Regulatory deferral account debit balances					
Group 1 deferred accounts					
Retail Settlement Variance Accounts	2,290,034	1,578,627	(809,913)	3,058,748	2
Retailer cost variance accounts	371,268	29,266	(352,431)	48,103	3
Stranded meters	2,950,474	(618,424)	-	2,332,050	3
Smart meter recoveries and expenses	(958,257)	958,257	-	-	-
Other regulatory accounts	1,163,818	58,279	(681,467)	540,630	3
Income tax	761,340	(383,575)	-	377,765	N/A
	6,578,677	1,622,430	(1,843,811)	6,357,296	

11. Regulatory Balances - continued

	January 1, 2015 $	Additions $	Recovery/ reversal $	December 1,2015 $	Remaining recovery/ reversal years $
Regulatory deferral account credit balances					
Group 1 deferred accounts					
Retail Settlement Variance Accounts	2,572,452	(643,870)	2,100,755	4,029,337	2
Regulatory settlement account	90,863	654,367	(491,513)	253,717	1
	2,663,315	10,497	1,609,242	4,283,054	

	January 1, 2014 $	Additions $	Recovery/ reversal $	December 31, 2014 $	Remaining years
Regulatory deferral account credit balances					
Group 1 deferred accounts					
Retail Settlement Variance Accounts	5,799,448	(7,311,114)	4,084,118	2,572,452	2
Regulatory settlement account	680,156	1,651,014	(2,240,307)	90,863	1
	6,479,604	(5,660,100)	1,843,811	2,663,315	

11. Regulatory Balances - continued

The regulatory balances are recovered or settled through rates approved by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Company has received approval from the OEB to establish its regulatory balances.

Settlement of the Group 1 deferral accounts is done on an annual basis through application to the OEB. An application has been made to the OEB to repay $585,441 of the Group 1 deferral accounts. Approval was received December 10, 2015. Effective January 1, 2016, the approved account balance was moved to the regulatory settlement account. The OEB requires the Company to estimate its income taxes when it files a COS application to set its rates. As a result, the Corporation has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Corporation's deferred tax balance fluctuates.

Regulatory balances attract interest at OEB prescribed rates, which are based on Bankers' Acceptances three-month rate plus a spread of 25 basis points. The rates were as follows:

Quarter	**2015**	**2014**
January 1 to March 31	1.47%	1.47%
April 1 to June 30	1.10%	1.47%
July 1 to September 30	1.10%	1.47%
October 31 to December 31	1.10%	1.47%

12. Accounts Payable and Accrued Liabilities

	December 31, 2015	December 31, 2014	January 1, 2014
	$	$	$
Accounts payable and accruals - energy purchases	**10,144,915**	9,968,434	9,272,320
Debt retirement charge payable to OEFC	**474,084**	480,025	507,285
Payroll payable	**245,095**	245,063	459,392
IESO conservation program funding	**-**	353,759	769,197
Other	**4,011,388**	3,267,607	2,684,665
	14,875,482	14,314,888	13,692,859

13. Long-Term Debt

	2015	2014	January 1, 2014
	$	$	$
Note payable, bearing interest at 5.87%, repayable to the City, interest only payable annually - due February, 2016	**24,189,168**	24,189,168	24,189,168
Royal Bank, non-revolving term facility with interest at prime repayable in quarterly instalments, due January, 2018	**2,737,312**	3,175,574	3,591,652
Royal Bank, non-revolving term facility with interest at prime repayable in quarterly instalments, due November, 2016	**152,589**	296,999	433,539
Ontario Infrastructure and Lands Corporation non-revolving term facility with interest at 5.14% repayable in semi annual instalments due December, 2032	**1,951,471**	2,021,441	2,087,911
Ontario Infrastructure and Lands Corporation non-revolving term facility with interest at 4.95% repayable in semi annual instalments due December, 2050	**4,592,555**	4,640,181	4,685,503
Ontario Infrastructure and Lands Corporation non-revolving term facility with interest at 3.46% repayable in semi annual instalments due October, 2027	**4,671,374**	4,979,381	5,276,866
Ontario Infrastructure and Lands Corporation non-revolving term facility with interest at 3.90% repayable in semi annual instalments due December, 2042	**3,766,678**	3,843,527	3,917,425
	42,061,147	43,146,271	44,182,064
Less current portion	**1,141,430**	1,088,567	1,038,479
	40,919,717	42,057,704	43,143,585

The City has an option to extend the maturity date of the promissory note for successive five year periods. The City also has the option to convert the principal sum outstanding into common shares of the Company at a conversion ratio of $ 100 per common share. Interest payable to the City of $1,419,904 (2014 - $1,419,904) was outstanding as at December 31, 2015. The City renewed the promissory note on January 29, 2016 for a five year term maturing on February 1, 2021 bearing interest at 4.20%.

13. Long-Term Debt - continued

The Company entered into a swap agreement during 2006 with Royal Bank to hedge against exposure to interest rate fluctuations. The agreement represents a notional principal amount of $ 5,900,000. Under the terms of the agreement, the company has contracted to pay interest at a fixed rate of 4.71% plus a stamping fee rate of 0.80% while receiving a variable rate equivalent to the one month Canadian Dollar Offered Rate to be repriced quarterly.

The Company entered into a second swap agreement during 2006 with Royal Bank to hedge against exposure to interest rate fluctuations. The agreement represents a notional principal amount of $ 1,200,000. Under the terms of the agreement, the company has contracted to pay interest at a fixed rate of 4.97% plus a stamping fee rate of 0.80% while receiving a variable rate equivalent to the one month Canadian Dollar Offered Rate to be repriced quarterly.

These credit facilities are secured by general security agreement over all assets of the Company and an assignment of related fire insurance.

Estimated principal repayment requirements are as follows:

	$
2016	1,141,430
2017	1,034,099
2018	2,351,608
2019	587,993
2020	611,290
Thereafter	36,334,727

14. Vested and Non-Vested Sick Leave

The Company is obligated to pay certain employees their sick leave banks that were frozen on December 31, 1998 by the former Hydro-Electric Commission of the City of Brantford. The sick leave banks will be paid out at retirement at the employee's pay rate at time of retirement.

The Company has also estimated the expected sick time utilized during the year in excess of the allotted 18 days per employee per year.

15. Post-Employment Benefits

Ontario Municipal Employees Retirement System (OMERS) Pension Plan

All full-time, permanent and certain contract employees of the Company are eligible to participate in the OMERS defined pension plan (the plan).

The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2015, the Company made employer contributions of $467,702 to OMERS (2014 - $399,742), of which $59,529 (2014 - $46,528) has been capitalized as part of PP&E and the remaining amount of $408,173 (2014 - $353,214) has been recognized in profit or loss. The Company estimates that a contribution of $437,700 to OMERS will be made during the next fiscal year.

As at December 31, 2014, OMERS had approximately 451,115 members, of whom 275,044 are current. The most recently available OMERS annual report is for the year ended December 31, 2014, which reported that the plan was 90.8% funded, with an unfunded liability of $7.1 billion. This unfunded liability is likely to result in future payments by participating employers and members

Post-employment benefits other than pension

The Company acquired various life insurance, health care related and dental coverage plan liabilities for certain retired employees of the former Hydro-Electric Commission of the City of Brantford. Travel, dental, vision and semi-private health care coverage is continued until the retiree reaches 65 years of age. Life insurance and extended health care coverage is continued until the retiree's death. The Company is also obligated to provide post retirement benefits to active employees.

The Company measures the accrued benefit obligation for accounting purposes as of December 31 of each year. The accrued benefit obligation as at December 31, 2015 and the expense for the period ended December 31, 2015 are based on actuarial valuations done as at January 1, 2015.

The obligation is unfunded since no assets have been segregated and restricted to provide the post-retirement benefits.

15. Post-Employment Benefits - continued

Significant Assumptions

The key weighted-average assumptions used by the Company for the measurement of the benefit obligation and benefit expense are summarized as follows:

	2015	2014
	$	$
To determine benefit obligation at end of year		
Discount rate	**3.50%**	3.50%
Assumed long-term rate of return on assets	**N/A**	N/A
To determine benefit expense (income) for the year		
Discount rate	**3.75%**	4.25%
Assumed long-term rate of return on assets	**N/A**	N/A
Rate of increase in future compensation	**N/A**	N/A
Health care cost trend rates at end of year		
Initial rate	**7.00%**	8.50%
Ultimate rate	**4.75%**	5.00%
Year ultimate rate reached	**2023**	2019

Sensitivity Analysis	**Change in Obligation**	**Change in Expense**
	$	$
Impact of 1% increase in assumed health care trend rate	114,400	143,963
Impact of 1% decrease in assumed health care trend rate	(98,100)	(120,867)

	2015	2014
	$	$
Reconciliation of the obligation		
Defined benefit obligation, beginning of year	**1,205,061**	1,077,901
Included in profit or loss		
Current service cost	**71,129**	61,014
Interest cost	**43,753**	46,916
Included in OCI	**-**	-
Actuarial (gains) losses	**(31,717)**	89,230
Benefits paid	**(52,222)**	(70,000)
Defined benefit obligation, end of year	**1,236,004**	1,205,061

16. Share Capital

	2015	2014
	$	$
Authorized		
Unlimited number of common shares		
Issued		
1,001 common shares	**22,437,505**	22,437,505

Dividends

The Company has established a dividend policy to pay a pure residual non-cumulative approach to dividends whereby no specified targeted dividend payout ratios or dollar amounts will be prescribed in advance.

The Company paid aggregate dividends in the year on common shares of $999 per share (2014 - $749), which amount to total dividends paid in the year of $1,000,000 (2014 -$750,000).

17. Other Revenue

	2015	2014
	$	$
Specific services charges	**650,019**	539,109
Management fees	**410,230**	85,811
Property rental	**109,740**	108,645
Retailer revenue	**32,641**	34,586
(Loss) gain on disposal of assets	**(53,782)**	13,477
Customer contributions	**14,241**	5,394
Other revenue	**15,409**	5,581
	1,178,498	792,603

18. Finance Income and Costs

	2015	2014
	$	$
Finance Income		
Interest income on bank deposits	**126,219**	173,887
Late payment charges	**226,041**	206,650
	352,260	380,537
Finance Costs		
Interest on long-term debt	**2,245,461**	2,296,798
Interest expense on customer deposits	**13,103**	12,430
(Gain) loss on derivative liabilities	**(40,619)**	(35,847)
Other	**62,044**	65,336
	2,279,989	2,338,717
Net finance costs recognized in profit or loss	**1,927,729**	1,958,180

19. Contingencies and Commitments

General Liability Insurance

The Company has obtained general liability and enhanced directors and officers insurance coverage from the Municipal Electric Association Reciprocal Insurance Exchange (The Mearie Group) expiring January 1, 2017. The Mearie Group is an insurance reciprocal whereby all members through the unincorporated group share risks with each other. Members of the Mearie Group are assessed a premium deposit at policy execution. Should the group experience losses that are in excess of the accumulated premium deposits of its members combined with reserves and supplementary insurance, members would be assessed a supplementary or retro assessment on a pro-rata basis for the years in which the Company was a member.

As at December 31, 2015, the Company has not been made aware of any additional assessments. Participation in The Mearie Group covers a three year underwriting period which expires on January 1, 2016.

General

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. The Company has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Company's financial position, results of operations or its ability to carry on any of its business activities.

20. Related Party Transactions

The Company is a wholly owned subsidiary of Brantford Energy Corporation and Brantford Energy Corporation is wholly owned by The Corporation of the City of Brantford (the City). Brantford Energy Corporation also owns Brantford Hydro Inc. and Brantford Generation Inc.

The Company obtains certain administrative and management services from the City and Brantford Energy Corporation. The Company also provides services to the City, Brantford Generation Inc. and Brantford Hydro Inc. These services were made in the normal course of business, are non-interest bearing, have terms of net thirty days and have been recorded at the exchange amounts.

The Company has entered into a shared services agreement with the City, whereby the City will provide administrative, maintenance and operational services for the Company. The exchange amount for these services has been set out in the agreement. As at December 31, 2015 the balance owing to the City for these services was $545,650 (December 31, 2014 - $639,065) (January 1, 2014 - $952,468).

Details of the transactions between the Company and the City are detailed below:

	2015	2014
City of Brantford	**$**	$
Revenues		
Sale of energy	**7,619,343**	7,181,702
Other services	**181,764**	194,763
	7,801,107	7,376,465
Operating expenses		
Shared services agreement	**2,148,044**	2,169,080
Property taxes	**19,445**	17,835
	2,167,489	2,186,915

20. Related Party Transactions - continued

Brantford Energy Corporation and its subsidiaries restructured some of its services during 2014. As a result, the Company is now providing administrative support to their affiliates. Details of these charges are presented by affiliate in the following charts.

The Company obtains management services from Brantford Energy Corporation.

Details of the transactions between the Company and Brantford Energy Corporation are presented below:

	2015	2014
Brantford Energy Corporation	**$**	$
Revenues		
Administrative support	**119,107**	15,185
	119,107	15,185
Operating expenses		
Management fees	**160,728**	125,308
	160,728	125,308

The Company purchases dark fibre optics services from Brantford Hydro Inc.

The Company charges pole rental fees to Brantford Hydro Inc. These rental fees allow fibre optic cables to be attached to the Company's distribution assets. The Company also provides other services such as, water heater tank disposal handling and assistance when fibre optic maintenance is done in proximity of electrical plant.

Details of the transactions between the Company and Brantford Hydro Inc. are presented below:

	2015	2014
Brantford Hydro Inc.	**$**	$
Revenue		
Administrative support	**179,862**	36,041
Pole rental fees	**46,399**	45,773
Other services	**10,447**	34,451
	236,708	116,265
Operating expenses		
Dark fibre optic services	**3,600**	3,600
	3,600	3,600

20. Related Party Transactions - continued

For the year ended December 31, 2015, the Company provided electricity to Brantford Generation Inc. and purchases electricity from Brantford Generation Inc. A long term customer deposit of $6,955 (December 31, 2014 - $6,955) (January 1, 2014 - $6,955) has been paid to the Company from Brantford Generation Inc.

Details of the transactions between the Company and Brantford Generation Inc. are presented below:

	2015	2014
Brantford Generation Inc.	**$**	$
Revenue		
Administrative support	**111,261**	34,584
Sale of energy	**155,522**	143,626
	266,783	178,210
Operating expenses		
Cost of power purchased	**1,052,324**	1,278,882
	1,052,324	1,278,882

Balances owing (to)/from affiliates are as follows:

	December 31 2015	December 31 2014	January 1 2014
	$	$	$
Brantford Energy Corporation	**(13,045)**	(48,624)	(10,322)
Brantford Hydro Inc.	**43,153**	57,454	2,960
Brantford Generation Inc. - amount owing for electricity generated	**(92,044)**	(118,070)	(272,951)
Brantford Generation Inc. - receivable balance	**156,561**	33,891	-
Brantford Generation Inc. - impairment allowance	**(153,976)**	-	-
Total due to affiliates	**(59,351)**	(75,349)	(280,313)

20. Related Party Transactions - continued

Key management personnel

The key management personnel of the Corporation have been defined as members of its board of directors and executive management team members. The compensation paid or payable is as follows:

	2015	2014
	$	$
Directors' fees	**26,318**	30,958
Salaries and other short-term benefits	**952,954**	812,979
Post-employment benefits	**5,653**	3,270
	984,925	847,207

21. Statement of Cash Flows

	2015	2014
	$	$
Changes in non-cash working capital		
Accounts receivable	**264,839**	(1,082,282)
Unbilled revenue	**(1,507,734)**	375,906
Materials and supplies	**(277,047)**	6,367
Prepaid expenses	**(115,669)**	(50,343)
Accounts payable and accrued liabilities	**560,594**	622,031
Accounts payable to the City of Brantford	**(189,340)**	(313,403)
Due to affiliates	**(15,998)**	(204,964)
Customer deposits	**150,978**	(15,061)
	(1,129,377)	(661,749)

22. Amortization

	2015	2014
	$	$
Amortization of capital assets	**3,018,325**	3,018,923
Amortization of capital assets charged to distribution operations and maintenance	**153,397**	134,638
	3,171,722	3,153,561

23. Capital Disclosures

The Company's main objectives when managing capital are to:

- ensure ongoing access to funding to maintain and improve the electricity distribution system;
- ensure compliance with covenants related to its credit facilities; and
- closely align its capital structure with the debt to equity structure deemed by the OEB.

As at December 31, 2015, the Company's definition of capital includes shareholder's equity and long-term debt. This definition remains unchanged from prior years. As at December 31, 2015, shareholder's equity amounts to $41,797,005 (2014 - $39,669,836) and long-term debt, amounts to $40,919,717 (2014 - $42,057,704). The Company's capital structure as at December 31, 2015 is 49% debt and 51% equity (2014 - 51% debt and 49% equity). There have been no changes in the Company's approach to capital management during the year.

The Company's long-term debt agreements include both financial and non-financial covenants. As at December 31, 2015 and as at December 30, 2014, the Company was in compliance with all covenants.

24. Financial Instruments

All financial instruments are initially recorded on the statement of financial position at fair value except for certain related party transactions. They are subsequently valued either at fair value or amortized cost depending on the classification selected by the Company for the financial instrument.

Interest Rate Risk

Interest is paid on customer deposits at a market rate reset quarterly as directed by the Ontario Energy Board.

Two term facility loans bear interest at floating rates and thus, the carrying values approximate fair values. However, the Company has entered into two interest rate swap transactions, derivative instruments, the effect of which is to fix the interest rate on the first $2,741,000 term facility loan at 4.71% and the second $153,000 term facility loan at 4.97%. The potential replacement cost to Brantford Power Inc. of the interest rate swaps, representing estimated fair value as presented on the balance sheet, was $292,054 (2014 - $333,600), which was in the favour of Royal Bank. The Company entered into these interest rate swap transactions to fix the interest rates over the long term and intends to hold these to maturity at which time there should be no replacement cost.

Credit Risk

The Company grants credit to its customers in the normal course of business and monitors their financial condition and reviews the credit history of new customers. The Company is currently holding customer deposits on hand in the amount of $1,606,069 (2014 - $1,455,091) which is reflected on the Balance Sheet. Customer deposits are limited to those allowed under the OEB's Retail Settlement Code. Allowances of $750,000 (2014 - $900,000) are also maintained for potential credit losses. The Company's accounts receivable do not reflect the concentrated risk of default from exposure to large customers. At December 31, 2015, the outstanding amounts receivable from the largest ten customers represented $2,517,034 or 30% (2014 - $1,978,309 or 20%) of the total outstanding accounts receivable. Management believes that it has adequately provided for any exposure to normal customer and retailer credit risk.

Liquidity Risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cashflows generated from operations to meet its requirements.

24. Financial Instruments - continued

Prudential Support

Brantford Power Inc. is required, through the Independent Electricity System Operator (IESO), to provide security to mitigate the company's risk of default based on its expected activity in the electricity market. The IESO could draw on this guarantee if the Company fails to make a payment required by a default notice issued by the IESO. The maximum potential payment is the face value of the bank letter of credit. As at December 31, 2015, the Company provided prudential support in the form of a bank letter of credit of $13,057,140 (2014 - $13,057,140).

Revolving Term Facility

As at December 31, 2015, the Company has been authorized for a revolving term facility of $7,000,000 of which NIL had been drawn upon. The facility bears interest at prime and is secured by a general security agreement over all assets of the Company and assignment of related fire insurance.

Fair Value of Other Financial Instruments

a) Establishing fair value

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, accounts payable to the City of Brantford, interest payable to the City of Brantford, and due to affiliates approximate their fair values due to the immediate or short-term maturity of these financial instruments.

Fair values for other financial instruments, detailed below, have been estimated with reference to quoted market prices for actual or similar instruments where available, except for certain related party transactions.

Customer deposits fair value equals carrying value. Interest is paid on deposits on a monthly basis at a market rate, reset quarterly, as directed by the Ontario Energy Board.

The fixed rate long-term debt facility, maturing December 2032, funded by the Ontario Infrastructure and Lands Corporation (OILC) has an estimated fair value of $2,164,100 (carrying value - $1,951,471). The fair value was determined using the present value of the cash flows using the quoted OILC market rate for the debt at December 31, 2015, of 3.73% per annum, (actual rate – 5.14% per annum). The loan is classified as an Other Liability (OL) with no resulting adjustment to carrying value.

24. Financial Instruments - continued

The fixed rate long-term debt facility, maturing December 2050, funded by the OILC has an estimated fair value of $5,303,200 (carrying value - $4,592,555). The fair value was determined using the present value of the cash flows using the quoted OILC market rate for the debt at December 31, 2015, of 3.84% per annum, (actual rate – 4.95% per annum). The loan is classified as an Other Liability (OL) with no resulting adjustment to carrying value.

The fixed rate long-term debt facility, maturing October 2027, funded by the OILC has an estimated fair value of $4,701,900 (carrying value - $4,671,374). The fair value was determined using the present value of the cash flows using the quoted OILC market rate for the debt at December 31, 2015, of 3.23% per annum, (actual rate – 3.46% per annum). The loan is classified as an Other Liability (OL) with no resulting adjustment to carrying value.

The fixed rate long-term debt facility, maturing December 2042, funded by the OILC has an estimated fair value of $3,800,700 (carrying value - $3,766,678). The fair value was determined using the present value of the cash flows using the quoted OILC market rate for the debt at December 31, 2015, of 3.84% per annum, (actual rate – 3.90% per annum). The loan is classified as an Other Liability (OL) with no resulting adjustment to carrying value.

The promissory note payable to the Corporation of the City of Brantford has an estimated fair value of $30,548,900 (carrying value - $24,189,168). The fair value was determined using the present value of the cash flows using the quoted OILC market rate for the debt at December 31, 2015, of 3.84% per annum, (actual rate – 5.87% per annum). The loan is classified as an Other Liability (OL) with no resulting adjustment to carrying value.

The fair value of derivative instruments is calculated using pricing models that incorporate current market prices and the contractual prices of the underlying instruments, the time value of money and yield curves.

b) Fair value hierarchy

Financial instruments recorded at fair value on the Balance Sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

24. Financial Instruments - continued

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents the financial instruments recorded at fair value in the Balance Sheet, classified using the fair value hierarchy described above:

	Level 1	Level 2	Level 3	Total financial assets and liabilities at fair value
	$	**$**	**$**	$
Financial Assets				
Cash and cash equivalents	12,891,079	-	-	12,891,079
Prepaid expenses	331,631	-	-	331,631
Total financial assets	**13,222,710**	**-**	**-**	**13,222,710**
Financial liabilities				
Customer deposits	1,606,069	-	-	1,606,069
Long-term debt	42,061,147	-	-	42,061,147
Derivative liabilities	292,054	-	-	292,054
Total financial liabilities	**43,959,270**	**-**	**-**	**43,959,270**

During the year, there has been no transfer of amounts between Level 1 and Level 2 and no financial assets or liabilities have been identified as Level 3.

25. Explanation of Transition to IFRS

As stated in Note 2, these are the Company's first financial statements prepared in accordance with IFRS.

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended December 31, 2015, the comparative information presented in these financial statements for the year ended December 31, 2014, and in the preparation of the opening IFRS Statement of Financial Position as at January 1, 2014 (the Company’s date of transition).

25. Explanation of transition to IFRS - continued

In preparing its opening IFRS Statement of Financial Position, the Company has adjusted the amounts reported previously in the financial statements prepared in accordance with Canadian general accepted accounting principles (CGAAP). An explanation of how the transition from CGAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes accompanying the tables.

Regulatory accounts

IFRS14: *Regulatory Deferral Accounts*, permits an entity to continue to account for regulatory deferral account balances in its financial statements in accordance with its previous GAAP when it adopts IFRS. An entity is permitted to apply the requirements of this standard in its first IFRS financial statements if and only if it conducts rate-regulated activities and recognized amounts that qualify as regulatory deferral account balances in its financial statements in accordance with its previous GAAP. This standard exempts an entity from applying paragraph 11 of IAS8: *Accounting policies, changes in accounting estimates and errors*, to its accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral account balances.

IFRS 14 is effective from periods beginning on or after January 1, 2016, however, early application is permitted. The Company has elected to apply this Standard in its first IFRS financial statements.

IFRS 1 Exemptions

IFRS 1 *First-time adoption of International Financial Reporting Standards* sets out the procedures that the Company must follow when it adopts IFRS for the first time as the basis for preparing its financial statements. The Company is required to establish its IFRS accounting policies as at December 31, 2015 and, in general, apply these retrospectively to determine the IFRS opening statement of financial position as its date of transition, January 1, 2014. This standard provides a number of mandatory and optional exemptions to this general principle. These are set out below, together with a description in each case of the exemption adopted by the Company.

Transfer of assets from customers

The company has elected to apply the transitional provisions in IFRIC 18 *Transfers of Assets from Customers.* This provision states that the effective date of this standard should be July 1, 2019 or the date of transition to IFRS whichever is the later.

25. Explanation of transition to IFRS - continued

Deemed cost

IFRS 1 provides an optional exemption for a first-time adopter with rate-regulated activities to use the carrying amount of PP&E and intangible assets as deemed cost on transition date when the carrying amount includes costs that do not quality for capitalization in accordance with IFRS. The Company elected this exemption and used the carrying amount of the PP&E and intangible assets under CGAAP as deemed cost on transition date. The carrying amount used as deemed cost is $64,379,612 for PP&E and $482,104 for intangible assets.

If an entity applies this exemption, at the date of transition to IFRS, it shall test for impairment each item for which this exemption is used. The assets were tested for impairment at the date of transition and it was determined that the assets were not impaired.

25. Explanation of transition to IFRS - continued

Reconciliation of statement of financial position and statement of changes in equity

January 1, 2014	Note	CGAAP	Presentation differences	Measurement & recognition differences	IFRS
		$	$	$	$
Cash and cash equivalents	b	13,172,577	1,470,152	-	14,642,729
Accounts receivable		9,275,123	-	-	9,275,123
Unbilled revenue		11,018,050	-	-	11,018,050
Payments in lieu of corporate income taxes		324,099	-	-	324,099
Materials and supplies		859,915	-	-	859,915
Prepaid expenses	h	244,091	-	(78,472)	165,619
Special deposits	b	1,470,152	(1,470,152)	-	-
Property, plant and equipment	c	60,143,968	4,235,644	-	64,379,612
Intangible assets	d	3,432,578	(2,950,474)	-	482,104
Deferred payments in lieu of corporate income tax	j	455,648	(274,798)	-	180,850
Total assets		100,396,201	1,010,372	(78,472)	101,328,101
Regulatory balances	c, d	7,863,847	(1,285,170)	-	6,578,677
Total assets and regulatory balances		108,260,048	(274,798)	(78,472)	107,906,778

25. Explanation of transition to IFRS - continued

Reconciliation of statement of financial position and statement of changes in equity

January 1, 2014	Note	CGAAP	Presentation differences	Measurement & recognition differences	IFRS
		$	$	$	$
Accounts payable and accrued liabilities		13,692,859	-	-	13,692,859
Due to affiliates		280,313	-	-	280,313
Accounts payable to the City of Brantford		952,468	-	-	952,468
Interest payable to the City of Brantford		1,419,904	-	-	1,419,904
Current portion of long-term debt		1,038,479	-	-	1,038,479
Customer deposits		1,470,152	-	-	1,470,152
Long-term debt		43,143,585	-	-	43,143,585
Post employment benefits	j	2,114,875	-	(1,036,974)	1,077,901
Vested sick leave		92,262	-	-	92,262
Derivative liabilities		372,285	-	-	372,285
Total liabilities		64,577,182	-	(1,036,974)	63,540,208
Share capital		22,437,505	-	-	22,437,505
Retained Earnings	h, i	15,026,580	-	(339,295)	14,687,285
Accumulated Other Comprehensive Income	i, j	(260,823)	(274,798)	1,297,797	762,176
Total liabilities and equity		101,780,444	(274,798)	(78,472)	101,427,174
Regulatory balances		6,479,604	-	-	6,479,604
Total liabilities, equity, and regulatory balances		108,260,048	(274,798)	(78,472)	107,906,778

25. Explanation of transition to IFRS - continued

Reconciliation of statement of financial position and statement of changes in equity

December 31, 2014	Note	CGAAP	Presentation differences	Measurement & recognition differences	IFRS
		$	$	$	$
Cash and cash equivalents	b	9,875,967	1,455,091	-	11,331,058
Accounts receivable		10,357,405	-	-	10,357,405
Unbilled revenue		10,642,144	-	-	10,642,144
Payments in lieu of corporate income taxes		622,158	-	-	622,158
Materials and supplies		853,548	-	-	853,548
Prepaid expenses	h	262,836	-	(46,874)	215,962
Special deposits	b	1,455,091	(1,455,091)	-	-
Property, plant and equipment	f, k	63,602,605	439,812	(18,775)	64,023,642
Intangible assets		641,038	-	-	641,038
Deferred payments in lieu of corporate income tax	j	656,995	(232,644)	-	424,351
Total assets		98,969,787	207,168	(65,649)	99,111,306
Regulatory balances	k	6,336,310	-	20,986	6,357,296
Total assets and regulatory balances		105,306,097	207,168	(44,663)	105,468,602

25. Explanation of transition to IFRS - continued

Reconciliation of statement of financial position and statement of changes in equity

December 31, 2014	Note	CGAAP	Presentation differences	Measurement & recognition differences	IFRS
		$	$	$	$
Accounts payable and accrued liabilities		14,314,888	-	-	14,314,888
Due to affiliates		75,349	-	-	75,349
Accounts payable to the City of Brantford		639,065	-	-	639,065
Interest payable to the City of Brantford		1,419,904	-	-	1,419,904
Current portion of long-term debt		1,088,567	-	-	1,088,567
Customer deposits		1,455,091	-	-	1,455,091
Deferred revenues	f	-	439,812	-	439,812
Long-term debt		42,057,704	-	-	42,057,704
Post employment benefits	j	2,099,345	-	(894,284)	1,205,061
Vested sick leave	l	90,030	-	16,380	106,410
Derivative liabilities		333,600	-	-	333,600
Total liabilities		63,573,543	439,812	(877,904)	63,135,451
Share capital		22,437,505	-	-	22,437,505
Retained Earnings	i, j	16,866,210	26,347	(356,818)	16,535,739
Accumulated Other Comprehensive Income	i, j	(234,476)	(258,991)	1,190,059	696,592
Total liabilities and equity		102,642,782	207,168	(44,663)	102,805,287
Regulatory balances		2,663,315	-	-	2,663,315
Total liabilities, equity, and regulatory balances		105,306,097	207,168	(44,663)	105,468,602

25. Explanation of transition to IFRS - continued

Reconciliation of net income for 2014

	Note	CGAAP	Presentation differences	Measurement & recognition differences	IFRS
		$	$	$	$
Sale of energy	g	-	95,313,553	-	95,313,553
Distribution revenue	g	16,065,685	1,667,838	-	17,733,523
IESO conservation programs		3,407,271	-	-	3,407,271
Finance income	g	456,332	(75,795)	-	380,537
Other income	f, g	815,363	(22,760)	-	792,603
		20,744,651	96,882,836	-	117,627,487
Cost of power purchased	g	-	99,969,443	-	99,969,443
Distribution operations and maintenance	h	3,698,044	-	(3,323)	3,694,721
Billing and collecting	h	2,879,988	-	(27,014)	2,852,974
General administration	h, j, l	2,710,718	-	68,579	2,779,297
IESO conservation programs		3,407,271	-	-	3,407,271
Finance costs	g, i	2,419,341	(80,624)	-	2,338,717
Amortization	f, k	3,015,739	5,395	(2,211)	3,018,923
Income tax expense	e, g, i	23,920	(374,075)	(18,508)	(368,663)
		18,155,021	99,520,139	17,523	117,692,683
Net income for the year		2,589,630	(2,637,303)	(17,523)	(65,196)
Movement in regulatory balances	e, g	-	2,663,650	-	2,663,650
Net income and net movement in regulatory balances, net of tax		2,589,630	26,347	(17,523)	2,598,454

25. Explanation of transition to IFRS - continued

Reconciliation of net income for 2014

	Note	CGAAP $	Presentation differences $	Measurement & recognition differences $	IFRS $
Net income and net movement in regulatory balances, net of tax		2,589,630	26,347	(17,523)	2,598,454
Other comprehensive income					
Reclass of 2014 CGAAP Unrecognized Gains	i	26,347	(26,347)	-	-
Remeasurement of post-employment benefits	j	-	-	(89,230)	(89,230)
Tax on post-employment remeasurements	j	-	-	23,646	23,646
Total other comprehensive income		26,347	(26,347)	(65,584)	(65,584)
Total comprehensive income for the year		2,615,977	-	(83,107)	2,532,870

25. Explanation of transition to IFRS - continued

Notes to the reconciliations

Presentation Differences

a. Property, Plant and Equipment (PP&E) and Intangible Assets

The Company has elected under IFRS 1 to use the carrying value of items of PP&E and intangible assets as the deemed cost at the date of transition. Therefore, there has been no change to the net PP&E and intangible assets at January 1, 2014. The effect of this transitional adjustment is a decrease to the original cost and accumulated depreciation of the affected PP&E and intangible assets by $35,041,924 and $449,437 respectively, the CGAAP accumulated depreciation amount, on January 1, 2014.

b. Reclass Special Deposits

Under CGAAP, the Company recorded the portion of the bank account that related to customer deposits as "Special deposits" on the statement of financial position. Under IFRS, these balances remain in cash and cash equivalents.

c. Smart Meters

Under CGAAP, the Company treated smart meters that were installed in accordance with the OEB initiative as regulatory assets. Under IFRS, these meters have been reclassed to property, plant and equipment.

d. Stranded Meters

Under CGAAP, the Company treated meters that were stranded as a result of the OEB smart meter initiative as intangible assets. Under IFRS, these meters have been reclassed to regulatory balances.

e. Deferred Taxes

Deferred taxes related to regulatory balances have been reclassed from deferred taxes to regulatory balances

f Contributed Capital

Under CGAAP, customer contributions were netted against the cost of PP&E and amortized to profit or loss as an offset to depreciation expense, on the same basis as the related assets. Under IFRS, customer contributions are recognized as deferred revenue, not netted against PP&E, and amortized into profit or loss over the life of the related asset.

As detailed in note a above, the IFRS exemption allowed the NBV of the capital contributions as at January 1, 2014 to remain in the opening cost of PP&E. There was no opening deferred revenue as a result. The effect of the above is to increase PP&E and deferred revenue by $439,812 at December 31, 2014 and to increase other revenue and depreciation expense by $5,395 for the year ended December 31, 2014.

25. Explanation of transition to IFRS - continued

g. Sale and Purchase of Energy and Related Regulatory Balance Changes

As a result of the change to IFRS, the Company needs to report energy sales and purchases separately on the statement of income. Any regulatory changes related to the sale and purchase of energy as well as distribution revenues needs to be reported as movement in regulatory balances.

Measurement and Recognition Differences

h. Prepaid Expenses

Under CGAAP, the Company deferred and amortized several charges from the City related to major repairs and renovations of City owned buildings occupied by the Company. Under IFRS, these charges did not meet the definition of an asset and should have been expensed when incurred.

i. Accumulated Other Comprehensive Income (AOCI) on Hedge Derivatives

The Company is no longer using hedge accounting to record the interest rate swap on the two Royal Bank non-revolving term facilities. As a result, the opening AOCI of $260,822 has been closed to retained earnings. The 2014 gain on derivatives of $35,847 and the related future taxes of $9,500 has been recognized in the 2014 net income under IFRS.

j. Post-Employment Benefits

The Company adopted the revised Employee Benefits standard effective January 1, 2014. This revised standard requires recognition of actuarial gains and losses through other comprehensive income. This decreased post-employment benefits and increased AOCI by $1,036,974 at January 1, 2014 and, increased operating expenses by $53,460 and increased post-employment benefits by $142,690 at December 31, 2014.

k. Early disposal of Property, Plant and Equipment

Under CGAAP for rate regulated entities, the Company removed assets from the accounts at the end of their estimated useful lives. IFRS requires assets to be removed from the accounts when they have been removed from service.

The effect is to decrease PP&E by $18,775 at December 31, 2014, increase regulatory balances by $20,986 and to decrease amortization expense by $2,211 for the year ended December 31, 2014.

l. Sick Time in Excess of Entitlement

Under IFRS, The Company is required to record a liability for non-vested accumulative sick leave.

25. Explanation of transition to IFRS - continued

Explanation of material adjustments to the statement of cash flows for 2014

There are no material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under CGAAP.