Financial Statements of

Brantford Power Inc.

December 31, 2019

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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
May 27, 2020

Brian D'Amboise, CPA, CA
Chief Financial Officer
May 27, 2020

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Brantford Power Inc.:

Opinion

We have audited the financial statements of Brantford Power Inc. (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled are other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent
member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

May 27, 2020

Brantford Power Inc.
Statement of Financial Position
as at December 31, 2019

Assets	2019 $	2018 $
Cash and cash equivalents - note 5	**7,778,501**	16,946,199
Accounts receivable - note 6	**10,275,929**	10,721,509
Due from affiliates - note 12	**-**	7,570
Unbilled revenue	**12,999,322**	10,989,214
Materials and supplies - note 7	**961,519**	763,763
Prepaid expenses	**239,928**	347,773
Payments in lieu of corporate income taxes - note 15	**1,384,051**	-
Total Current Assets	**33,639,250**	39,776,028
Property, plant and equipment - note 8	**88,086,448**	70,221,198
Intangible assets - note 9	**3,055,793**	2,332,908
Deferred tax assets - note 15	**1,064,730**	649,705
Total Non-Current Assets	**92,206,971**	73,203,811
Total Assets	**125,846,221**	112,979,839
Regulatory balances - note 10	**6,413,314**	3,572,534
Total Assets and Regulatory Balances	**132,259,535**	116,552,373

Signed on behalf of the Board:

_________________ Director

_________________ Director

Brantford Power Inc.

Statement of Financial Position

as at December 31, 2019

Liabilities and Equity	2019 $	2018 $
Accounts payable and accrued liabilities - note 11	**17,687,878**	14,627,353
Due to affiliates - note 12	**119,622**	-
Accounts payable to the City of Brantford - note 12	**582,430**	352,335
Interest payable to the City of Brantford - note 13	**1,015,945**	1,015,945
Customer deposits	**2,081,534**	1,886,318
Current portion of long-term debt - note 13	**1,186,290**	1,132,993
Payments in lieu of corporate income taxes - note 15	**-**	292,639
Total Current Liabilities	**22,673,699**	19,307,583
Long-term debt - note 13	**49,347,944**	37,676,059
Post-employment benefits - note 14	**1,245,300**	1,224,800
Accumulated vested sick leave credits	**-**	61,883
Deferred revenues - note 16	**4,725,784**	3,037,769
Derivative liabilities - note 25	**720,354**	39,354
Deferred tax liabilities - note 15	**4,905,280**	2,720,751
Total Non-Current Liabilities	**60,944,662**	44,760,616
Total Liabilities	**83,618,361**	64,068,199
Equity		
Share capital - note 17	**22,437,505**	22,437,505
Retained earnings	**24,934,889**	23,238,982
Accumulated other comprehensive income	**313,985**	873,788
Total Equity	**47,686,379**	46,550,275
Total Liabilities and Equity	**131,304,740**	110,618,474
Regulatory balances - note 10	**954,795**	5,933,899
Total Liabilities, Equity and Regulatory Balances	**132,259,535**	116,552,373

Contingencies and Commitments - note 20
Subsequent event - note 27

Brantford Power Inc.

Statement of Comprehensive Income

for the year ended December 31, 2019, with comparative information for 2018

	2019	2018
	$	$
Revenue		
Distribution revenue	**17,908,538**	17,437,596
IESO conservation programs	**1,553,047**	1,690,308
Other income - note 18	**957,034**	566,264
	20,418,619	19,694,168
Sale of energy	**111,743,409**	109,916,976
Total revenue	**132,162,028**	129,611,144
Operating Expenses		
Distribution operations and maintenance - note 21	**3,842,294**	3,794,522
Billing and collecting - note 21	**3,512,063**	3,303,909
General administration - note 21	**4,395,549**	4,287,654
IESO conservation programs - note 21	**1,658,795**	1,325,866
Amortization - note 23	**3,557,438**	3,164,977
	16,966,139	15,876,928
Cost of power purchased	**118,301,973**	107,788,878
Total operating expenses	**135,268,112**	123,665,806
Income from operating activities	**(3,106,084)**	5,945,338
Finance income - note 19	**614,541**	552,596
Finance costs - note 19	**(1,723,787)**	(1,745,054)
Income before income taxes	**(4,215,330)**	4,752,880
Income tax expense - note 15	**1,158,647**	683,053
Net income for the year	**(5,373,977)**	4,069,827
Net movement in regulatory balances, net of tax		
Net movement in regulatory balances	**6,525,149**	(2,281,930)
Income tax on movement in regulatory balances	**1,294,735**	175,319
	7,819,884	(2,106,611)
Net income for the year and net movement in regulatory balances	**2,445,907**	1,963,216
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefits - note 14	**(59,400)**	254,469
Tax on remeasurements	**15,741**	(67,434)
Unrealized loss on derivatives	**(702,237)**	-
Tax on unrealized loss	**186,093**	-
Other comprehensive (loss) income for the year	**(559,803)**	187,035
Total comprehensive income for the year	**1,886,104**	2,150,251

Brantford Power Inc.

Statement of Changes in Equity

for the year ended December 31, 2019, with comparative information for 2018

	Share capital	Retained earnings	Accumulated other comprehensive income	Total
	$	$	$	$
Balance at January 1, 2018	22,437,505	22,025,766	686,753	45,150,024
Net income and net movement in regulatory balances	-	1,963,216	-	1,963,216
Other comprehensive income	-	-	187,035	187,035
Dividends	-	(750,000)	-	(750,000)
Balance at December 31, 2018	**22,437,505**	**23,238,982**	**873,788**	**46,550,275**
Balance at January 1, 2019	22,437,505	23,238,982	873,788	46,550,275
Net income and net movement in regulatory balances	-	2,445,907	-	2,445,907
Other comprehensive loss	-	-	(559,803)	(559,803)
Dividends	-	(750,000)	-	(750,000)
Balance at December 31, 2019	**22,437,505**	**24,934,889**	**313,985**	**47,686,379**

See accompanying notes

Brantford Power Inc.

Statement of Cash Flows

for the year ended December 31, 2019, with comparative information for 2018

	2019	2018
	$	$
Operating activities		
Net income and net movement in regulatory balances	**2,445,907**	1,963,216
Items not affecting cash		
Amortization - note 23	**3,802,139**	3,401,470
Amortization of deferred revenue	**(83,361)**	(48,824)
Loss on disposal of property, plant and equipment	**110,195**	213,961
Income tax expense	**1,158,647**	683,053
Other items not affecting cash - note 22	**(122,020)**	119
	7,311,507	6,212,995
Changes in non-cash working capital components - note 22	**1,845,258**	(305,742)
Regulatory balances	**(7,819,884)**	2,106,611
Contributions received from customers	**1,773,026**	813,883
Income tax paid	**(862,534)**	(469,811)
Income tax received	**-**	12,861
Net cash from operating activities	**2,247,373**	8,370,797
Investing activities		
Acquisition of property, plant and equipment	**(21,386,317)**	(5,066,619)
Acquisition of intangible assets	**(1,074,839)**	(1,138,919)
Proceeds from disposal of property, plant and equipment	**72,553**	9,000
Net cash used by investing activities	**(22,388,603)**	(6,196,538)
Financing activities		
Proceeds of issuance of long-term debt	**13,000,000**	-
Repayment of long-term debt	**(1,156,341)**	(1,082,608)
Debt issuance costs	**(118,477)**	-
Receipt of deferred revenues	**(1,650)**	230,287
Dividends paid	**(750,000)**	(750,000)
Net cash from (used) by financing activities	**10,973,532**	(1,602,321)
Change in cash and cash equivalents	**(9,167,698)**	571,938
Cash and cash equivalents, beginning of year	**16,946,199**	16,374,261
Cash and cash equivalents, end of year	**7,778,501**	16,946,199

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. 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. The Company purchased 150 Savannah Oaks during 2019 with the intention of consolidating its three operational locations to this facility during 2020. 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).

The financial statements were approved by the Board of Directors on May 27, 2020.

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.

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.

2. Basis of Presentation - continued

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) Notes 3, 8 and 9 - estimation of useful lives of its property, plant and equipment and intangible assets.

(iii) Notes 3 and 10 - recognition and measurement of regulatory balances

(iv) Notes 3 and 14 - measurement of defined benefit obligations: key actuarial assumptions

(v) Note 20 - recognition and measurement of provisions and contingencies

Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statement is included in the following notes:

(i) Note 3 - leases: whether an arrangement contains a lease

(ii) Note 20 - commitments and contingencies; whether a contingency is a liability

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.

2. Basis of Presentation - continued

Rate setting - Distribution revenue

For the distribution revenue, the Company files a Cost of Service (COS) rate application with the OEB every 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 a 2-factor Input Price Index which accounts for the average weekly earnings for Ontario workers and the Gross Domestic Product Implicit Price Inflator - 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.

In 2018, the Company filed an IRM application for rates effective January 1, 2019 to December 31, 2019 for which a Decision and Interim Rate order was issued December 20, 2018.

The OEB issued a distribution rate design for residential electricity customers which was phased in over a four year period commencing January 2016. Under this policy, electricity distributors were to structure residential rates so that all the distribution charge would be collected through a fully fixed monthly charge instead of the current fixed and variable rate charge. The Company has transitioned to fully fixed rates for residential customers effective January 1, 2019.

In 2019, the Company filed an ICM application for rate increases on incremental capital expenditures relating to the purchase and refurbishment of 150 Savannah Oaks, for which a Decision and Rate order was issued on January 23, 2020 to apply rate riders effective March 1, 2020.

2. Basis of Presentation - continued

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.

Effective March 24, 2020, the Government of Ontario issued an Emergency Order and as a result, all residential and small business customers will be charged one rate for electricity consumed regardless of the time of day it is consumed until May 31, 2020.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently in all years presented in these financial statements.

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 liabilities. Loans and receivables and other liabilities 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. The non-fully hedged instrument is classified as a financial asset or liability at fair value through profit or loss.

Hedge accounting has been used in the presentation of these financial statements for the fully hedged instrument, which has been classified as a financial liability at fair value through other comprehensive income.

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

Use of estimates and judgments

Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included later in this note under ***Revenue recognition - Capital contributions***.

3. Significant Accounting Policies - continued

Revenue recognition

Sale and distribution of electricity

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount that the Company has the right to bill. Revenue includes the cost of electricity supplied, distribution, and any other regulatory charges. The related cost of power is recorded on the basis of power used.

For customer billings related to 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.

Capital contributions

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 *Revenue from Contracts with Customers*. Cash contributions, received from developers 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.

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15 *Revenue from Contracts with Customers*. The contributions are received to obtain a connection to the distribution system in order to receive ongoing access to electricity. The Company has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

3. Significant Accounting Policies - continued

Revenue recognition - continued

Other revenue

Revenue earned from the provision of services is recognized as the service is rendered.

Government grants and the related performance incentive payments under 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.

Materials and supplies

Materials and supplies, the majority of which are 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 were measured at deemed cost established on January 1, 2014 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. Borrowing costs that can be traced to specific assets are capitalized as part of the cost of those assets based on the actual cost of debt incurred on the Company's borrowings.

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

3. Significant Accounting Policies - continued

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.

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
Other	5 years

3. Significant Accounting Policies - continued

Intangible assets

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2014 were measured at deemed cost established on January 1, 2014, 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	2-10 years

3. Significant Accounting Policies - continued

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.

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. No impairment losses were incurred during 2019 or 2018.

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for the asset.

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.

3. Significant Accounting Policies - continued

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.

Leased assets

At inception of a contract, the Company assesses whether the contract is or contains a lease. A contract is determined to contain a lease if it provides the Company with the right to control the use of an identified asset for a period of time in exchange for consideration. Contracts determined to contain a lease are accounted for as leases. For leases and contracts that contain a lease, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. Subsequent to initial recognition, the right-of-use asset is recognized at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for certain remeasurements of the corresponding lease liability.

The lease liability is initially measured at present value of lease payments plus the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize the right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less or for leases of low value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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 asset balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. Regulatory liability balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Company.

Regulatory asset balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will be approved by the OEB for recovery through rates. 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 asset 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 asset 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 liability 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

Post employment benefits

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.

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. Changes in Accounting Policies

IFRS 16 Leases

The Company implemented IFRS 16 Leases with an effective date of January 1, 2019. The Company used the following practical expedients and recognition exemptions when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

— Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term;

— Applied the exemption not to recognize right-of-use assets and liabilities for leases for which the underlying asset is of low value;

— Applied this standard to all contracts that were previously identified as leases by applying IAS 17 *Leases* and IFRIC 4 *Determining whether and Arrangement contains a Lease*;

There are no transitional impacts to report as the Company has determined that all arrangements that contain a lease meet the recognition exemptions.

5. Cash and Cash Equivalents

	2019	2018
	$	$
Bank balances	**7,776,601**	16,944,299
Cash balances	**1,900**	1,900
	7,778,501	16,946,199

6. Accounts Receivable

	2019	2018
	$	$
Trade receivables	**10,147,674**	10,950,034
Other trade receivables	**227,344**	59,357
Billable work	**1,164,911**	566,118
Allowance for doubtful accounts	**(1,264,000)**	(854,000)
	10,275,929	10,721,509

7. Material and Supplies

The amount of inventory consumed by the Company and recognized as an expense during 2019 was $162,489 (2018 - $123,379).

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, 2019	2,805,337	77,685,412	4,086,058	981,506	85,558,313
Additions	-	5,918,825	658,439	14,809,053	21,386,317
Transfers	-	454,750	-	(454,750)	-
Disposals/retirements	-	(208,309)	(134,837)	-	(343,146)
Balance at December 31, 2019	2,805,337	83,850,678	4,609,660	15,335,809	106,601,484
Balance at January 1, 2018	2,805,337	73,831,961	3,620,651	510,341	80,768,290
Additions	-	3,847,451	466,615	752,553	5,066,619
Transfers	-	281,388	-	(281,388)	-
Disposals/retirements	-	(275,388)	(1,208)	-	(276,596)
Balance at December 31, 2018	2,805,337	77,685,412	4,086,058	981,506	85,558,313
Accumulated depreciation	$	$	$	$	$
Balance at January 1, 2019	136,969	13,677,466	1,522,680	-	15,337,115
Depreciation	27,078	2,930,927	380,314	-	3,338,319
Disposals/retirements	-	(42,240)	(118,158)	-	(160,398)
Balance December 31, 2019	164,047	16,566,153	1,784,836	-	18,515,036
Balance at January 1, 2018	109,890	10,908,288	1,163,529	-	12,181,707
Depreciation	27,079	2,821,605	360,359	-	3,209,043
Disposals/retirements	-	(52,427)	(1,208)	-	(53,635)
Balance December 31,2018	136,969	13,677,466	1,522,680	-	15,337,115

8. Property, Plant and Equipment - continued

	Land and buildings	Distribution equipment	Other fixed assets	Construction-in-progress	Total
	$	$	$	$	$
Carrying amounts					
At December 31, 2019	2,641,290	67,284,525	2,824,824	15,335,809	88,086,448
At December 31, 2018	2,668,368	64,007,946	2,563,378	981,506	70,221,198

During the year, the Company purchased land and building at 150 Savannah Oaks and 29 Tallgrass Crt in the amount of $11,550,000 included in construction-in-progress. The Company is refurbishing the existing building and constructing a vehicle garage with the intention of moving its operations to the new facility in 2020. Borrowing costs in the amount of $224,885 (2018 - $nil) were capitalized as part of the cost of property, plant and equipment.

Subsequent to year-end, the Company sold land at 179 Garden Ave. with a carrying amount of $1,677,792 for a net gain of $650,208.

At December 31, 2019, property, plant and equipment with a carrying amount of $88,086,448 (2018 - $70,221,198) are subject to general security agreements.

9. Intangible Assets

	Land rights	Capital contributions paid	Software	Work in progress	Total
Cost or deemed cost	$	$	$	$	$
Balance at January 1, 2019	98,187	414,608	1,748,178	1,130,338	3,391,311
Additions	-	-	1,074,839	-	1,074,839
Transfers	-	-	1,089,526	(1,089,526)	-
Balance at December 31, 2019	98,187	414,608	3,912,543	40,812	4,466,150
Balance at January 1, 2018	98,187	414,608	1,739,597	-	2,252,392
Additions	-	-	8,581	1,130,338	1,138,919
Balance at December 31, 2018	98,187	414,608	1,748,178	1,130,338	3,391,311
Accumulated depreciation	$	$	$	$	$
Balance at January 1, 2019	9,886	35,989	1,012,528	-	1,058,403
Depreciation	2,017	9,208	340,729	-	351,954
Balance December 31, 2019	11,903	45,197	1,353,257	-	1,410,357
Balance at January 1, 2018	7,869	26,781	831,326	-	865,976
Depreciation	2,017	9,208	181,202	-	192,427
Balance December 31, 2018	9,886	35,989	1,012,528	-	1,058,403
Carrying amounts					
At December 31, 2019	86,284	369,411	2,559,286	40,812	3,055,793
At December 31, 2018	88,301	378,619	735,650	1,130,338	2,332,908

At December 31, 2019, all intangible assets are subject to general security agreements.

10. Regulatory Balances

Reconciliation of the carrying amount for each class of regulatory balances

	January 1, 2019 $	Additions $	Recovery/ reversal $	December 31, 2019 $	Remaining years
Regulatory deferral account debit balances					
Group 1 deferred accounts					
Retail Settlement Variance Accounts	989,754	1,111,856	500,452	2,602,062	1
Retailer cost variance accounts	45,450	(13,466)	-	31,984	3
Deferred meter costs	133,766	1,280	-	135,046	3
Other regulatory accounts	488,186	(8,536)	-	479,650	3
Regulatory settlement account	45,541	(45,541)	-	-	-
Future income tax	1,869,837	1,294,735	-	3,164,572	*
	3,572,534	2,340,328	500,452	6,413,314	

	January 1, 2018 $	Additions $	Recovery/ reversal $	December 31, 2018 $	Remaining years
Regulatory deferral account debit balances					
Group 1 deferred accounts					
Retail Settlement Variance Accounts	630,766	358,988	-	989,754	1
Retailer cost variance accounts	48,134	(2,684)	-	45,450	4
Deferred meter costs	132,853	913	-	133,766	4
Other regulatory accounts	811,939	(102,880)	(220,873)	488,186	4
Regulatory settlement account	102,104	(56,563)	-	45,541	-
Future income tax	1,694,518	175,319	-	1,869,837	*
	3,420,314	373,093	(220,873)	3,572,534	

* These balances will reverse as the related deferred tax balances reverses.

10. Regulatory Balances - continued

	January 1, 2019 $	Additions $	Recovery/ reversal $	December 31,2019 $	Remaining years $
Regulatory deferral account credit balances					
Group 1 deferred accounts					
Retail Settlement Variance Accounts	5,933,899	(1,817,772)	(3,610,807)	505,320	1
Regulatory settlement account	-	125,300	-	125,300	-
Other regulatory accounts	-	324,175	-	324,175	-
	5,933,899	(1,368,297)	(3,610,807)	954,795	

	January 1, 2018 $	Additions $	Recovery/ reversal $	December 31, 2018 $	Remaining years
Regulatory deferral account credit balances					
Group 1 deferred accounts					
Retail Settlement Variance Accounts	3,675,068	2,258,831	-	5,933,899	1
	3,675,068	2,258,831	-	5,933,899	

10. 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 and certain other deferral accounts can be done on an annual basis through application to the OEB. Group 2 and the remaining other deferral accounts can be settled during a cost of service application to the OEB. An application was made to the OEB to collect $3,110,355 of the other deferral accounts. Approval was received December 20, 2018. Effective January 1, 2019, the approved account balances were 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 Company 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 Company'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	**2019**	**2018**
January 1 to March 31	2.45%	1.50%
April 1 to June 30	2.18%	1.89%
July 1 to September 30	2.18%	1.89%
October 1 to December 31	2.18%	2.17%

11. Accounts Payable and Accrued Liabilities

	2019	2018
	$	$
Accounts payable and accruals - energy purchases	**9,631,887**	8,429,616
Payroll payable	**405,131**	460,846
IESO conservation program funding	**517,188**	875,946
Other	**7,133,672**	4,860,945
	17,687,878	14,627,353

12. 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.

The Company obtains certain administrative and management services from the City and Brantford Energy Corporation. The Company also provides services to the City, Brantford Energy Corporation

12. Related Party Transactions - continued

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 to the Company. The exchange amount for these services has been set out in the agreement. As at December 31, 2019 the balance owing to the City for these services was $582,430 (2018 - $352,335).

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

	2019	2018
City of Brantford	**$**	$
Revenues		
Sale of electricity	**5,899,322**	7,157,637
Other services	**299,686**	479,871
	6,199,008	7,637,508
Operating expenses		
Shared services agreement	**1,779,774**	1,771,376
Property taxes	**263,806**	24,205
	2,043,580	1,795,581

The Company has entered into a shared services agreement with Brantford Energy Corporation and Brantford Hydro Inc., whereby the Company will provide administrative support to its affiliates. The exchange amount for these services has been set out in the agreement.

The Company obtains management services from Brantford Energy Corporation.

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

	2019	2018
Brantford Energy Corporation	**$**	$
Revenues		
Administrative support	**61,330**	56,299
	61,330	56,299
Operating expenses		
Shared service fees	**285,902**	-
Management fees	**214,302**	93,422
	214,302	93,422

12. Related Party Transactions - continued

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:

	2019	2018
Brantford Hydro Inc.	**$**	$
Revenue		
Administrative support	**110,169**	137,388
Pole rental fees	**99,476**	53,178
Financial information system fees	**73,626**	-
Other services	**50,431**	12,664
	333,702	203,230
Operating expenses		
Dark fibre optic services	**3,600**	3,600
Other services	**7,871**	4,995
	11,471	8,595

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

	2019	2018
	$	$
Brantford Energy Corporation	**(251,404)**	(10,297)
Brantford Hydro Inc.	**131,782**	17,867
Total due from affiliates	**(119,622)**	7,570

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:

	2019	2018
	$	$
Directors' fees	**22,083**	24,990
Salaries and other short-term benefits	**608,947**	853,150
Post-employment benefits	**-**	219
	631,030	878,359

13. Long-Term Debt

	2019	2018
	$	$
Note payable, bearing interest at 4.20%, repayable to the City, interest only payable annually - due February, 2021	**24,189,168**	24,189,168
Royal Bank, non-revolving term facility with interest at prime repayable in quarterly instalments, due January, 2021	**722,299**	1,265,770
Royal Bank, net advances on long-term non-revolving term facility	**12,858,803**	-
Ontario Infrastructure and Lands Corporation non-revolving term facility with interest at 5.14% repayable in semi annual instalments of $86,523 due December, 2032	**1,632,957**	1,718,774
Ontario Infrastructure and Lands Corporation non-revolving term facility with interest at 4.95% repayable in semi annual instalments of $138,371 due December, 2050	**4,376,902**	4,434,822
Ontario Infrastructure and Lands Corporation non-revolving term facility with interest at 3.46% repayable in semi annual instalments of $237,885 due October, 2027	**3,326,654**	3,683,194
Ontario Infrastructure and Lands Corporation non-revolving term facility with interest at 3.90% repayable in semi annual instalments of $113,683 due December, 2042	**3,427,451**	3,517,324
	50,534,234	38,809,052
Less current portion	**1,186,290**	1,132,993
	49,347,944	37,676,059

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 $1,015,945 (2018 - $1,015,945) was outstanding as at December 31, 2019.

The Company entered into a swap agreement during 2006 with Royal Bank to fix the interest rate. 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.

13. Long-Term Debt - continued

During the year the Company was authorized for a $25,000,000 non-revolving term facility, of which $13,000,000 has been drawn on. The Company has committed to receiving the full amount in construction advances by October 1, 2020. This term loan is drawn down through bankers acceptances and rolled over until the earlier of substantial completion of the facility and April 26, 2021 at which time a repayment term will be selected by the Company. The term facility is currently payable interest only and will convert to quarterly blended payments of principal and interest, bearing interest at prime. Currently the debt bears interest at the BA rate plus 0.55%.

The Company entered into a swap agreement during 2019 with Royal Bank to fix the interest rate on the term facility used towards the purchase and construction of 150 Savannah Oaks and 29 Tallgrass Crt. The agreement represents a notional amount of $25,000,000. Under the terms of the agreement, the Company has contracted to pay interest at a fixed rate of 2.54%.

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

Estimated principal repayment requirements are as follows:

	$
2020	1,186,290
2021	24,972,005
2022	660,776
2023	687,048
2024	714,395
Thereafter	22,313,720
	50,534,234

14. 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 2019, the Company made employer contributions of $500,177 to OMERS (2018 - $525,027), of which $17,784 (2018 - $25,006) has been capitalized as part of PP&E and the remaining amount of $482,393 (2018 - $500,021) has been recognized in profit or loss. The Company estimates that a contribution of $580,700 to OMERS will be made during the next fiscal year.

As at December 31, 2019, OMERS had over 500,000 members. The most recently available OMERS annual report is for the year ended December 31, 2019, which reported that the plan was 97% funded, with an unfunded liability of $3.4 billion. This unfunded liability is likely to result in future payments by participating employers and members.

14. Post-Employment Benefits - continued

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 eligible 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, 2019 and the expense for the period ended December 31, 2019 are based on actuarial valuations done as at January 1, 2019.

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

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:

	2019	2018
	$	$
To determine benefit obligation at end of year		
Discount rate	**3.20%**	3.40%
To determine benefit expense (income) for the year		
Discount rate	**4.00%**	4.00%
Rate of increase in future compensation	**N/A**	N/A
Health care cost trend rates at end of year		
Initial rate	**6.00%**	6.00%
Ultimate rate	**4.75%**	4.75%
Year ultimate rate reached	**2024**	2024

Sensitivity analysis	**Change in Obligation**	**Change in Expense**
	$	$
Impact of 1% increase in assumed health care trend rate	104,500	13,100
Impact of 1% decrease in assumed health care trend rate	(87,600)	(10,500)

14. Post-Employment Benefits - continued

	2019	2018
	$	$
Reconciliation of the obligation		
Defined benefit obligation, beginning of year	**1,224,800**	1,416,269
Included in profit or loss		
Current service cost	**51,100**	79,800
Interest cost	**48,300**	49,700
Included in OCI		
Actuarial losses (gains)	**59,400**	(254,469)
Benefits paid	**(138,300)**	(66,500)
Defined benefit obligation, end of year	**1,245,300**	1,224,800

15. Income Tax Expense

	2019 $	2018 $
Current tax expense		
Current year	**(816,414)**	562,442
Adjustment for prior years	**3,723**	12,841
	(812,691)	575,283
Deferred tax expense		
Change in recognized deductible temporary differences	**1,971,338**	107,770
	1,971,338	107,770
Total income tax expense	**1,158,647**	683,053
Reconciliation of effective tax rate		
Income before taxes	**(4,215,330)**	4,752,880
Canada and Ontario statutory income tax rates	**26.5 %**	26.5 %
Expected tax provision on income at statutory rates	**(1,117,062)**	1,259,513
Increase (decrease) in income taxes resulting from:		
Permanent differences	**2,886**	2,775
Prior periods	**3,723**	12,841
Regulatory balances	**1,729,165**	(589,675)
Other	**539,935**	(2,401)
Income tax expense	**1,158,647**	683,053

Significant components of the Company's deferred tax balances:

	2019 $	2018 $
Deferred tax assets (liabilities)		
Property, plant and equipment	**(3,832,579)**	(2,519,542)
Post-employment benefits	**330,005**	340,970
Allowance for doubtful accounts	**334,960**	226,310
Regulatory balances	**(1,072,701)**	(201,209)
Non-capital losses available for carry forward	**197,742**	-
Other	**202,023**	82,425
	(3,840,550)	(2,071,046)

16. Deferred Revenue

	2019	2018
	$	$
Contributions received from customers	**4,147,074**	2,457,409
Other	**578,710**	580,360
	4,725,784	3,037,769

17. Share Capital

	2019	2018
	$	$
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 $1,499 per share (2018 - $1,499), which amount to total dividends paid in the year of $1,500,000 (2018 -$1,500,000).

18. Other Revenue

	2019	2018
	$	$
Specific services charges	**226,984**	335,683
Management fees	**245,124**	193,688
Property rental	**259,841**	132,520
Retailer revenue	**30,802**	20,543
Loss on disposal of assets	**(110,195)**	(213,961)
Customer contributions	**195,226**	48,824
Other revenue	**109,252**	48,967
	957,034	566,264

19. Finance Income and Finance Costs

	2019	2018
	$	$
Finance Income		
Interest income on bank deposits	**288,258**	316,999
Late payment charges	**326,283**	235,597
	614,541	552,596
Finance Costs		
Interest on long-term debt	**1,632,356**	1,689,423
Interest expense on customer deposits	**51,854**	38,949
Gain on derivative liabilities	**(19,230)**	(42,125)
Other	**58,807**	58,807
	1,723,787	1,745,054
Net finance costs recognized in profit or loss	**1,109,246**	1,192,458

20. 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, 2021. 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, 2019, the Company has not been made aware of any additional assessments. Participation in The Mearie Group covers a two year underwriting period which expires on January 1, 2021.

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.

21. Operating Expenses

Distribution operations and maintenance	2019 $	2018 $
Salaries and benefits	**1,544,925**	1,690,712
Other staff costs	**149,092**	166,883
City of Brantford shared services	**974,340**	976,458
Contracted services	**572,083**	347,625
Building utilities and maintenance	**68,824**	54,153
Materials and supplies	**322,923**	404,683
Equipment repairs and maintenance	**23,930**	20,653
Vehicle	**221,608**	293,744
Other	**(35,431)**	(160,389)
	3,842,294	3,794,522

Billing and Collecting	2019 $	2018 $
Salaries and benefits	**1,134,652**	1,248,735
Other staff costs	**16,002**	15,366
City of Brantford shared services	**295,080**	319,153
Contracted services	**700,370**	513,137
Allowance for doubtful accounts	**881,423**	642,842
Materials and supplies	**10,005**	8,214
Equipment repairs and maintenance and vehicle	**-**	2,163
Postage	**364,962**	371,556
Other	**109,569**	182,743
	3,512,063	3,303,909

General administration	2019 $	2018 $
Salaries and benefits	**1,851,532**	2,198,594
Other staff costs	**70,387**	79,548
City of Brantford shared services	**637,440**	651,480
Contracted services	**795,386**	566,261
Building utilities and maintenance	**396,119**	-
Building project costs	**(32,899)**	262,918
Materials and supplies	**37,455**	44,635
Vehicle	**80**	1,176
Other	**640,049**	483,042
	4,395,549	4,287,654

21. Operating Expenses - continued

	2019	2018
IESO conservation programs	**$**	$
Incentives paid to customers	**1,101,079**	816,352
Salaries and benefits	**141,174**	215,318
Other staff costs	**5,845**	15,813
City of Brantford shared services	**22,976**	26,466
Contracted services	**328,601**	163,465
Materials and supplies	**4,344**	9,072
Other	**54,776**	79,380
	1,658,795	1,325,866

22. Statement of Cash Flows

	2019	2018
	$	$
Changes in non-cash working capital		
Accounts receivable	**445,580**	605,797
Unbilled revenue	**(2,010,108)**	(448,177)
Materials and supplies	**(197,756)**	147,644
Prepaid expenses	**107,845**	(165,901)
Accounts payable and accrued liabilities	**3,060,525**	(159,609)
Accounts payable to the City of Brantford	**230,095**	(8,932)
Interest paid on long term debt	**1,629,686**	1,689,423
Finance costs	**(1,743,017)**	(1,686,061)
Due to affiliates	**127,192**	29,427
Customer deposits	**195,216**	(309,353)
	1,845,258	(305,742)
Other items not affecting cash		
Post-employment benefits	**(38,900)**	63,000
Vested sick leave	**(61,883)**	(16,242)
Derivative liabilities	**(21,237)**	(46,639)
	(122,020)	119

23. Amortization

	2019	2018
	$	$
Amortization of capital assets	**3,557,438**	3,164,977
Amortization of capital assets charged to distribution operations and maintenance	**244,701**	236,493
	3,802,139	3,401,470

24. 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 deemed capital structure established by the OEB.

As at December 31, 2019, 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, 2019, shareholder's equity amounts to $72,621,268 (2018 - $69,789,257) and long-term debt, amounts to $49,347,944 (2018 - $37,676,059). The Company's capital structure as at December 31, 2019 is 40% debt and 60% equity (2018 - 35% debt and 65% 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, 2019 the Company was in compliance with all covenants.

25. 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.

A term facility loan bears interest at a floating rate and thus, the carrying value approximates fair value. However, the Company has entered into an interest rate swap transaction, derivative instrument, the effect of which is to fix the interest rate on the $724,000 term facility loan at 4.71% and the $13,000,000 advanced funds on the $25,000,000 term facility loan at 2.54%. The potential replacement cost to the Company of the interest rate swaps, representing estimated fair value as presented on the balance sheet, was $720,354 (2018 - $39,354), which was in the favour of Royal Bank. The Company entered into these interest rate swap transactions to fix the interest rate over the long-term and intends to hold this 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 $2,081,534 (2018 - $1,886,318) which is reflected on the Statement of Financial Position. Customer deposits are limited to those allowed under the OEB's Retail Settlement Code. Allowances of $1,264,000 (2018 - $854,000) 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, 2019, the outstanding amounts receivable from the largest ten customers represented $2,600,133 or 25% (2018 - $2,657,618 or 26%) 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.

Prudential Support

The Company 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, 2019, the Company provided prudential support in the form of a bank letter of credit of $13,057,140 (2018 - $13,057,140).

25. Financial Instruments - continued

Revolving Term Facility

As at December 31, 2019, 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.

Subsequent to December 31, 2019 the Company has been authorized for an additional revolving term facility of $7,000,000 for a total of $14,000,000.

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, interest payable to the City, and due to/from 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 approximates carrying value. Interest is paid on deposits on a monthly basis at a market rate, reset quarterly, as directed by the OEB.

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 $1,837,700 (carrying value - $1,632,957). 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, 2019, of 3.12% per annum, (actual rate – 5.14% 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 2050, funded by the OILC has an estimated fair value of $5,408,800 (carrying value - $4,376,902). 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, 2019, of 3.21% 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 $3,369,800 (carrying value - $3,326,654). 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, 2019, of 2.94% per annum, (actual rate – 3.46% per annum). The loan is classified as an Other Liability (OL) with no resulting adjustment to carrying value.

25. Financial Instruments - continued

The fixed rate long-term debt facility, maturing December 2042, funded by the OILC has an estimated fair value of $3,704,400 (carrying value - $3,427,451). 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, 2019, of 3.14% 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 City has an estimated fair value of $27,008,300 (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, 2019, of 3.14% per annum, (actual rate – 4.20% per annum). The loan is classified as an Other Liability (OL) with no resulting adjustment to carrying value.

The carrying values of the two Royal Bank facility loans approximate their fair values as the loans bear interest at current rates.

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 Statement of Financial Position 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).

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.

25. Financial Instruments - continued

The following table presents the financial instruments recorded at fair value in the Statement of Financial Position 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	7,778,501	-	-	7,778,501
Total financial assets	**7,778,501**	**-**	**-**	**7,778,501**
Financial capital liabilities				
Customer deposits	2,081,534	-	-	2,081,534
Derivative liabilities	720,354	-	-	720,354
Total financial liabilities	**2,801,888**	**-**	**-**	**2,801,888**

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.

26. Comparative Figures

Certain prior year figures have been reclassified to conform with the current year's presentation.

27. Subsequent Event

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Company's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time.