Grant Thornton

Consolidated Financial Statements

Lakeland Holding Ltd.

December 31, 2022

(Expressed in Canadian Dollars)

Contents

Grant Thornton LLP
Suite 400
85 Bayfield Street
Barrie, ON
L4M 3A7

T +1 705 728 3397
F +1 705 728 2728
www.GrantThornton.ca

Independent Auditor's Report

To the Directors of
Lakeland Holding Ltd.

Opinion

We have audited the consolidated financial statements of Lakeland Holding Ltd. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of comprehensive income, changes in equity and accumulated other comprehensive income, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our 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 consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 these consolidated 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 consolidated 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

Grant Thornton LLP

Barrie, Canada
April 28, 2023

Chartered Professional Accountants
Licensed Public Accountants

Lakeland Holding Ltd.
Consolidated Statement of Comprehensive Income

(Expressed in Canadian Dollars)

Year ended December 31	2022	2021
Revenue		
Electricity revenue	**$ 37,356,182**	$ 36,265,800
Distribution revenue	**8,339,575**	8,073,608
Energy revenue	**9,964,817**	8,150,799
Generation revenue	**7,516,288**	9,701,748
Other revenue	**1,175,246**	771,809
Gain on disposal of property, plant and equipment	**34,823**	34,009
	64,386,931	62,997,773
Expenses		
Purchased power	**37,502,659**	36,022,282
Operating expenses (Note 28)	**15,098,495**	13,021,325
Depreciation and amortization (Note 27)	**5,662,109**	5,161,519
Taxes other than payments in lieu of taxes	**195,352**	210,256
	58,458,615	54,415,382
Income from operating activities	**5,928,316**	8,582,391
Finance income	**104,636**	59,071
Finance costs	**(1,678,435)**	(1,518,288)
Share of joint venture income (Note 10)	**9,480**	68,090
Change in fair value of interest rate swap (Note 24)	**37,759**	162,710
Impairment loss (Note 6)	**(582,541)**	-
Income before provision for payment in lieu of taxes	**3,819,215**	7,353,974
Provision for payments in lieu of taxes		
Current (Note 21)	**251,442**	1,294,388
Deferred (Note 21)	**675,460**	473,282
	926,902	1,767,670
Profit before net movements in regulatory deferral account balances	**2,892,313**	5,586,304
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement (Notes 3, 14 and 21)	**103,823**	(182,108)
Income before discontinued operations	**2,996,136**	5,404,196
Discontinued operations (Note 7)	**50,425**	(136,969)
Profit and net movements in regulatory deferral account balances	**3,046,561**	5,267,227
Other comprehensive loss: items that will not be reclassified to profit or loss, net of tax		
Remeasurements of defined benefit plan, net of tax of $20,663 (2021 - $Nil) (Note 22)	**57,948**	-
Amortization of change in fair value of interest rate swap, net of tax of $Nil (2021 - $Nil) (Note 24)	**21,173**	33,257
	79,121	33,257
Total comprehensive income	**$ 3,125,682**	$ 5,300,484

Lakeland Holding Ltd.
Consolidated Statement of Financial Position

(Expressed in Canadian Dollars)

December 31	2022	2021
Assets		
Current		
Cash and cash equivalents	**$ 4,114,156**	$ 5,360,874
Receivables (Note 8)	**6,651,040**	12,898,106
Unbilled revenue	**3,826,515**	3,557,835
Inventory (Note 9)	**1,269,524**	369,621
Prepaid expenses	**690,519**	698,707
Payment in lieu of taxes receivable	**1,280,642**	-
Assets held for resale (Note 6)	**1,881,000**	-
Total current	**19,713,396**	22,885,143
Non current		
Investments in joint venture (Note 10)	**277,915**	268,435
Property, plant and equipment (Note 12)	**130,073,181**	127,049,830
Intangible assets (Note 13)	**5,284,582**	5,349,400
Goodwill (Note 11)	**1,150,014**	1,414,437
Total non current	**136,785,692**	134,082,102
Total assets	**156,499,088**	156,967,245
Regulatory deferral account debit balances and related deferred tax (Note 14)	**787,907**	(10,019)
Total assets and regulatory deferral account balances	**$ 157,286,995**	$ 156,957,226

Lakeland Holding Ltd.
Consolidated Statement of Financial Position

(Expressed in Canadian Dollars)

December 31	2022	2021
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 15)	**$ 7,762,414**	$ 7,947,230
Interest rate swap	**-**	58,932
Payment in lieu of taxes payable	**-**	471,836
Current portion of contributions in aid of construction (Note 16)	**329,051**	287,186
Current portion of note payable (Note 17)	**390,000**	390,000
Current portion of lease liability (Note 19)	**66,023**	83,989
Current portion of deferred revenue (Note 20)	**1,714,270**	1,371,900
Current portion of long-term debt (Note 23)	**3,643,167**	8,721,714
Total current	**13,904,925**	19,332,787
Non current		
Contributions in aid of construction (Note 16)	**10,797,837**	9,368,564
Note payable (Note 17)	**299,374**	640,021
Customer deposits (Note 18)	**582,162**	529,542
Lease liabilities (Note 19)	**-**	163,910
Deferred revenue (Note 20)	**19,085,703**	19,029,932
Deferred payments in lieu of taxes (Note 21)	**9,107,305**	8,393,002
Employee future benefits (Note 22)	**280,672**	377,957
Long-term debt (Note 23)	**39,675,543**	36,594,920
Total non current	**79,828,596**	75,097,848
Total liabilities	**93,733,521**	94,430,635
Shareholders' equity		
Share capital (Note 26)	**12,609,650**	12,609,650
Contributed surplus	**5,855,109**	5,855,109
Retained earnings	**44,970,833**	43,924,272
Accumulated other comprehensive income	**117,882**	38,761
Total shareholders' equity	**63,553,474**	62,427,792
Total liabilities and shareholders' equity	**157,286,995**	156,858,427
Regulatory deferral account credit balances and related deferred tax (Notes 3 and 14)	**-**	98,799
Total liabilities and shareholders' equity and regulatory deferral account credit balances	**$ 157,286,995**	$ 156,957,226

Contingencies (Note 31)

On behalf of the Board

DocuSigned by:
Sam R Davidson
F3BC1D4C2DC54B0... Director

DocuSigned by:
2B5B80014C014CA... Director

See accompanying notes to the consolidated financial statements.

Lakeland Holding Ltd.
Consolidated Statement of Changes in Equity and Accumulated Other Comprehensive Income

(Expressed in Canadian Dollars)
Year ended December 31, 2022

	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
Balance, January 1, 2021	$ 12,609,650	$ 5,855,109	$ 40,657,045	$ 5,504	**$ 59,127,308**
Net income	-	-	5,267,227	-	**5,267,227**
Other comprehensive income	-	-	-	33,257	**33,257**
Dividends paid	-	-	(2,000,000)	-	**(2,000,000)**
Balance, December 31, 2021	12,609,650	5,855,109	43,924,272	38,761	**62,427,792**
Net income	-	-	3,046,561	-	**3,046,561**
Other comprehensive income	-	-	-	79,121	**79,121**
Dividends paid	-	-	(2,000,000)	-	**(2,000,000)**
Balance, December 31, 2022	**$ 12,609,650**	**$ 5,855,109**	**$ 44,970,833**	**$ 117,882**	**$ 63,553,474**

Lakeland Holding Ltd.
Consolidated Statement of Cash Flows

(Expressed in Canadian Dollars)

Year ended December 31	2022	2021
Increase (decrease) in cash and cash equivalents		
Operating		
Comprehensive income	**$ 3,125,682**	$ 5,300,484
Items not affecting cash		
Depreciation and amortization of property, plant and equipment and intangible assets (Note 27)	**6,502,926**	5,873,040
Provision for payments in lieu of taxes	**92,156**	1,652,629
Gain on sale of property, plant and equipment	**(34,823)**	(34,009)
Employee future benefits	**(97,285)**	5,103
Finance income	**579,380**	(59,071)
Finance costs	**1,002,765**	1,518,288
Interest rate swap	**(58,932)**	(195,967)
Amortization of grant funding earned	**(644,448)**	(451,419)
Contingent consideration not realized	**(40,292)**	(49,337)
Income from joint venture	**(9,480)**	(68,090)
Impairment loss	**582,541**	-
	11,000,190	13,491,651
Change in non-cash working capital items		
Receivables	**6,247,066**	(7,025,539)
Unbilled revenue	**(268,680)**	150,243
Inventory	**(899,903)**	(52,149)
Prepaid expenses	**8,188**	46,360
Accounts payable and accrued liabilities	**(184,813)**	(126,637)
Contributions in aid of construction	**1,471,138**	1,876,739
Deferred revenue	**(5,123,777)**	7,746,594
Customer deposits	**52,620**	102,798
Regulatory deferral account balances	**(896,724)**	456,438
	405,115	3,174,847
Payments in lieu of taxes paid	**(1,130,333)**	(1,090,125)
	10,274,972	15,576,373
Financing		
Repayment of lease liabilities	**(87,081)**	(86,702)
Repayment of long-term debt	**(1,997,925)**	(1,772,909)
Proceeds of long-term debt	**-**	1,500,000
Finance costs paid	**(1,672,466)**	(1,510,902)
Grants funding received	**6,166,366**	3,221,538
Repayment of note payable	**(300,355)**	(390,000)
Dividends paid	**(2,000,000)**	(2,000,000)
	108,539	(1,038,975)
Investing		
Finance income received	**93,414**	59,071
Purchase of property, plant and equipment	**(11,532,464)**	(21,678,511)
Proceeds on disposal of property, plant and equipment	**92,858**	87,942
Purchase of intangible assets	**(284,037)**	(75,107)
	(11,630,229)	(21,606,605)
Decrease in cash and cash equivalents	**(1,246,718)**	(7,069,207)
Cash and cash equivalents		
Beginning of year	**5,360,874**	12,430,081
End of year	**$ 4,114,156**	$ 5,360,874

See accompanying notes to the consolidated financial statements.

1. Corporate information

Lakeland Holding Ltd. is incorporated under the laws of Ontario. Two of the subsidiaries are also incorporated under the laws of Ontario and operate as local utility companies producing and distributing electricity to users in Bracebridge, Huntsville, Sundridge, Burk's Falls and Magnetawan, Ontario and after July 1, 2014, Parry Sound. These businesses are granted license to operate and are regulated by the Ontario Energy Board (OEB). A third subsidiary is incorporated under the laws of Ontario and sells utility related products and services. The address of the Company's corporate office and principal place of business is 200-395 Centre St N, Huntsville, Ontario, Canada, P1H 2M2.

The Company has 6 municipal shareholders, Town of Bracebridge, Town of Huntsville, Town of Parry Sound, Village of Burk's Falls, Village of Sundridge and Municipality of Magnetawan.

2. Basis of presentation

a) Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations as issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

The consolidated financial statements were authorized for issue by the Board of Directors on April 28, 2023.

b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis and include the accounts of the Company and its wholly owned subsidiaries: Lakeland Power Distribution Ltd., Bracebridge Generation Ltd., Lakeland Energy Ltd., Lakeland Enterprises Energy Ltd. and Lakeland Enterprises Quebec Ltd. The consolidated financial statements are presented in Canadian dollars (CDN$), which is also the Company's functional currency.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It is also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment, complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 6.

2. Basis of presentation (continued)

c) Explanation of Activities subject to Rate Regulation

The Company, as an electricity distributor, is both licensed and regulated by the Ontario Energy Board “OEB” which has a legislative mandate to oversee various aspects of the electricity industry. The OEB exercises statutory authority through setting or approving all rates charged by the Company and establishing standards of service for the Company’s customers.

The OEB has broad powers relating to licensing, standards of conduct and service and the regulation of rates charged by the Company and other electricity distributors in Ontario. The Ontario government enacted the Energy Competition Act, 1998, to introduce competition to the Ontario energy market. Rates are set by the OEB on an annual basis.

Regulatory risk

Regulatory risk is the risk that the Province and its regulator, the OEB, could establish a regulatory regime that imposes conditions that restrict the electricity distribution business from achieving an acceptable rate of return that permits financial sustainability of its operations including the recovery of expenses incurred for the benefit of other market participants in the electricity industry such as transition costs and other regulatory assets. All requests for changes in electricity distribution charges require the approval of the OEB.

Recovery risk

Regulatory developments in Ontario’s electricity industry, including current and possible future consultations between the OEB and interested stakeholders, may affect distribution rates and other permitted recoveries in the future. The Company is subject to a cost of service regulatory mechanism under which the OEB establishes the revenues required (i) to recover the forecast operating costs, including depreciation and amortization and income taxes, of providing the regulated service, and (ii) to provide a fair and reasonable return on utility investment, or rate base. As actual operating conditions may vary from forecast, actual returns achieved can differ from approved returns.

3. Summary of significant accounting policies

a) Regulatory Deferral Accounts

Regulatory deferral account debit balances represent certain costs incurred in the current period or in prior period(s) that are expected to be recovered from consumers in future periods through the rate-setting process. Regulatory deferral account credit balances are associated with the collection of certain revenues earned in the current period or in prior period(s) that are expected to be returned to consumers in future periods through the rate-setting process. Regulatory deferral account balances can arise from differences in amounts collected from customers (based on regulated rates) and the corresponding cost of non-competitive electricity service incurred by the Company in the wholesale market administered by the Independent Electricity System Operator (the "IESO") after May 1, 2002. These amounts have been accumulated pursuant to regulation underlying the Electricity Act (the "EA") and deferred in anticipation of their future recovery or expense in electricity distribution service charges.

3. Summary of significant accounting policies (continued)

a) Regulatory Deferral Accounts (continued)

Explanation of recognized amounts

Regulatory deferral account balances are recognized and measured initially and subsequently at cost. They are assessed for impairment on the same basis as other non-financial assets as described below.

Management continually assesses the likelihood of recovery of regulatory assets. If recovery through future rates is no longer considered probable, the amounts would be charged to the results of operations in the period that the assessment is made.

b) Revenue

Revenue is recognized to the extent that it is probable those economic benefits will flow to the Company and that the revenue can be reliably measured. Revenue comprises of sales and distribution of energy, internet service, streetlight maintenance, water tank rentals, pole use rental, collection charges, investment income and other miscellaneous revenues.

Sale and distribution of energy

The Company is licensed by the OEB to distribute electricity. 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 customers. The Company has determined that they are acting as a principal for the electricity distribution and, therefore, have presented the electricity revenues on a gross basis.

Revenues from the sale and distribution of electricity are recognized upon delivery and provision of services over the period in which the delivery and service is performed and collectability is reasonably assured and includes unbilled revenues accrued in respect of electricity delivered but not yet billed in the reporting period. Sale and distribution of energy revenue is comprised of customer billings for distribution service charges. Customer billings for distribution service charges are recorded based on meter readings.

Sale and generation of energy

The Company is licensed by the OEB to generate electricity. The Company has a contract with the IESO for a pricing rate for each generating plant.

Revenues from the sale and generation of electricity are recognized upon delivery and provision of services over the period in which the delivery and service is performed and collectability is reasonably assured. Generation revenue is determined using meter readings and the contracted price.

3. Summary of significant accounting policies (continued)

b) Revenue (continued)

Internet Service Provider

The Company provides internet service to customers over a fiber optic network. Customers are billed based on their respective contract conditions.

Revenues from the contracts are recognized upon provision of services over the period in which the service is performed and collectability is reasonably assured. Communication revenue is determined using the contracted price.

Where the Company has an ongoing obligation to provide services, revenues are recognized as the service is performed and amounts billed in advance are recognized as deferred revenue.

Streetlight Maintenance

Streetlight maintenance revenue is recognized at the time services are provided. The Company provides maintenance services for a number of municipalities on a request basis.

Water Heater and Sentinel Light Rentals

Water heater and sentinel light rental revenue is recognized in the period that services are provided. The Company provides rental units for residential and commercial use and determines revenue using a contracted price.

Where the Company has an ongoing obligation to provide services, revenues are recognized as the service is performed and amounts billed in advance are recognized as deferred revenue.

Other

Other revenues, which include operational and consulting assistance for other generators, collection charges and other miscellaneous services are recognized at the time services are provided.

Operating lease rental revenue from pole use is recognized on a monthly basis at current rates charged during the life of the respective leases.

Where the Company has an ongoing obligation to provide services, revenues are recognized as the service is performed and amounts billed in advance are recognized as deferred revenue.

Certain assets may be acquired or constructed with financial assistance in the form of contributions from customers when the estimated revenue is less than the cost of providing service or where special equipment is needed to supply the customers' specific requirements. Since the contributions will provide customers with ongoing access to the supply of electricity, these contributions are classified as contributions in aid of construction and are recorded as revenue on a straight-line basis over the useful life of the constructed or contributed asset.

Certain assets have been constructed with financial assistance in the form of government funding. The funding is classified as deferred revenue and is recorded as revenue on a straight-line basis over the useful life of the constructed asset.

3. Summary of significant accounting policies (continued)

b) Revenue (continued)

c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

d) Financial instruments

Financial instruments are comprised of cash and cash equivalents, accounts receivable, unbilled revenues, accounts payable, customer deposits, term loans, notes payable and derivative financial liabilities.

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Financial assets are initially measured at fair value adjusted for transaction costs where applicable.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost
- fair value through profit or loss ("FVTPL")
- fair value through other comprehensive income ("FVOCI")

The classification is determined by both:

- the Company's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

In the periods presented, the Company does not have any financial assets measured at FVOCI.

3. Summary of significant accounting policies (continued)

d) Financial instruments (continued)

Subsequent measurement of financial assets

Financial assets at amortized cost
Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, accounts receivable, and unbilled revenues fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)
Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at fair value through profit and loss. Further, irrespective of the business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

In the periods presented, the Company does not have any financial assets measured at FVTPL.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the "expected credit loss (ECL) model." This replaced IAS 39's "incurred loss model." Instruments within the scope of the new requirements included accounts receivable.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

3. Summary of significant accounting policies (continued)

d) Financial instruments (continued)

“12-month expected credit losses” are recognized for the first category while “lifetime expected credit losses” are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Accounts receivable

The Company makes use of a simplified approach in accounting for accounts receivable and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating the expected credit losses, the Company uses its historical experience and adjusts historical rates to reflect current and forward looking macroeconomic factors affecting the client’s ability to settle the amount outstanding. However, given the short period exposed to credit risk, the impact of macroeconomic factors has not been considered significant within the reporting period.

The Company assesses impairment of accounts receivable on a collective basis as they possess shared credit risk characteristics.

Classification and measurement of financial liabilities

The Company’s financial liabilities include accounts payable and accrued liabilities, customer deposits, term loans, notes payable and derivative financial liabilities.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss.

IFRS 9 also includes a new hedge accounting standard; however, the Company has not designated the derivative financial liability as a hedging instrument. Therefore, the derivative financial liability continues to be accounted for at fair value through profit and loss.

All interest-related charges and, if applicable, changes in an instrument’s fair value that are reported in profit or loss are included within finance costs or finance income.

3. Summary of significant accounting policies (continued)

e) Fair value measurements

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

f) Investment in joint venture

The investment in joint venture is accounted for using the equity method.

The carrying amount of the investment in joint venture is increased or decreased to recognise the Company's share of the profit or loss and other comprehensive income of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Company.

Unrealised gains and losses on transactions between the Company and its joint venture are eliminated to the extent of the Company's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

g) Property, plant and equipment

Recognition and measurement

Property, plant and equipment (PP&E) are recognized at cost or deemed cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including eligible borrowing costs.

Depreciation of PP&E is recorded in the Consolidated Statement of Comprehensive Income on a straight-line basis over the estimated useful life of the related asset. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(Expressed in Canadian Dollars)

3. Summary of significant accounting policies (continued)

g) Property, plant and equipment (continued)

The estimated useful lives are as follows:

Distribution plant	
Buildings and fixtures	50 years
Conductors and devices	60 years
Distribution station equipment	40 years
Line transformers	40 years
Meters	15 years
New services distribution	45 years
Poles, towers and fixtures	45 years
Underground conduits	40 to 45 years
Generation plant	
Dams and waterways	45 years
Turbines and generators	45 years
Accessory electrical equipment	25 years
General plant	
Building and fixtures	50 years
Communication equipment	5 to 20 years
Computer hardware	5 years
Office furniture and equipment	10 years
Stores equipment	10 years
Tools and garage equipment	10 years
Transportation equipment	5 & 8 years

Major spare parts

Major spares such as spare transformers and other items kept as standby/back up equipment are accounted for as PP&E since they support the Company’s distribution system reliability.

Contributions in aid of construction

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as contributions in aid of construction.

Gains and losses on disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the net proceeds from disposal with the carrying amount of the asset, and are included in the Consolidated Statement of Comprehensive Income when the asset is disposed of. When an item of property, plant and equipment with related contributions in aid of construction is disposed, the remaining amount is recognized in full in the Consolidated Statement of Comprehensive Income.

3. Summary of significant accounting policies (continued)

h) Leases

The Company as a lessee

For any new contracts entered into, the Company considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;

- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Company has the right to direct the use of the identified asset throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

3. Summary of significant accounting policies (continued)

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

The Company as a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

i) Borrowing costs

The Company capitalizes interest expenses and other finance charges directly relating to the acquisition, construction or production of assets that take a substantial period of time to get ready for its intended use. Capitalization commences when expenditures are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization will be suspended during periods in which active development is interrupted. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

j) Intangible assets

Computer software

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

Customer lists

Customer lists that is acquired by the Company is measured at cost less accumulated amortization and accumulated impairment losses.

Land rights

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 are measured at cost less accumulated amortization and accumulated impairment losses.

3. Summary of significant accounting policies (continued)

Waterpower generation rights

Amounts related to the acquisition of waterpower generation rights are classified as intangible assets. These rights are related to the Company's ability to access Crown lands and water beds and are considered to have an indefinite life.

Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, and those with indefinite lives, from the date that they are available for use. Amortization methods and useful lives of all intangible assets are reviewed at each reporting date. The estimated useful lives for the current and comparative years are:

Land rights	Indefinite
Waterpower generation rights	Indefinite
Computer software	5 years

k) Impairment of non-financial assets

Non-financial assets are tested for impairment when facts and circumstances indicate that the carrying amount of non-financial assets may not be recoverable. Where the carrying value exceeds its recoverable amount, which is the higher of value in use and fair value less costs of disposal, the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit ('CGU'), which is the lowest group of assets to which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed. An impairment loss is charged to the Consolidated Statement of Comprehensive Income, except to the extent it reverses gains previously recognized in other comprehensive income. An impairment loss has been charged to income in 2022 (refer to Notes 6 and 11).

l) Employee future benefits

Defined contribution plan

The employees of the Company participate in the Ontario Municipal Employees Retirement System ("OMERS"). The Company also makes contributions to the OMERS plan on behalf of its employees. The plan has a defined benefit option at retirement available to some employees, which specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay. The Company is only one of a number of employers that participates in the plan and the financial information provided to the Company on the basis of the contractual agreements is usually insufficient to measure the Company's proportionate share in the plan assets and liabilities on defined benefit accounting requirements. Therefore, the plan is accounted for as a defined contribution plan as insufficient information is available to account for the plan as a defined benefit plan. The contribution payable in exchange for services rendered during a period is recognized as an expense during that period.

3. Summary of significant accounting policies (continued)

l) Employee future benefits (continued)

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation on behalf of its retired employees unfunded extended medical and dental benefits as well as life insurance and is calculated by estimating the amount of future benefits that are expected to be paid out discounted to determine its present value. Any unrecognized past service costs are deducted.

The calculation is performed by a qualified actuary using the projected unit credit method every three years or when there are significant changes to workforce. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

Defined benefit obligations are measured using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities.

Remeasurements of the defined benefit obligation are recognized directly within equity in other comprehensive income. The remeasurements include actuarial gains and losses.

Service costs are recognized in the Consolidated Statement of Comprehensive Income in operating expenses, and include current and past service costs as well as gains and losses on curtailments.

Net interest expense is recognized in Consolidated Statement of Comprehensive Income in finance expense, and is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the balance of the net defined benefit obligation, considering the effects of benefit payments during the period. Gains or losses arising from changes to defined benefits or plan curtailment are recognized immediately in the Consolidated Statement of Comprehensive Income. Settlements of defined benefit plans are recognized in the period in which the settlement occurs.

m) Payment in lieu of taxes

Tax status

The Company is a Municipal Electricity Utility ("MEU") for purposes of the payments in lieu of taxes ("PILs") regime contained in the Electricity Act, 1998. As an MEU, the Company is exempt from tax under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario).

Under the Electricity Act, 1998, the Company is required to make, for each taxation year, PILs to Ontario Electricity Financial Corporation ("OEFC"), commencing October 1, 2001. These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporation Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulations.

3. Summary of significant accounting policies (continued)

m) Payment in lieu of taxes (continued)

Current and deferred tax

Provision for payments in lieu of taxes comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to items recognized directly in equity or regulatory deferral account balances (see Note 21). Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base. The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date and are expected to apply when the liabilities/(assets) are settled/(recovered).

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized.

At the end of each reporting period, the Company reassesses both recognized and unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

n) Inventories

Cost of inventories comprise of direct materials, which typically consists of distribution assets, streetlight repair parts and fiber optic cable not deemed as major spares, unless purchased for specific capital projects in process or as spare units. Costs, after deducting rebates and discounts, are assigned to individual items of inventory on the basis of weighted average cost. Decommissioned assets that are transferred to inventory are tested for impairment once they are removed from service and placed in inventory. Inventory is recognized at the lower of cost and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3. Summary of significant accounting policies (continued)

o) Standards, amendments and interpretations not yet effective

Standards and amendments that are not yet effective and have not been adopted early by the Company and are expected to be relevant include:

- Definition of Accounting Estimates (Amendments to IAS 8).
- Disclosure of Accounting Policies (Amendments to IAS 1).
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IFRS 1 and IAS 12)

These amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore the disclosures have not been made.

4. Changes in accounting policies and recent accounting pronouncements

At the date of authorization of these consolidated financial statements, all accounting pronouncements which became effective from January 1, 2022 and have therefore been adopted do not have a material impact on the Company's financial results or positions.

5. Use of estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Property, plant and equipment

The Company relies on a third party independent study to componentize and determine the estimated useful lives of its distribution system assets. The useful life values from the study were derived from industrial statistics, research studies, reports and past utility experience. For the remaining assets, management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets and past utility experience. Actual lives of assets may vary from estimated useful lives.

Employee future benefits

The costs of post-employment medical and insurance benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions. Due to the complexity of the valuation, the underlying assumptions and its long term nature, post-employment medical and insurance benefits are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. See Note 22 Employee Future Benefits.

5. Use of estimates and judgements (continued)

Payments in lieu of taxes

The Company is required to make payments in lieu of tax calculated on the same basis as income taxes on taxable income earned and capital taxes. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities for payments in lieu of taxes based on its understanding of the current tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Business Combination

Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. In particular, the fair value of contingent consideration is dependent on the outcome of many variables including the acquirees' future revenue growth.

Receivables

For amounts related to Natural Resources Canada funding, an estimate of the expected funding is based on prior payment levels for specific submissions.

In determining the allowance for doubtful accounts, the Company considers historical loss experience of account balances based on the aging and arrears status of accounts receivable balances.

6. Assets held for sale

During the year, management entered into a purchase and sale agreement to dispose of the assets related to the Company's wireless business for $1,881,000. Accordingly, the related net assets have been presented as assets held for sale at December 31, 2022.

The expected selling price of the net assets is less than their carrying value and an impairment loss of $582,541 has been recorded and charged to income in the current year. Included in the impairment loss is $264,423 related to goodwill as described in Note 11). Included in the assets being sold are leases and the related right of use asset and lease liability have been presented in the net assets held for sale.

Following is a summary of the net assets held for sale:

(Expressed in Canadian Dollars)

6. Assets held for sale (continued)

	2022
Property, plant and equipment	**$ 1,744,052**
Intangible assets	**139,076**
Right-of-use asset	**81,600**
Lease liability	**(83,728)**
	$ 1,881,000

7. Discontinued operations

During fiscal 2002, the Company adopted formal plans to discontinue the wireless operations. Accordingly, the wireless operations have been treated as discontinued operations in the 2022 financial statements and the comparative balances for 2021 have been restated.

The operating results of discontinued operations are summarized below:

	2022	2021
Revenue	**$ 1,276,566**	$ 1,356,788
Expenses	**(1,207,961)**	(1,543,140)
Income from discontinued operations	**68,605**	(186,352)
Future income tax expense (reduction)	**18,180**	(49,383)
Discontinued operations	**$ 50,425**	$ (136,969)

8. Receivables

	2022	2021
Accounts receivable	**$ 5,047,124**	$ 5,310,235
Universal Broadband Fund receivables	**998,248**	6,975,994
Minister of Natural Resources	**605,668**	611,877
	$ 6,651,040	$ 12,898,106

The Natural Resources Canada receivable balance of $605,668 (2021 - $611,877) represents funding expected to be recovered for eligible expenditures incurred to December 31, 2022.

The Universal Broadband Fund receivable balance of $998,248 (2021 - $6,975,994) represents funding expected to be recovered for eligible expenditures incurred to December 31, 2022.

(Expressed in Canadian Dollars)

9. Inventory

	2022	2021
Inventory expensed during the year	**$ 110,590**	$ 90,921

10. Investments in joint venture

On December 18, 2020, the Company purchased a 50% joint ownership interest in EnerGen Hydroelectric Production Ltd. ("EnerGen"). EnerGen operates a hydro generation plant in the province of Quebec.

The investment in EnerGen is accounted for using the equity method in accordance with IAS 28.

Summarized financial information for EnerGen is set out below:

	2022	2021
Assets		
Current assets	**$ 346,469**	$ 402,165
Non current assets	**2,389,761**	2,492,717
Total assets	**2,736,230**	2,894,882
Liabilities		
Current liabilities	**$ 318,655**	$ 341,868
Non current liabilities	**1,861,746**	2,016,145
Total liabilities	**2,180,401**	2,358,013
Net assets	**$ 555,829**	$ 536,869
Operations:		
Revenue	**$ 559,288**	$ 564,555
Tax expense	**28,860**	56,436
Net comprehensive income for the year	**$ 18,959**	$ 136,180
Proportionate interest		
50% ownership interest	**$ 9,480**	$ 68,090

No dividends were received from EnerGen during the year ended December 31, 2022.

EnerGen is a private company, therefore no quoted market prices are available for its shares.

A reconciliation of the above summarized financial information to the carrying amount of the investment in EnerGen is set out below:

(Expressed in Canadian Dollars)

10. Investments in joint venture (continued)

Total net assets of EnerGen	$	555,829	$	536,869
Proportion of ownership interest held by the Company		50%		50%
Carrying amount of the investment in EnerGen	$	277,915	$	268,435

11. Goodwill

Goodwill of $1,150,014 (2020 - $1,414,437) is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of the workforce and expected synergies. Goodwill has been allocated to the power and communication segments. Goodwill relating to the power segment is not expected to be deductible for income tax purposes. During the year, management determined the goodwill for the communication segment to be impaired and an impairment loss of $264,423 was recorded and charged to income.

		2022		2021
Power segment	**$**	**1,150,014**	$	1,150,014
Communication segment		**-**		264,423
	$	**1,150,014**	$	1,414,437

(Expressed in Canadian Dollars)

12. Property, plant and equipment

	Land and buildings	Distribution equipment	Electricity generation equipment	Communication equipment	Other fixed assets	Construction in progress	Total
Cost							
At January 1, 2021	$ 15,598,119	$ 55,751,482	$ 46,537,527	$ 23,314,916	$ 11,301,520	$ 5,917,229	**$ 158,420,793**
Additions	180,988	3,887,066	461,924	7,263,552	2,518,675	7,458,176	**21,770,381**
Disposals	-	-	-	-	(201,037)	-	**(201,037)**
At December 31, 2021	15,779,107	59,638,548	46,999,451	30,578,468	13,619,158	13,375,405	**179,990,137**
Additions	20,357	3,689,756	1,084,925	9,113,116	1,848,677	200,842	**15,957,673**
Disposals	-	-	-	(18,925)	(113,738)	(4,425,210)	**(4,557,873)**
Transfer to held for sale assets	(126,700)	-	-	(2,608,068)	(275,256)	-	**(3,010,024)**
At December 31, 2022	$ 15,672,764	$ 63,328,304	$ 48,084,376	$ 37,064,591	$ 15,078,841	$ 9,151,037	**$ 188,379,913**
Accumulated depreciation							
At January 1, 2021	$ 2,680,187	$ 23,905,975	$ 9,350,542	$ 4,382,090	$ 7,062,822	$ -	**$ 47,381,616**
Depreciation for the year (Note 27)	407,339	1,444,607	1,106,300	1,464,657	1,282,895	-	**5,705,798**
Disposals	-	-	-	-	(147,107)	-	**(147,107)**
At December 31, 2021	3,087,526	25,350,582	10,456,842	5,846,747	8,198,610	-	**52,940,307**
Depreciation for the year (Note 27)	409,905	1,534,656	1,123,249	2,013,346	1,235,522	-	**6,316,678**
Disposals	-	-	-	-	(74,639)	-	**(74,639)**
Transfer to held for sale assets	(31,300)	-	-	(690,862)	(153,452)	-	**(875,614)**
At December 31, 2022	$ 3,466,131	$ 26,885,238	$ 11,580,091	$ 7,169,231	$ 9,206,041	$ -	**$ 58,306,732**
Carrying amount at December 31, 2021	$ 12,691,581	$ 34,287,966	$ 36,542,609	$ 24,731,721	$ 5,420,548	$ 13,375,405	**$ 127,049,830**
Carrying amount at December 31, 2022	$ 12,206,633	$ 36,443,066	$ 36,504,285	$ 29,895,360	$ 5,872,800	$ 9,151,037	**$ 130,073,181**

Included in other fixed assets are water heaters with a cost of $2,678,662 (2021 - $2,488,900) and accumulated depreciation of $2,051,689 (2021 - $1,953,506) resulting in a carrying amount at December 31, 2022 of $626,973 (2021 - $535,394). Additions during the year totaled $189,762 (2021 - $143,978), dispositions during the year totaled $Nil (2021 - $Nil) and depreciation for the year totaled $98,182 (2021 - $94,496). The cost and accumulated depreciation at January 1, 2021 was $2,344,922 and $1,859,010, respectively.

(Expressed in Canadian Dollars)

13. Intangible assets

	Computer software	Land rights	Water Power Lease	Customer list	Total
Cost					
Balance at January 1, 2021	$ 1,918,779	$ 567,931	$ 4,290,694	$ 245,000	**$ 7,022,404**
Additions	75,107	-	-	-	**75,107**
Disposals	-	-	-	-	**-**
Balance December 31, 2021	1,993,886	567,931	4,290,694	245,000	**7,097,511**
Additions	284,037	-	-	-	**284,037**
Disposals	-	-	-	-	**-**
Transfer to held for sale assets	(50,108)	-	-	(245,000)	**(295,108)**
Balance at December 31, 2022	$ 2,227,815	$ 567,931	$ 4,290,694	$ -	**$ 7,086,440**
Accumulated depreciation					
Balance at January 1, 2021	$ 1,495,834	$ 50,035	$ -	$ 35,000	$ 1,580,869
Depreciation for the year (Note 27)	132,222	20	-	35,000	167,242
Balance at December 31, 2021	1,628,056	50,055	-	70,000	1,748,111
Depreciation for the year (Note 27)	151,238	20	-	35,000	186,258
Transfer to held for sale assets	(27,511)	-	-	(105,000)	(132,511)
Balance at December 31, 2022	$ 1,751,783	$ 50,075	$ -	$ -	$ 1,801,858
Carrying amount					
At December 31, 2021	$ 365,830	$ 517,876	$ 4,290,694	$ 175,000	$ 5,349,400
At December 31, 2022	$ 476,032	$ 517,856	$ 4,290,694	$ -	$ 5,284,582

(Expressed in Canadian Dollars)

14. Regulatory deferral account balances

All amounts deferred as regulatory deferral account debit balances are subject to approval by the OEB. As such, amounts subject to deferral could be altered by the regulators and the actual recovery or settlement periods could differ based on OEB approval. Due to previous, existing or expected future regulatory articles or decisions, the Company has the following amounts expected to be recovered by customers (returned to customers) in future periods and as such regulatory deferral account balances are comprised of:

Regulatory deferral account debit/(credit)	Note	Remaining recovery/ reversal period (years)	Balance January 1, 2022	Balances arising in the period	Recovery/ reversal	**Balance, December 31, 2022**
Settlement variances	i)	1	$ (458,221)	$ 568,756	$ 295,970	**$ 406,505**
Retail cost variances	iii)	1	(76,428)	319,477	(295,970)	**(52,921)**
COVID-19 costs	iv)	1	425,831	8,492	-	**434,323**
			$ (108,818)	$ 896,725	$ -	**$ 787,907**

Regulatory deferral account debit/(credit)	Note	Remaining recovery/ reversal period (years)	Balance January 1, 2021	Balances arising in the period	Recovery/ reversal	**Balance, December 31, 2021**
Settlement variances	i)	1	$ (454,848)	$ 98,264	$ (101,637)	**$ (458,221)**
Renewable generation	ii)	1	257,558	(257,558)	-	**-**
Retail cost variances	iii)	1	40,782	(218,847)	101,637	**(76,428)**
COVID-19 costs	iv)	1	504,128	(78,297)	-	**425,831**
			$ 347,620	$ (456,438)	$ -	**$ (108,818)**

14. Regulatory deferral account balances (continued)

(i) Settlement variances

This account is comprised of the variances between amounts charged by the Company to customers, based on regulated rates, and the corresponding cost of non-competitive electricity service incurred by the Company. The settlement variances relate primarily to service charges, non-competitive electricity charges, imported power charges and the global adjustment.

The Company has recognized a settlement variance asset of $406,505 (2021 - liability of $458,221) arising from the recognition of regulatory deferral account balances. The settlement variance asset balance is presented within the total regulatory deferral account debit balance presented in the statement of financial position. Annually the Company makes an application for the recovery of the settlement variances for its customers in its rate application.

(ii) Renewable generation

The Company has recognized a cost asset of $Nil (2021 - $Nil) for costs related to the Green Energy Act with the distributor being responsible for the cost of expansion up to the value of the generators renewable energy expansion cost of $90 per MW generation capacity. These amounts were recovered during 2021.

(iii) Retail cost variances

The Company has recognized a cost liability of $52,921 (2021 - liability of $76,428) mainly for costs in excess of the amount requested in the Company’s last Cost of Service Application. Included is lost revenue as a result of CDM programs, IFRS conversion costs and a corporate tax true up from 2001 to 2006. The other cost (liability) balance is presented within the total regulatory deferral account (credit) debit balances presented in the statement of financial position.

(iv) COVID-19 costs

The Company has recognized a cost asset of $434,323 (2021 - asset of $425,831) related to the foregone revenue due to legislative directives and associated costs incurred from March 2020 to December 2020 surrounding COVID-19. The deferral of the rate approval for May 1, 2020 until November 1, 2020 gave rise to foregone revenue to be recovered in future years.

(Expressed in Canadian Dollars)

15. Accounts payable and accrued liabilities

Major components of accounts payable and accrued liabilities consist of the following:

	2022	2021
Purchased power	**$ 1,863,494**	$ 1,825,944
Accounts payable and accrued liabilities	**5,898,920**	6,121,286
	$ 7,762,414	$ 7,947,230

16. Contributions in aid of construction

Contributions in aid of construction consists of capital contributions received from electricity customers to construct or acquire property, plant and equipment which has not yet been recognized as revenue, and also includes revenue not yet recognized from demand billable activities. Contributions in aid of construction are amortized into revenue over the life of the assets which is 43 years.

	2022	2021
Deferred contributions, net, beginning of year	**$ 9,655,750**	$ 7,779,010
Contributions in aid of construction received	**1,779,257**	2,138,764
Contributions in aid of construction recognized as distribution revenue	**(308,119)**	(262,024)
Deferred contributions, net, end of year	**$ 11,126,888**	$ 9,655,750
Deferred contributions	**$ 11,126,888**	$ 9,655,750
Less current portion	**329,051**	287,186
	$ 10,797,837	$ 9,368,564

(Expressed in Canadian Dollars)

17. Note payable

	2022	2021
Note payable	**$ 689,374**	$ 1,030,021
Less current portion	**390,000**	390,000
	$ 299,374	$ 640,021

The Company has a note payable which is unsecured, non-interest bearing and payable in annual installments of $390,000 until 2024. The note was discounted using an incremental borrowing rate of 2.95% with accretion being charged to income annually.

Estimated principal repayments are as follows:

2023	$ 390,000
2024	299,374
	$ 689,374

18. Customer deposits

Customer deposits represent cash deposits from telecommunication and electricity distribution customers and retailers.

Deposits from electricity distribution customers are refundable to customers demonstrating 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.

	2022	2021
Customer deposits	**$ 582,162**	$ 529,542

19. Lease liabilities

Lease liabilities are presented in the consolidated statement of financial position as follows:

	2022	2021
Lease liabilities	**$ 66,023**	$ 247,899
Less current portion	**66,023**	83,989
	$ -	$ 163,910

(Expressed in Canadian Dollars)

19. Lease liabilities (continued)

The Company has a leases for office space and land use. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the consolidated statement of financial position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Company sales) are excluded from the initial measurement of the lease liability and asset. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment and assets held for sale (see Note 12). The right-of-use assets were presented within assets held for sale at December 31, 2022 as they are part of the group of assets in the disposal group (see Note 9).

The table below describes the nature of the Company's leasing activities by type of right-of-use asset recognized on the consolidated statement of financial position:

Right-of-use Asset	Number of right of use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with options to purchase	Number of leases with variable payments linked to an index	Number of leases with termination options
Property	1	1.8 years	0.9 years	-	-	-	1
Land	4	3-25 years	10 years	-	-	-	4

Future minimum lease payments at December 31, 2022 were as follows:

	Minimum Lease Payments Due				
	Within 1 year	1-2 years	2-3 years	3-25 years	**Total**
December 31, 2022					
Lease payments	$ 81,701	$ 11,400	$ 11,400	$ 76,063	**$ 180,564**
Impairment	-	-	-	(14,160)	**(14,160)**
Finance charges	(3,363)	(2,265)	(1,955)	(9,039)	**(16,622)**
Net present values	$ 78,338	$ 9,135	$ 9,415	$ 52,864	**$ 149,782**

The Company does not have any short-term leases or low value leases.

Total cash outflow for leases for the year ended December 31, 2022 was $89,928 (2021 - $86,702).

Interest on lease liabilities for the year ended December 31, 2022 was $5,939 (2021 - $7,386). Interest is included in the finance costs line in the consolidated statement of comprehensive income.

Additional information on the right-of-use assets by class of assets is as follows:

	Carrying amount as at January 1, 2022	Lease additions (impairment)	Depreciation expense for the year ended December 31, 2022	**Carrying amount as at December 31, 2022**
Property	$ 130,387	$ -	$ (68,027)	**$ 62,360**
Land	109,819	(13,800)	(14,419)	**81,600**
	$ 240,206	$ (13,800)	$ (82,446)	**$ 143,960**

(Expressed in Canadian Dollars)

20. Deferred revenue

The amount of deferred revenue is based on contracts in place for water heater rentals and fiber optic services that are billed one month in advance. In addition, amounts received from Natural Resources Canada for the SPEEDIER and DEMOCRASI projects, Small Communities Funding, the Wasauksing Contract, the Universal Broadband Fund and the CENGN Contract are deferred until the related assets are brought into use where at that time the deferred revenue is amortized over the useful life of the respective assets, which is 10 to 20 years. The third component is installation costs for customer site connections that is amortized over the term of the respective contracts.

	2022	2021
Small Communities Funding grant	**$ 4,129,353**	$ 4,415,484
Wasauksing contract	**1,135,550**	1,207,800
Installation costs	**407,529**	272,463
Rentals and services billed in advance	**892,204**	752,346
SPEEDIER grant	**3,762,490**	3,673,750
DEMOCRASI grant	**3,150,000**	3,150,000
CENGN	**54,099**	50,517
Universal Broadband Fund	**7,268,748**	6,879,472
	$ 20,799,973	$ 20,401,832
Current portion	**$ 1,714,270**	$ 1,371,900
Non-current portion	**19,085,703**	19,029,932
	$ 20,799,973	$ 20,401,832

As at December 31, 2022, the Company has accrued 100% (2021 - 98%) of the total grant funding expected to be received from Natural Resources Canada based on the total SPEEDIER project costs incurred and eligible for funding.

During the year, $286,131 (2021 - $286,131) in Small Communities Funding grants, $282,340 (2021 - $91,296) from the Universal Broadband Fund, $72,250 (2021 - $72,250) from Wasauksing First Nation and $3,727 (2021 - $1,742) from the CENGN Contract was recognized in revenue.

(Expressed in Canadian Dollars)

21. Payments in lieu of income taxes

The significant components of the provision for payments in lieu of taxes expense are as follows:

	2022	2021
Current tax		
Based on current year taxable income	**$ 251,623**	$ 1,294,389
Deferred tax		
Origination and reversal of temporary differences	**714,303**	423,898
	$ 965,926	$ 1,718,287

The payment in lieu of taxes varies from amounts which would be computed by applying the Company's combined statutory federal and provincial income tax rate. Reconciliation of the payment in lieu of taxes at the statutory income tax rate to the provision for payment in lieu of taxes is as follows:

Rate reconciliation before net movements in regulatory balances and OCI

	2022	2021
Statutory tax rate	**26.5%**	26.5%
Income for the year before net movements in regulatory deferral account balances and OCI	**$ 3,819,215**	$ 7,353,974
Anticipated income tax	**$ 1,012,092**	$ 1,948,803
Tax effect of the following:		
Items not deductible (taxable) for tax purposes	**4,755**	(41,611)
Rate variances	**(31,774)**	(68,694)
Other	**(58,171)**	(70,828)
Provision for payments in lieu of taxes	**926,902**	1,767,670
	-	-
	$ 926,902	$ 1,767,670

Rate reconciliation after net movements in regulatory balances and OCI

	2022	2021
Profit for the year before OCI	**$ 4,056,570**	$ 7,071,377
Expected payments in lieu of taxes	**$ 1,074,991**	$ 2,151,359
Increase (decrease) resulting from:		
Items not deductible (taxable) for tax purposes	**(856)**	(50,424)
Rate variances	**(31,944)**	(68,694)
Other	**(51,219)**	(52,785)
Provision for payments in lieu of taxes	**$ 990,972**	$ 1,979,456

(Expressed in Canadian Dollars)

21. Payments in lieu of income taxes (continued)

	2022	2021
Provision for payments in lieu of taxes before net movements in regulatory deferral account balances and OCI	**$ 926,902**	$ 1,767,670
Provision for payments in lieu of taxes recorded in net movement in regulatory balances	**43,227**	(65,658)
Provision for payments in lieu of taxes after net movement in regulatory balances	**970,129**	1,702,012
Provision for payments in lieu of taxes recorded in OCI	**20,663**	-
Provision for payments in lieu of taxes	**$ 990,792**	$ 1,702,012

	Balance January 1, 2022	Recognized in net income	Recognized in OCI	**Balance December 31, 2022**
Deferred tax liabilities				
Property, plant and equipment	$ 11,774,959	$ 1,889,096	$ -	**$ 13,664,055**
Intangible assets	(2,039)	409	-	**(1,630)**
Losses carried forward	(799,561)	(378,448)	-	**(1,178,009)**
Employee future benefits	(97,746)	46,124	(20,663)	**(72,285)**
Lease liability	(13,265)	(5)	-	**(13,270)**
Government grants	(2,447,107)	(888,647)	-	**(3,335,754)**
Other	(22,239)	66,437	-	**44,198**
	$ 8,393,002	$ 734,966	$ (20,663)	**$ 9,107,305**

	Balance January 1, 2021	Recognized in net income	Recognized in OCI	Balance December 31, 2021
Deferred tax liabilities				
Property, plant and equipment	$ 10,292,466	$ 1,482,493	$ -	$ 11,774,959
Intangible assets	(1,598)	(441)	-	(2,039)
Losses carried forward	(501,474)	(298,087)	-	(799,561)
Employee future benefits	(96,350)	(1,396)	-	(97,746)
Lease liability	(13,259)	(6)	-	(13,265)
Government grants	(1,585,141)	(861,966)	-	(2,447,107)
Other	(125,541)	103,302	-	(22,239)
	$ 7,969,103	$ 423,899	$ -	$ 8,393,002

22. Employee future benefits

(a) Defined contribution plan

The employees of the Company participate in the Ontario Municipal Employees Retirement System ("OMERS"). Although the plan has a defined retirement benefit plan for employees, the related obligation of the Company cannot be identified. The OMERS plan has several unrelated participating municipalities and costs are not specifically attributed to each participant. The employer portion of amounts paid to OMERS during the year was $853,561 (2021 - $788,127). The contributions were made for current service and these have been recognized in net income.

(b) Defined benefit plan

The Company pays post-retirement life insurance premiums and health & dental benefits for a defined group of employees. The Company recognizes these post-retirement costs in the period in which the employees render the services.

An actuarial valuation is prepared every third year or when there are significant changes to the workforce. A valuation based on management information was performed in accordance with IAS 19 for the 2022 fiscal period.

The plan is exposed to a number of risks, including:

Interest rate risk: decreases/increases in the discount rate used (high quality corporate bonds) will increase/decrease the defined benefit obligation.

Longevity risk: changes in the estimation of mortality rates of current and former employees.

Information about the group unfunded defined benefit plan as a whole and changes in the present value of the unfunded defined benefit obligation and the accrued benefit liability are as follows:

(Expressed in Canadian Dollars)

22. Employee future benefits (continued)

(b) **(continued)**

Defined benefit liability

	2022	2021
Balance, January 1	**$ 354,856**	$ 349,754
Current service cost	**23,024**	21,582
Past service cost	**-**	-
Interest cost	**8,869**	8,765
Included in profit or loss	**31,893**	30,347
Remeasurement loss (gain)	**-**	-
Actuarial loss from financial assumptions	**(78,609)**	-
Included in other comprehensive income	**(78,609)**	-
Benefits paid during the year	**(27,468)**	(25,245)
Balance, end of year	**$ 280,672**	$ 354,856

The main actuarial assumptions underlying the valuation are as follows:

	2022	2021	Reasonable possible change	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate	**5.05 %**	2.60 %	+/- 1%	$ 27,400	$ (32,900)
Health care costs	**4.70%-4.90%**	4.60%-4.90%	+/- 1%	20,400	(17,100)
Retirement age - males	**60**	60	-	-	-
Retirement age - females	**60**	60	-	-	-

(c) **Other employee future benefits**

Also included in the Employee future benefits was an amount for a self-insured life insurance plan regarding one employee from the original amalgamation of Lakeland Power in September, 2000. The amount is $Nil (2021 - $23,100) and was paid upon death of the retiree.

(Expressed in Canadian Dollars)

23. Long-term debt

	2022	2021
TD bank term loan, 2.98% due February 2026	**$ 2,698,887**	$ 2,698,887
TD bank term loan, 3.62% due March 2023	**1,162,500**	1,162,500
TD bank term loan, 5.768% due October 2026	**2,325,000**	2,325,000
TD bank term loan, 2.980% due February 2026	**4,000,000**	4,000,000
TD bank loan, 2.94% due August 2024	**8,000,000**	8,000,000
TD bank term loan, BA rate + 1.25% due June 2032	**1,729,911**	1,902,891
TD bank term loan, 3.79% due April 2033	**10,319,146**	11,119,611
Reducing term facility loan, 3.74% due March 2032	**8,618,980**	9,107,745
TD long term loan, 3.91% due March 2027	**4,464,286**	5,000,000
	43,318,710	45,316,634
Less current portion	**3,643,167**	8,721,714
	$ 39,675,543	$ 36,594,920

The term loans are secured by a general security agreement conveying a first floating and fixed charge over certain assets and evidence of adequate liability insurance.

The agreements covering the above facilities contain certain restrictions regarding service coverage ratio and debt capitalization tests, which have been met.

Management intends to renegotiate all term loans as they come due in order to further extend the principal payments.

Principal payments due in each of the next five years are as follows:

2023	$ 3,643,167
2024	13,072,297
2025	8,768,807
2026	2,516,188
2027	4,097,454
Subsequent years	11,220,797
	$ 43,318,710

(Expressed in Canadian Dollars)

24. Interest rate swap

The Company had an interest rate swap agreement as an “economic hedge” to manage the volatility of interest rates on the cash flows from the reducing term facility loan as described in Note 3 and 23 of the consolidated financial statements.

The floating interest rate on the bankers’ acceptance loan was converted to a fixed rate of 3.74% by entering into an amortizing interest rate swap with an notional amount of $16,559,538 ($Nil remaining, 2021 - $9,107,745). The maturity date of the interest rate swap was March 31, 2022. The fair value of the interest rate swap agreement is based on amounts determined by third party valuation of the interest rate swap.

As at December 31, 2022, the interest rate swap agreement is $Nil (2021 - $58,932) and $37,759 (2021 - ($162,710) has been credited to comprehensive income for the annual change in fair value of the interest rate swap which is over and above the portion noted below which is being amortized out of Accumulated Other Comprehensive Loss.

Under previous Canadian GAAP, the Company applied hedge accounting but it was not continued upon the transition to IFRS on January 1, 2014. The balance in Accumulated Other Comprehensive Loss related to the change in fair value of the interest rate swap at January 1, 2014 was $274,374. This cumulative balance is being amortized on a straight-line basis from January 1, 2014 to the maturity date of the interest rate swap and related term loan as the hedged item affects income and, accordingly, $21,173 (2021 - $33,257) is included in other expense in the Statement of Comprehensive Income.

25. Related party transactions

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties) which approximates the arm’s length equivalent value.

The following table summarizes the Company’s related party shareholder transactions for the year:

	2022	2021
Purchases		
Town of Bracebridge	**$ 40,228**	$ 145,860
Town of Huntsville	**18,583**	18,027
Village of Burk’s Falls	**1,000**	-
Municipality of Magnetawan	**5,046**	6,421
Town of Parry Sound	**28,175**	26,540

(Expressed in Canadian Dollars)

25. Related party transactions (continued)

	2022	2021
Sales		
Town of Bracebridge	**$ 747,239**	$ 903,840
Town of Huntsville	**459,053**	413,415
Village of Burk's Falls	**138,131**	122,863
Village of Sundridge	**262,108**	104,157
Municipality of Magnetawan	**33,388**	36,087
Town of Parry Sound	**734,720**	750,926
	$ 2,374,639	$ 2,331,288

Key management personnel compensation comprised:

The key management personnel of the Company have been defined as members of its board of directors and executive management team members.

	2022	2021
Executive management & director compensation	**$ 1,152,584**	$ 965,034

26. Share capital

a) Ordinary shares

An unlimited number of common shares are authorized for issue. As of December 31, 2022, the Company has issued and fully paid 10,000 (2021 - 10,000) common shares. The shares have no par value.

All shares are ranked equally with regards to the Company's residual assets.

b) Movement in ordinary share capital

No movement in ordinary share capital has occurred during 2022.

(Expressed in Canadian Dollars)

27. Amortization of property plant and equipment and intangible assets

The transportation amortization is not included in the amortization on the Consolidated Statement of Comprehensive Income as it has been expensed to operating lines or capitalized where the equipment was used in constructing an asset. Refer to the reconciliation below:

	2022	2021
Amortization of property, plant and equipment and intangible assets	**$ 6,502,926**	$ 5,873,040
Amortization on the Consolidated Statement of Comprehensive Income	**(5,677,253)**	(5,161,519)
Amortization on the discountinued operations	**(375,876)**	(350,979)
Transportation amortization	**$ 449,797**	$ 360,542
Transportation amortization - capitalized	$ 196,747	$ 226,578
Transportation amortization - expensed in operating expenses	253,050	133,964
	$ 449,797	$ 360,542

28. Expenses by nature

	2022	2021
Repairs and maintenance	**$ 3,432,610**	$ 3,185,147
Staff costs (including post-employment benefits)	**8,430,839**	7,583,790
General administration and overhead	**3,235,077**	2,261,768
Bad debts	**53,023**	(9,380)
	$ 15,151,549	$ 13,021,325

29. Staff costs

	2022	2021
Wages, salaries and short-term employee benefits	**$ 10,181,983**	$ 9,203,774
Wages, salaries and short-term employee benefits in revenue	**(55,735)**	(45,603)
Wages, salaries and short-term employee benefits capitalized	**(1,719,717)**	(1,585,386)
Post-employment benefits	**24,308**	11,005
	$ 8,430,839	$ 7,583,790

30. Financial instruments and risk management

Fair value disclosure

The carrying values of cash and cash equivalents, receivables, unbilled service revenue, accounts payable and accrued liabilities and customer deposits approximate their respective fair values because of the short maturity of these instruments.

The fair value of the interest rate swap (Level 2) is $58,932 (2020 - $254,899). The fair value is based upon a third party valuation using standard pricing models for such instruments.

The fair value of the term loans (Level 2) is $39,974,605 (2021 - $45,154,983). The fair value of the note payable (Level 2) is $637,165 (2021 - $975,058). The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date.

Risk management

The Company's activities provide for a variety of financial risks, particularly credit risk, market risk and liquidity risk.

30. Financial instruments and risk management (continued)

(i) Credit risk:

Financial assets carry credit risk that a counter-party will fail to discharge an obligation which would result in a financial loss. Financial assets held by the Company, such as accounts receivable, expose it to credit risk. The Company earns its distribution and energy revenue from a broad base of customers located in six municipalities. The Company earns its generation revenue from the IESO, a government entity. No other single customer accounts for revenue in excess of 10% of total revenue.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in the Consolidated Statement of Comprehensive Income. Subsequent recoveries of receivables previously provisioned are credited to the Consolidated Statement of Comprehensive Income. The balance of the allowance for impairment at December 31, 2022 is $80,422 (2021 - $470,239). The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2022, approximately $94,096 (2021 - $531,790) is considered 60 days past due. The Company has approximately 14,200 customers, the majority of which are residential. Credit risk is managed through the Company maintaining bank accounts at a reputable bank and the collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2022, the Company holds security deposits in the amount of $529,542 (2021 - $426,744).

The carrying amounts of financial assets represent the maximum credit exposure.

(ii) Market risk:

The Company is not exposed to significant market risk.

(iii) Interest rate risk:

The Company’s policy is to minimize interest rate cash flow risk exposures on long-term financing. Long-term borrowings are therefore usually at fixed rates. At December 31, 2022, the Company is not exposed to any material changes in market interest rates on its long-term borrowing.

The TD bank term loan due March 2032 is exposed to interest rate risk as a portion of the loan is tied to the bankers’ acceptance floating rate, which gives rise to a risk that the Company’s income and cash flows may be adversely impacted by fluctuations in interest rates.

The reducing term facility may be exposed to interest rate risk if the Company is not in compliance with its year-end financial and capital expenditure covenants. The Company closely monitors its financial performance to ensure it remains in compliance with its banking covenants.

(Expressed in Canadian Dollars)

30. Financial instruments and risk management (continued)

(iv) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Company has access to line of credit facilities totaling $6,000,000 and monitors cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due.

The following table sets out the contractual maturities (representing undiscounted contractual cashflows) of financial liabilities:

	Due within 1 year	Due between 1-2 years	Due past 2 years
At December 31, 2022			
Accounts payable and accrued liabilities	$ 7,762,414	$ -	$ -
Customer deposits	-	582,162	-
Long term debt	3,643,167	13,072,297	26,603,246
Note payable	390,000	299,374	-
At December 31, 2021			
Accounts payable and accrued liabilities	$ 7,947,230	$ -	$ -
Customer deposits	-	529,542	-
Long term debt	8,721,714	3,709,133	32,885,787
Note payable	390,000	390,000	250,021

31. Contingencies

Letter of credit

The Company has a bank letter of credit outstanding for $452,305 (2021 - $452,305). The letter of credit bears interest at a rate of 0.50% per annum. Purchasers of electricity in Ontario, through the Independent Electricity Systems Operator (IESO) are required to provide security to mitigate the risk of their default based on their expected activity in the market. The IESO could draw on these guarantees if the Company fails to make a payment required by default notice issued by the IESO. The maximum potential payment is the face value of the bank letters of credit. As at December 31, 2022, the Company provided prudential support using bank letters of credit of $452,305 (2021 - $452,305).

Lawsuits and claims

The Company is involved in various lawsuits and claims in the normal course of business. In the opinion of management, the final determination of these proceedings will not materially affect the financial position, results of operations or cash flows of the Company.

32. Capital management

The main objectives of the Company, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, fibre optic and broadband services and the generation stations, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

The Company's definition of capital is shareholders' equity. As at December 31, 2022, shareholders' equity amounts to $63,553,474 (2021 - $62,427,792).

33. Subsequent event

On March 7, 2023 the Company signed a purchase and sale agreement to acquire waterpower generation assets for $5,500,000. The transaction closed on April 7, 2023, with the entire purchase price being financed with a TD Bank term loan bearing interest at the prime rate and repayable in equal monthly payments over a 20 year amortization period.