Lakeland Holding Ltd.
Consolidated Financial Statements
For the Year Ended December 31, 2023
(Expressed in Canadian Dollars)

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Contents

Independent Auditor's Report

To the Shareholders of Lakeland Holding Ltd.

Opinion
We have audited the consolidated financial statements of Lakeland Holding Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2023, the consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and 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 Group 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.

Emphasis of Matter - Restated Comparative Information
We draw attention to Note 4 to the consolidated financial statements, which explains that certain comparative information presented for the year ended December 31, 2022 and as of January 1, 2022 has been restated. The consolidated financial statements for the year ended December 31, 2022 (prior to the adjustments that were applied to restate certain comparative information explained in Note 4) were audited by another auditor who expressed an unmodified opinion on those statements on April 28, 2023. Our opinion is not modified in respect of this matter.

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 the 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group 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 Group 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Barrie, Ontario
July 8, 2024

Lakeland Holding Ltd.
Consolidated Statement of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2023	December 31, 2022	January 1, 2022
		(Restated- Note 4)	(Restated- Note 4)
Assets			
Current			
Cash	**$ 7,069,486**	$ 4,114,156	$ 5,360,874
Accounts receivable (Note 7)	**6,392,344**	6,651,040	12,898,106
Inventory (Note 8)	**619,063**	1,269,524	369,621
Prepaid expenses	**921,235**	690,519	698,707
Payment in lieu of taxes receivable	**-**	1,280,642	-
Unbilled revenue	**3,821,807**	3,826,515	3,557,835
Assets held for resale (Note 6)	**1,473,600**	1,881,000	-
Total current	**20,297,535**	19,713,396	22,885,143
Non current			
Investments in joint venture (Note 9)	**221,004**	277,915	268,435
Property, plant and equipment (Note 11)	**138,253,825**	130,073,181	127,049,830
Intangible assets (Note 12)	**6,370,390**	3,652,460	3,932,468
Goodwill (Note 10)	**1,150,014**	1,150,014	1,414,437
Total non current	**145,995,233**	135,153,570	132,665,170
Total assets	**166,292,768**	154,866,966	155,550,313
Regulatory deferral account debit balances and related deferred tax (Note 13)	**873,877**	787,909	(10,019)
Total assets and regulatory deferral account balances	**$167,166,645**	$155,654,875	$155,540,294

The accompanying notes are an integral part of these consolidated financial statements.

Lakeland Holding Ltd.
Consolidated Statement of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2023	December 31, 2022 (Restated- Note 4)	January 1, 2022 (Restated- Note 4)
Liabilities			
Current			
Accounts payable and accrued liabilities (Note 14)	**$ 8,039,507**	$ 7,762,433	$ 7,947,246
Interest rate swap	**-**	-	58,932
Payment in lieu of taxes payable	**276,536**	-	471,836
Current portion long-term debt (Note 21)	**13,338,987**	3,643,167	8,721,714
Current portion of note payable (Note 16)	**339,666**	390,000	390,000
Current portion of lease liability	**68,268**	66,023	83,989
Current portion of deferred revenue (Note 18)	**1,920,181**	1,714,270	1,371,900
Current portion of contributions in aid of construction (Note 15)	**375,608**	329,051	287,186
Total current	**24,358,753**	13,904,944	19,332,803
Non current			
Contributions in aid of construction (Note 15)	**12,377,605**	10,797,837	9,368,564
Note payable (Note 16)	**-**	299,374	640,021
Customer deposits (Note 17)	**539,884**	582,162	529,542
Deferred revenue (Note 18)	**19,229,081**	19,085,703	19,029,932
Deferred payments in lieu of taxes (Note 19)	**10,467,029**	9,771,947	9,111,442
Employee future benefits (Note 20)	**285,511**	280,672	377,957
Long term debt (Note 21)	**35,966,698**	39,675,543	36,594,920
Lease liability	**295,041**	-	163,910
Total non current	**79,160,849**	80,493,238	75,816,288
Total liabilities	**103,519,602**	94,398,182	95,149,091
Shareholders' equity			
Share capital (Note 23)	**12,609,650**	12,609,650	12,609,650
Contributed surplus	**5,855,109**	5,855,109	5,855,109
Retained earnings	**45,064,402**	42,674,052	41,788,884
Accumulated other comprehensive income	**117,882**	117,882	38,761
Total shareholders' equity	**63,647,043**	61,256,693	60,292,404
Total liabilities and shareholders' equity	**167,166,645**	155,654,875	155,441,495
Regulatory deferral account credit balances and related deferred tax (Note 13)	**-**	-	98,799
Total liabilities and shareholders' equity and regulatory deferral account credit balances	**$167,166,645**	$ 155,654,875	$ 155,540,294

On behalf of the Board:

Signed by:
Chris Litschko
061EA3D7277745F... Director

Signed by:
2B5B80014C014CA... Director

The accompanying notes are an integral part of these consolidated financial statements.

Lakeland Holding Ltd.
Consolidated Statement of Comprehensive Income
(Expressed in Canadian Dollars)

For the year ended December 31	2023	2022
		(Restated- Note 4)
Revenue		
Electricity revenue	**$ 37,183,199**	$ 37,356,182
Distribution revenue	**8,711,263**	8,339,575
Energy revenue	**11,575,615**	9,964,817
Generation revenue	**10,722,723**	7,516,288
Other revenue	**1,051,017**	1,175,246
	69,243,817	64,352,108
Expenses		
Purchased power	**36,981,656**	37,502,659
Operating expenses (Note 25)	**17,248,620**	15,098,495
Depreciation and amortization	**6,493,976**	5,877,299
Taxes other than payments in lieu of taxes	**230,361**	195,353
	60,954,613	58,673,806
Income from operating activities	**8,289,204**	5,678,302
Other income		
Gain on disposal of property, plant and equipment	**106,333**	34,823
Finance income	**365,580**	104,636
Finance costs	**(2,273,779)**	(1,678,435)
Share of joint venture (loss) income (Note 9)	**(56,911)**	9,480
Change in fair value of interest rate swap	**-**	37,759
Income before provision for payments in lieu of taxes	**6,430,427**	4,186,565
Provision for payments in lieu of taxes		
Current	**847,892**	251,442
Deferred	**695,082**	621,662
	1,542,974	873,104
Profit before net movements in regulatory deferral account balances	**4,887,453**	3,313,461
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement (Notes 13 and 19)	**(168,161)**	103,823
Income before discontinued operations	**4,719,292**	3,417,284
Loss from discontinued operations (Note 6)	**(328,942)**	(532,116)
Profit and net movements in regulatory deferral account balances	**4,390,350**	2,885,168
Other comprehensive income:		
Items that will not be reclassified to profit or loss, net of tax:		
Remeasurements of defined benefit plan, net of tax of $Nil (2022 - $20,663)	**-**	57,948
Amortization of change in fair value of interest rate swap, net of tax of $Nil (2022 - $Nil)	**-**	21,173
Total comprehensive income	**$ 4,390,350**	$ 2,964,289

The accompanying notes are an integral part of these consolidated financial statements.

Lakeland Holding Ltd.
Consolidated Statement of Changes in Equity
(Expressed in Canadian Dollars)

For the year ended December 31, 2023

	Share Capital	Contributed Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
Balance, January 1, 2022 - as previously stated	$ 12,609,650	$ 5,855,109	$ 43,924,272	$ 38,761	$ 62,427,792
Prior period adjustment (Note 4)	-	-	(2,135,388)	-	(2,135,388)
Balance, January 1, 2022 (restated)	12,609,650	5,855,109	41,788,884	38,761	60,292,404
Profit for the year - restated (Note 4)	-	-	2,885,168	79,121	2,964,289
Dividends paid	-	-	(2,000,000)	-	(2,000,000)
Balance, December 31, 2022 (restated)	12,609,650	5,855,109	42,674,052	117,882	61,256,693
Profit for the year	-	-	4,390,350	-	4,390,350
Dividends paid	-	-	(2,000,000)	-	(2,000,000)
Balance, December 31, 2023	$12,609,650	$ 5,855,109	$45,064,402	$ 117,882	$63,647,043

The accompanying notes are an integral part of these consolidated financial statements.

Lakeland Holding Ltd.
Consolidated Statement of Cash Flows
(Expressed in Canadian Dollars)

For the year ended December 31	**2023**	2022
		(Restated-Note 4)
Cash flows from operating activities		
Comprehensive income	**$ 4,390,350**	$ 2,964,289
Adjustments for items not affecting cash:		
Depreciation and amortization of property, plant, equipment, and intangible assets	**7,299,590**	6,718,126
Employee future benefits	**4,839**	(97,285)
Gain on sale of property, plant and equipment	**(106,333)**	(34,823)
Finance costs	**2,273,779**	1,002,765
Finance income	**(365,580)**	579,380
Interest rate swap	-	(58,932)
Amortization of grant funding earned	**(740,500)**	(644,448)
Contingent consideration not realized	-	(40,292)
Loss (income) from joint venture	**56,911**	(9,480)
Loss on re-measurement to fair value of assets held for sale	**803,292**	582,541
Provision for payment in lieu of taxes	**1,542,974**	38,348
	15,159,322	11,000,189
Adjustments for non-cash working capital items:		
Accounts receivable	**258,696**	6,247,066
Inventory	**650,461**	(899,903)
Prepaid expenses	**(230,716)**	8,188
Unbilled revenue	**4,708**	(268,680)
Accounts payable and accrued liabilities	**277,074**	(184,813)
Contributions in aid of construction	**1,626,325**	1,471,138
Deferred revenue	**1,089,789**	(5,123,777)
Assets held for resale	**(694,149)**	-
Customer deposits	**(42,278)**	52,620
Regulatory deferral account balances	**(85,968)**	(896,724)
Cash generated from operations	**18,013,264**	11,405,304
Payment in lieu of taxes received (paid)	**709,286**	(1,130,332)
Net cash flows from operating activities	**18,722,550**	10,274,972
Cash flows from investing activities		
Interest income	**365,580**	93,414
Purchase of property, plant, and equipment	**(14,483,632)**	(11,532,464)
Proceeds on disposal of property, plant, and equipment	**126,896**	92,858
Purchase of intangible assets	**(3,065,710)**	(284,037)
Net cash used in investing activities	**(17,056,866)**	(11,630,229)

The accompanying notes are an integral part of these consolidated financial statements.

Lakeland Holding Ltd.
Consolidated Statement of Cash Flows

For the year ended December 31	2023	2022
Cash flows from financing activities		(Restated- Note 4)
Finance costs	**(2,273,779)**	(1,672,466)
Dividends paid	**(2,000,000)**	(2,000,000)
Proceeds of long term debt	**8,500,000**	-
Repayment of long term debt	**(2,513,025)**	(1,997,925)
Repayment of lease liabilities	**(73,842)**	(87,081)
Grants funding received	**-**	6,166,366
Repayment of note payable	**(349,708)**	(300,355)
Net cash from financing activities	**1,289,646**	108,539
Net increase (decrease) in cash	**2,955,330**	(1,246,718)
Cash, beginning of year	**4,114,156**	5,360,874
Cash, end of year	**$ 7,069,486**	$ 4,114,156

The accompanying notes are an integral part of these consolidated financial statements.

1. Corporate Information

Lakeland Holding Ltd. (the "Group") 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 Group's corporate office and principal place of business is 200-395 Centre St N, Huntsville, Ontario, Canada, P1H 2M2

The Group 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 Group 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 XXX.

b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following items:
1. Financial instruments - fair value through profit and loss
2. Financial instruments - fair value through other comprehensive income
3. Employee future benefits - fair value through other comprehensive income

These consolidated financial statements include the accounts of the Group 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 Group's functional currency.

c) Judgment and estimates

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Group'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.

3. Material Accounting Policy Information

a) Explanation of Activities Subject to Rate Regulation

Operating in a regulated environment exposes the Group to regulatory and recovery risk.

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 Group 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.

b) Regulatory Deferral Accounts

Regulatory deferral account debit balances represent future recoveries associated with 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. 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. 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 Group in the wholesale market administered by the Independent Electricity Operator (the "IESO") after May 1, 2002. The amounts have been accumulated pursuant to regulation underlying the Electricity Act (the "EA") and deferred in anticipating of their future recovery or expense in electricity distribution service charges.

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.

c) Revenue

Revenue is recognized to the extent that it is probable those economic benefits will flow to the Group 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 Group is licensed by the OEB to distribute electricity. As a licensed distributor, the Group 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 Group is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Group ultimately collects these amounts from customers. The Group 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 Group is licensed by the OEB to generate electricity. The Group has a separate 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.

Communications - Internet service provider

The Group provides internet service to customers over a fibre 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.

c) Revenue (continued)

Where the Group 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 Group 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 Group provides rental units for residential and commercial use and determines revenue using a contracted price.

Where the Group 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.

Revenues from pole use rental, collection charges and other miscellaneous revenues are recognized at the time services are provided. Where the Group 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.

Where the Group 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.

d) Financial Instruments

Financial instruments are comprised of cash, accounts receivable, unbilled revenues, accounts payable and accrued liabilities, customer deposits, long term debt and note payable.

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Group 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 Group's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

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

Subsequent measurement of financial assets

<u>Financial assets at amortized cost</u>
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

d) Financial Instruments (continued)

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 Group'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 Group 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 Group first identifying a credit loss event. Instead the Group 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.

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

Classification and measurement of financial liabilities

The Group'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 Group 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 Group 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.

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 recognize the Group'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 Group.

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

(Expressed in Canadian Dollars)

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 Group, 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.

The estimated useful lives are as follows:

<u>Distribution plant</u>	
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
<u>Generation plant</u>	
Dams and waterways	45 years
Turbines and generators	45 years
Accessory electrical equipment	25 years
<u>General plant</u>	
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 to 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 Group’s distribution system reliability.

g) Property, Plant and Equipment (continued)

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.

h) Leases

The Group as a lessee

For any new contracts entered into, the Group 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 Group 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 Group;
- the Group 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 Group 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 Group 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 Group, 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 Group 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 Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group 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 Group'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.

h) Leases (continued)

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.

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 Group 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.

<u>The Group as a lessor</u>

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

To classify each lease, the Group 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 Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

i) Borrowing Costs

The Group 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 their 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 Group, 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 Group 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 Group does not hold title. Land rights are measured at cost less accumulated amortization and accumulated impairment losses.

Waterpower generation rights

Amounts related to the acquisition of generation facilities and the related waterpower generation rights that come with power sales contracts are amortized on a straight-line basis over the remaining term of the contract ranging from 21 to 32 years from the date of acquisition. In assessing the useful life management considered various factors, including legal and contractual provisions.

Amortization

Amortization is recognized in the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of intangible assets, other than 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:

Waterpower generation rights	21 to 32 years
Land rights	Indefinite
Computer software	5 years
Customer list	7 years

k) Impairment of Non-Financial Assets

Impairment tests on intangible assets with definite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), 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 smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs').

Impairment charges are included in the Statement of Comprehensive Income, except to the extent they reverse gains previously recognized in other comprehensive income. An impairment loss has been charged to income in 2023 (refer to Note 6).

l) Employee Future Benefits

Defined contribution plan

The employees of the Group participate in the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan. The Group 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. However, 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 Group is only one of a number of employers that participates in the plan and the financial information provided to the Group on the basis of the contractual agreements, is usually insufficient to reliably measure the Group's proportionate share in the plan assets and liabilities.

Defined benefit plans

The Group provides certain unfunded health, dental and life insurance benefits on behalf of its retired employees. These benefits are provided through a group defined benefit plan. The Group's net obligation for these benefits 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 cost of these benefits are determined using actuarial valuations. An actuarial valuation involves making various assumptions.

Due to the complexity of the valuation and its long-term nature, the funding valuation is highly sensitive to changes in the assumptions, which are reviewed at each reporting date. Recent changes in interest rates and inflation has created uncertainty which could impact assumptions going forward. This uncertainty could create volatility in the funding status of the plan.

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 Group, 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 Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

l) Employee Future Benefits (continued)

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 Group 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 Group is exempt from tax under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario).

Under the Electricity Act, 1998, the Group 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.

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 19). 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 Group reassesses both recognized and unrecognized deferred tax assets. The Group 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 fibre 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.

o) Standards, Amendments and Interpretations Not Yet Effective

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

• Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);
and
• Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements)

The Group is currently assessing the impact of these amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities.

At the date of authorization of these financial statements, all accounting pronouncements which became effective on January 1, 2023 and have therefore been adopted do not have a material impact on the Group's financial results or position.

(Expressed in Canadian Dollars)

4. Prior Period Adjustment

During IFRS adoption in 2014, the Group reviewed the requirements under IAS 38 relating to intangible assets to determine the implications. At that time, waterpower generation rights were identified as an intangible asset as the Group has the right to access the land and water beds. These agreements were considered to have an indefinite life as they have been in existence since 1985. The conclusion was to continue to classify these rights as an intangible asset with an indefinite life as it satisfied all IFRS conditions.

Subsequent to IFRS adoption, the Group has acquired waterpower generation facilities and assigned additional values as an intangible asset with indefinite lives. During 2023, the Group reviewed these additions and have concluded that the IESO contracts associated with these values do have a definite life. As a result, the intangible assets have been restated to reflect the amortization that would have been recorded in the prior years. Accordingly, the consolidated financial statements of 2022 have been restated to reflect this adjustment. The effect of the restatement on those consolidated financial statements is summarized below.

	2022
Statement of Financial Position	
Decrease in intangible assets and total assets	**$ (1,632,138)**
Increase in deferred taxes	**$ (664,642)**
Decrease in retained earnings, beginning of year on January 1, 2022	**$ (2,135,388)**
Decrease in retained earnings, end of year on December 31, 2022	**(161,392)**
Decrease in total liabilities and shareholder's equity	**$ (2,296,780)**
Statement of Comprehensive Income	
Increase in depreciation and amortization expense	**$ 215,190**
Decrease in provision for payments in lieu of tax - deferred	**(53,798)**
Decrease in comprehensive income	**$ 161,392**

(Expressed in Canadian Dollars)

5. Use of Estimates and Judgements

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Group's accounting policies. The areas involving critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are:

- The determination of useful lives of property, plant and equipment and intangible assets (Note 3 g), 3 j), 11 and 12);
- The determination of impairment of accounts receivable and the incorporation of forward-looking information into the measurement of the expected credit loss ("ECL") (Note 3 c) and 7);
- The determination for the provision for Payment in Lieu of Taxes since there are many transactions and calculations for which the ultimate tax determination is uncertain (Note 19); and
- The calculation of the net future obligation for certain unfunded health, dental and life insurance benefits for the Group's retired employees (Note 20).

In addition, in preparing the consolidated financial statements, the notes to the consolidated financial statements were ordered such that the most relevant information was presented earlier in the notes and the disclosures that management deemed to be immaterial were excluded from the notes to the consolidated financial statements. The determination of the relevance and materiality of disclosures involved significant judgment.

6. Assets Held for Sale and Discontinued Operations

On January 12, 2024, the Group finalized a purchase and sale agreement to divest the wireless division, encompassing all wireless-related operations and assets. The transaction concluded on February 1, 2024. Consequently, the consolidated financial statements now reflect the wireless business operations as discontinued operations, and the comparative balances have been restated accordingly.

The purchase and sale agreement to acquire the assets of the wireless division of Lakeland Energy Ltd. was for a purchase price of $1,473,600, after adjustments.

The operating results of discontinued operations are summarized below:

	2023	2022
Revenue	**$ 1,081,797**	$ 1,276,566
Expenses	**(607,447)**	(1,207,961)
Profit from discontinued operations	**474,350**	68,605
Related income tax expense	**-**	(18,180)
Loss on re-measurement to fair value	**(803,292)**	(582,541)
Loss from discontinued operations	**$ (328,942)**	$ (532,116)

(Expressed in Canadian Dollars)

6. Assets Held for Sale and Discontinued Operations (continued)

The net cash flows from discontinued operations were generated by operating activities.

The proceeds of disposal were substantially less than carrying amount of the related net assets and accordingly a loss on re-measurement to fair value of $803,292 (2022 - $582,541) has been recognized on the classification of these operations.

The related income tax expense is $Nil, as indicated above for these discontinued operations. The Group utilized tax losses to offset the liability, resulting in a reduction to $Nil.

The net assets held for sale are summarized below:

	2023	2022
Property, plant and equipment	**$ 1,108,727**	$ 1,744,052
Intangible assets	**64,873**	139,076
Right-of-use asset	**-**	81,600
Lease liability	**-**	(83,728)
Inventory	**300,000**	-
Assets held for sale	**$ 1,473,600**	$ 1,881,000

In the prior year, lease agreements along with the corresponding right-of-use assets and lease liabilities were identified and disclosed within the assets held for sale.

History of transaction

During the prior year, the assets held for sale comprised property, plant, and equipment with a total cost of $3,010,024, offset by accumulated depreciation of $875,614 (Note 11). Additionally, Intangible Assets were recognized with a cost of $295,108, offset by accumulated amortization of $132,511 (Note 12).

The liabilities associated with the assets held for sale included a liability of $97,888. Goodwill, valued at $264,423, was also part of this classification.

The total net carrying amount of the assets held for sale amounted to $2,463,542.

During the current year, additional inventory of $380,589 and property, plant and equipment of $27,303 were included in the assets held for sale. A truck with a net book value of $12,001 was removed from assets held for sale.

Upon conducting a fair value assessment, a loss on re-measurement to fair value of $803,292 (2022 - $582,541) was recognized in the current year. Consequently, the carrying amount of the assets held for sale decreased to $1,473,600 (2022 - $1,881,000) after accounting for this re-measurement.

(Expressed in Canadian Dollars)

7. Accounts Receivables and Unbilled Revenue

	2023	2022
Accounts receivable	**$ 5,796,454**	$ 5,047,124
Universal Broadband Fund receivables	**-**	998,248
Minister of Natural Resources	**595,890**	605,668
Unbilled revenue	**3,821,807**	3,826,515
	$ 10,214,151	$ 10,477,555

The Natural Resources Canada receivable balance of $595,890 (2022 - $605,668) represents funding expected to be recovered for eligible expenditures incurred to December 31, 2023.

The Universal Broadband Fund receivable balance of $Nil (2022 - $998,248) represents funding expected to be recovered for eligible expenditures incurred to December 31, 2023.

Credit risk

Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. Where the security posted is in the form of cash or cash equivalents, these amounts are recorded in the accounts as customer deposits, which are reported separately from the Group's own cash. Deposits to be refunded to customers within the next fiscal year are classified as a current liability. Interest rates paid on customer deposits are based on the Bank of Canada's prime business rate less 2%.

Due to its short-term nature, the carrying amount of the receivables approximates its fair value. Unbilled revenue reflects the electricity delivered but not yet billed to customers. Customer billings generally occur within 30 days of delivery. The Group's credit risk associated with accounts receivable is primarily related to payments from distribution customers. The Group distributes electricity to over 14,000 customers within its licensed service territory in the Town of Bracebridge, Town of Huntsville, Town of Parry Sound, Town of Sundridge, Village of Burk's Falls and Municipality of Magnetawan which is comprised of 85% residential customers while approximately 12% are small business or industrial based. The Group considers an account receivable to be in default when the customer is unlikely to pay its credit obligations in full, without recourse by the Group, such as realizing security (if any is held). Accounts are past-due (in default) when the customers have failed to make the contractually requirements payments when due, which is generally within 30 days of the billing date.

The Group considered an account receivable to be credit-impaired when the customer had amounts more than 90 days past the billing date. The Group reviews commercial and industrial customer accounts on an individual basis and considers historical loss, payment experience, payment arrangements and economic conditions, as well as the aging and arrears status of the account in the determination of impairment.

(Expressed in Canadian Dollars)

8. Inventory

	2023	2022
Inventory expensed during the year	**$ 69,360**	$ 110,590

Inventory during the year was not impaired, further there were no reversals of impairment.

9. Investments in Joint Venture

On December 18, 2020, the Group 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:

	2023	2022
Assets		
Current assets	**$ 207,058**	$ 346,469
Non current assets	**2,291,630**	2,389,761
Total assets	**2,498,688**	2,736,230
Liabilities		
Current liabilities	**335,816**	318,655
Non current liabilities	**1,720,865**	1,861,746
Total liabilities	**2,056,681**	2,180,401
Net assets	**$ 442,007**	$ 555,829
Operations		
Revenue	**$ 498,840**	$ 559,288
Tax (recovery) expenses	**$ (8,983)**	$ 28,860
Net comprehensive (loss) income for the year	**$ (113,822)**	$ 18,959
Proportionate share of (loss) income	**$ (56,911)**	$ 9,480

(Expressed in Canadian Dollars)

9. Investments in Joint Venture (continued)

No dividends were received from EnerGen during the year ended December 31, 2023.

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:

	2023	2022
Total net assets of EnerGen	$ 442,007	$ 555,829
Proportion of ownership interest held by the Group	50 %	50 %
Carrying amount of the investment in EnerGen	$ 221,004	$ 277,915

10. Goodwill

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

	2023	2022
Carrying amount		
Balance at January 1, 2022	$ 1,150,014	$ 1,150,014
Impairment losses	-	-
Balance at December 31, 2023	**$ 1,150,014**	**$ 1,150,014**

On March 27, 2014 in proceeding EB-2013-0427/EB-2013-0428, the Ontario Energy Board granted leave to Parry Sound Power Corporation and Lakeland Power Distribution Ltd. to amalgamate. On July 3, 2014, the companies notified the Board that the transaction had been completed. Parry Sound Power Corporation's Electricity distribution licence ED-2003-0006 was cancelled effective July 3, 2014 and Lakeland Power Distribution Ltd.'s electricity distribution licence was amended to include the service areas formerly served by Parry Sound Power Corporation. Goodwill arose on this transaction.

Cash flows have been projected over a period of three years based on financial budgets and forecasts approved by management.

Management has determined the values assigned to each key assumption based on past experience and, where appropriate, consistent with external sources of information.

(Expressed in Canadian Dollars)

11. Property, Plant and Equipment

	Land and building	Distribution equipment	Electricity generation equipment	Communication equipment	Other fixed assets	Construction in progress	Total
Cost							
At January 1, 2022	$ 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)
Cost presented as held for sale	(126,700)	-	-	(2,608,068)	(275,256)	-	(3,010,024)
At January 1, 2023	15,672,764	63,328,304	48,084,376	37,064,591	15,078,841	9,151,037	188,379,913
Additions	616,419	4,257,854	3,435,880	2,718,881	2,347,921	1,477,805	14,854,760
Disposals	-	-	-	-	(472,654)	-	(472,654)
Transfer to held for sale	-	-	-	(27,303)	38,447	-	11,144
At December 31, 2023	$ 16,289,183	$ 67,586,158	$ 51,520,256	$ 39,756,169	$ 16,992,555	$ 10,628,842	$ 202,773,163
Accumulated depreciation							
At January 1, 2022	$ 3,087,526	$ 25,350,582	$ 10,456,842	$ 5,846,747	$ 8,198,610	$ -	$ 52,940,307
Depreciation for the year	409,905	1,534,656	1,123,249	2,013,346	1,235,522	-	6,316,678
Disposals	-	-	-	-	(74,639)	-	(74,639)
Accumulated depreciation presented as held for sale	(31,300)	-	-	(690,862)	(153,452)	-	(875,614)
At January 1, 2023	3,466,131	26,885,238	11,580,091	7,169,231	9,206,041	-	58,306,732
Depreciation for the year	393,394	1,630,406	1,221,200	2,176,822	1,529,988	-	6,951,810
Disposals	-	-	-	-	(452,091)	-	(452,091)
Transfer to held for sale	-	-	-	(270,205)	(16,908)	-	(287,113)
At December 31, 2023	$ 3,859,525	$ 28,515,644	$ 12,801,291	$ 9,075,848	$ 10,267,030	$ -	$ 64,519,338
Carrying amount							
December 31, 2022	$ 12,206,633	$ 36,443,066	$ 36,504,285	$ 29,895,360	$ 5,872,800	$ 9,151,037	$ 130,073,181
Carrying amount							
December 31, 2023	$ 12,429,658	$ 39,070,514	$ 38,718,965	$ 30,680,321	$ 6,725,525	$ 10,628,842	$ 138,253,825

(Expressed in Canadian Dollars)

12. Intangible Assets

	Computer software	Land rights	Waterpower generation rights	Customer list	Total
			(Restated - Note 4)		
Cost					
Balance at January 1, 2022	$ 1,993,886	$ 567,931	$ 4,290,709	$ 245,000	$ 7,097,526
Additions	284,037	-	-	-	284,037
Transfer to held for sale assets	(50,108)	-	-	(245,000)	(295,108)
Balance at January 1, 2023	2,227,815	567,931	4,290,709	-	7,086,455
Additions	480,753	-	2,584,957	-	3,065,710
Balance at December 31, 2023	$ 2,708,568	$ 567,931	$ 6,875,666	$ -	$ 10,152,165
Accumulated depreciation					
Balance at January 1, 2022 - restated	$ 1,628,056	$ 50,055	$ 1,416,947	$ 70,000	$ 3,165,058
Depreciation for the year	151,238	20	215,190	35,000	401,448
Transfer to held for sale assets	(27,511)	-	-	(105,000)	(132,511)
Balance at January 1, 2023	1,751,783	50,075	1,632,137	-	3,433,995
Depreciation for the year	199,105	20	148,655	-	347,780
Balance at December 31, 2023	$ 1,950,888	$ 50,095	$ 1,780,792	$ -	$ 3,781,775
Carrying amount December 31, 2022	$ 476,032	$ 517,856	$ 2,658,572	$ -	$ 3,652,460
Carrying amount December 31, 2023	$ 757,680	$ 517,836	$ 5,094,874	$ -	$ 6,370,390

13. Regulatory Deferral Account Balances

The Group applies IFRS 14, Regulatory Deferral Accounts, to reflect the impact of regulation on its operations. In accordance with IFRS 14, the Group continues to apply the accounting policies it applied in accordance with the pre-changeover Canadian GAAP for the recognition, measurement and impairment of assets and liabilities arising from rate regulation. These are referred to as regulatory deferral account balances. 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.

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 debit balances represent future recoveries associated with 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. 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.

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 Group 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:

(Expressed in Canadian Dollars)

13. Regulatory Deferral Account Balances (continued)

	Note	Expected recovery /reversal period (years)	Balance January 1, 2023	Balances arising in the period	Recovery /reversal	Balance December 31, 2023
Regulatory deferral account debit/(credit)						
Settlement variances	i)	1	$ 354,093	$ (342,845)	$ 304,488	$ 315,736
Retail cost variances	iii)	1	(506)	93,701	9,767	102,962
COVID-19 costs	iv)	1	434,322	20,857	-	455,179
			$ 787,909	$ (228,287)	$ 314,255	$ 873,877

	Note	Expected recovery /reversal period (years)	Balance January 1, 2022	Balances arising in the period	Recovery /reversal	Balance December 31, 2022
Regulatory deferral account debit/(credit)						
Settlement variances	i)	1	$ (468,242)	$ 526,365	$ 295,970	$ 354,093
Retail cost variances	iii)	1	(66,408)	361,872	(295,970)	(506)
COVID-19 costs	iv)	1	425,829	8,493	-	434,322
			$ (108,821)	$ 896,730	$ -	$ 787,909

13. Regulatory Deferral Account Balances (continued)

i) Settlement Variances

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

The Group has recognized a settlement variance asset of $315,736 (2022 - asset of $354,093) 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 Group makes an application for the recovery of the settlement variances for its customers in its rate application.

ii) Retail Cost Variances

The Group has recognized a cost asset of $102,962 (2022 - liability of $506) mainly for costs in excess of the amount requested in the Group's last Cost of Service Application. Included are Green Button implementation costs and pole attachment revenue variances. The other cost (liability) balance is presented within the total regulatory deferral account (credit) debit balances presented in the statement of financial position.

iii) COVID-19 Emergency Costs

The Group has recognized a cost asset of $455,179 (2022 - asset of $434,322) related to the foregone revenue due to legislative directives and associated costs incurred from March 2020 to December 2020 surrounding COVlD-19. On March 25, 2020, the OEB established the COVID-19 Emergency Deferral Account in recognition that distributors will incur incremental costs and lost revenues resulting from the COVID-19 pandemic.

iv) Disposition/Recovery – 2023, 2022

Disposition/recovery – On October 13, 2021, the Group filed an IRM application for 2022 distribution rates (EB-2021-0040) with the OEB which included a request seeking disposition of the Group 1 balances for regulatory assets and liabilities. On March 24, 2022, the OEB issued a decision approving the disposition of net regulatory liabilities of $289,096. The amounts consisted of principal balances as of December 31, 2020 with carrying charges projected to April 30, 2022. The OEB approved disposition over a one-year period commencing May 1, 2022 and ending April 30, 2023.

On October 18, 2022, the Group filed an IRM application for 2023 distribution rates (EB-2022-0047) with the OEB which included a request seeking disposition of the Group 1 balances for regulatory assets and liabilities. On March 23, 2023, the OEB issued a decision approving the disposition of net regulatory liabilities of $307,860. The amounts consisted of principal balances as of December 31, 2021 with carrying charges projected to April 30, 2023. The OEB approved disposition over a one-year period commencing May 1, 2023 and ending April 30, 2024.

(Expressed in Canadian Dollars)

14. Accounts Payable and Accrued Liabilities

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

	2023	2022
Purchased power	$ 1,710,823	$ 1,863,494
Accounts payable and accrued liabilities	6,328,684	5,898,939
	$ 8,039,507	$ 7,762,433

15. 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.

	2023	2022
Deferred contributions, net, beginning of year	**$ 11,126,888**	$ 9,655,750
Contributions in aid of construction received	**1,978,654**	1,779,257
Contributions in aid of construction recognized as distribution revenue	**(352,329)**	(308,119)
Deferred contributions, net, end of year	**12,753,213**	11,126,888
Less current portion	**(375,608)**	(329,051)
	$ 12,377,605	$ 10,797,837

(Expressed in Canadian Dollars)

16. Note Payable

	2023	2022
Note payable	$ **339,666**	$ 689,374
Less current portion	**(339,666)**	(390,000)
	$ **-**	$ 299,374

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

The outstanding balance on the note payable is scheduled to be settled within the upcoming year.

17. Customer Deposits

Customer deposits represent cash deposits from 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 Group in accordance with policies set out by the OEB or upon termination of their electricity distribution service.

	2023	2022
Customer deposits	$ **539,884**	$ 582,162

(Expressed in Canadian Dollars)

18. Deferred Revenue

The amount of deferred revenue is based on contracts in place for water heater rentals and fibre 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 20 years. The third component is installation costs for customer site connections that is amortized over the term of the respective contracts.

	2023	2022
Small Communities Funding Grant	**$ 3,843,222**	$ 4,129,353
Wasauksing contract	**1,063,300**	1,135,550
Installation costs	**390,604**	407,529
Rentals and services billed in advance	**982,450**	892,204
SPEEDIER grant	**3,762,490**	3,762,490
DEMOCRASI grant	**3,150,000**	3,150,000
CENGN	**50,128**	54,099
Universal Broadband Fund	**6,886,629**	7,268,748
ZEVIP EV grant (note (a))	**1,020,439**	-
	$ 21,149,262	$ 20,799,973
Current portion	**$ 1,920,181**	$ 1,714,270
Non-current portion	**19,229,081**	19,085,703
	$ 21,149,262	$ 20,799,973

As at January 1, 2022, deferred revenue amounted to $19,029,932.

a) As at December 31, 2023, the Group has accrued 89% (2022 - 0%) of the total grant funding expected to be received from Natural Resources Canada based on the total ZEVIP EV Charger project costs incurred and eligible for funding.

During the year, $286,131 (2022 - $286,131) from the Small Communities Funding grant, and $382,119 (2022 - $282,340) from the Universal Broadband Fund, was recognized in Grant funding revenue.

The remainder of the deferred amounts for the CENGN Contract have been reclassified to current maturity as it relates to discontinued operations. $3,971 from the CENGN Contract is recognized in profit from discontinued operations. In the prior year $3,727 related to the CENGN Contract was recognized in Grant funding revenue.

During the year, $72,250 (2022 - $72,250) from the Wasauksing First Nation funding was recognized in Communications.

(Expressed in Canadian Dollars)

19. Payments in Lieu of Income Taxes

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

	2023	2022
Current tax		
Based on current year taxable income	**$ 847,892**	$ 251,442
Deferred tax		
Origination and reversal of temporary differences	**695,082**	714,303
	$ 1,542,974	$ 965,745

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

a) Rate reconciliation before net movement in regulatory balances and OCI

	2023	2022
Statutory tax rate	**26.50 %**	26.50 %
Income before provision for payments in lieu of taxes and OCI and movement in regulatory balances	**$ 6,430,427**	$ 3,819,215
Expected payments in lieu of taxes	**$ 1,704,063**	$ 1,012,092
Increase (decrease) from:		
Items not deductible for tax purposes	**12,909**	4,755
Rate variances	**(56,753)**	(31,774)
Other	**(117,245)**	(58,171)
Provision for payment in lieu of taxes	**$ 1,542,974**	$ 926,902

(Expressed in Canadian Dollars)

19. Payments in Lieu of Income Taxes (continued)

b) Rate reconciliation after net movement in regulatory balances and OCI

	2023	2022
Statutory tax rate	**26.50 %**	26.50 %
Profit before provision for payments in lieu of taxes and after net movement in regulatory balances and OCI	**$ 6,262,266**	$ 4,056,570
Expected payments in lieu of taxes	**$ 1,659,500**	$ 1,074,991
Increase (decrease) from:		
Items not deductible (taxable) for tax purposes	**12,909**	(856)
Rate variances	**(56,753)**	(31,944)
Other	**(72,682)**	(51,219)
Provision for payment in lieu of taxes	**$ 1,542,974**	$ 990,972

c) Rate reconciliation for payments in lieu of taxes

	2023	2022
Provision for payments in lieu of taxes before net movements in regulatory deferral account balances, discontinued operations and OCI	**$ 1,674,537**	$ 950,225
Provision for payments in lieu of taxes recorded in net movement in regulatory balances	**(44,562)**	43,227
Provision for discontinued operations	**(87,001)**	(141,011)
Provision for payments in lieu of taxes after net movement in regulatory balances, and discontinued operations	**1,542,974**	852,441
Provision for payments in lieu of taxes recorded in OCI	**-**	20,663
Provision for payment in lieu of taxes	**$ 1,542,974**	$ 873,104

(Expressed in Canadian Dollars)

19. Payments in Lieu of Income Taxes (continued)

	Balance January 1, 2023	Recognized in net income	Recognized in OCI	**Balance December 31, 2023**
Deferred tax liabilities (assets)				
Property, plant and equipment	$ 13,664,055	$ (521,145)	$ -	$ 13,142,910
Intangible assets	663,012	(47,528)	-	615,484
Employee future benefits	(72,285)	(12)	-	(72,297)
Lease liability	(13,270)	-	-	(13,270)
Government grants	(3,335,754)	196,233	-	(3,139,521)
Losses carried forward	(1,178,009)	1,033,822	-	(144,187)
Other	44,198	33,712	-	77,910
	$ 9,771,947	$ 695,082	$ -	$ 10,467,029

	Balance January 1, 2022 (restated)	Recognized in net income (restated)	Recognized in OCI	Balance December 31, 2022 (restated)
Deferred tax liabilities (assets)				
Property, plant and equipment	$ 11,774,959	$ 1,889,096	$ -	$ 13,664,055
Intangible assets	716,401	(53,389)	-	663,012
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
	$ 9,111,442	$ 681,168	$ (20,663)	$ 9,771,947

(Expressed in Canadian Dollars)

20. Employee Future Benefits

a) Defined contribution plan

The contribution payable in exchange for services rendered during a period is recognized as an expense during that period. The employer portion of amounts paid to OMERS during the year was $896,198 (2022 - $853,561), representing less than 50% of total contributions to the OMERS plan. The contributions were made for current service and these have been recognized in net income.

Expected contributions to the plan for the next annual reporting period amount to $935,396, which is based on payments made to the multi-employer plan during the current fiscal year.

As at December 31, 2023, the OMERS plan was 97% funded on a smoothed basis (December 31, 2022 - 95%). OMERS has a strategy to return the plan to a fully funded position. The Group is not able to assess the implications, if any, of this strategy or of the withdrawal of other participating entities from the OMERS plan on its future contributions.

b) Defined benefit plan

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.

Health care cost risk: increases in cost of providing health, dental and life insurance benefits.

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:

	2023	2022
Balance, January 1	**$ 280,672**	$ 354,856
Current service costs	**19,029**	23,024
Interest cost	**11,074**	8,869
Included in profit or loss	**30,103**	31,893
Actuarial loss from financial assumptions	**-**	(78,609)
Included in other comprehensive income	**-**	(78,609)
Benefits paid during the year	**(25,264)**	(27,468)
Balance, end of year	**$ 285,511**	$ 280,672

(Expressed in Canadian Dollars)

20. Employee Future Benefits (continued)

The main actuarial assumptions underlying the valuation are as follows:

	2023	2022	Reasonable possible change	Defined benefit obligation increase	Defined benefit obligation decrease
Discount rate	5.05%	5.05%	+/- 1%	-	-
Health care costs	4.90%-5.10%	4.70%-4.90%	+/- 1%	-	-
Retirement age - males	60	60	-	-	-
Retirement age - females	60	60	-	-	-

An actuarial valuation must be obtained at least every three years, but may occur more frequently. For example, a new actuarial valuation would be required when a significant event takes place.

The Group has an actuarial valuation performed every three years. In the years between valuations, the actuarial estimates the defined benefit obligation by performing a roll-forward technique.

The most recent full valuation was prepared for December 31, 2022, with the final report dated January 18, 2023.

(Expressed in Canadian Dollars)

21. Long-term Debt

	2023	2022
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
TD bank term loan, 5.00% due March 2033	**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 debt, fixed interest rate, 5.95%, due July 2027	**3,000,000**	-
TD bank term loan, BA rate + 1.25% due June 2032	**-**	1,729,911
TD bank term loan, 5.20% due April 2033 (2022 - 3.79%)	**9,526,001**	10,319,146
Reducing term facility loan, 3.74% due March 2032	**7,857,127**	8,618,980
TD bank term loan, 3.91% due March 2029	**3,750,000**	4,464,286
TD bank term loan, 5.00% due April 2024	**5,391,900**	-
TD bank term loan, 6.33% due June 2026	**1,594,270**	-
	49,305,685	43,318,710
Less current portion	**(13,338,987)**	(3,643,167)
	$ 35,966,698	$ 39,675,543

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

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

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

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

2024	$ 13,338,987
2025	2,736,514
2026	9,082,235
2027	5,161,953
2028	397,084
Subsequent years	18,588,912
	$ 49,305,685

(Expressed in Canadian Dollars)

22. 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 related parties comprise municipal shareholders, which include various local government entities and municipal corporations that hold shares in the Group.

The following table summarizes the Group's related party shareholder transactions for the year:

	2023	2022
Purchases		
Town of Bracebridge	$ **41,109**	$ 40,228
Town of Huntsville	**33,594**	18,583
Village of Burk's Falls	**-**	1,000
Municipality of Magnetawan	**-**	5,046
Town of Parry Sound	**31,817**	28,175
Sales		
Town of Bracebridge	**785,039**	747,239
Town of Huntsville	**526,215**	459,053
Village of Burk's Falls	**142,973**	138,131
Village of Sundridge	**120,179**	262,108
Municipality of Magnetawan	**33,908**	33,388
Town of Parry Sound	**796,919**	734,720
	$ **2,511,753**	$ 2,467,671

Key management personnel compensation comprised:
The key management personnel of the Group have been defined as members of its board of directors and executive management team members.

	2023	2022
Executive management & director compensation	$ **1,239,210**	$ 1,152,584

23. Share Capital

a) Ordinary shares
An unlimited number of common shares are authorized for issue. As of December 31, 2023, the Group has issued and fully paid 10,000 (2022 - 10,000) common shares. The shares have no par value.

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

b) Movement in ordinary share capital

No movement in ordinary share capital has occurred during 2023.

(Expressed in Canadian Dollars)

24. Depreciation of Property, Plant and Equipment and Intangible Assets

The transportation amortization is not included in the amortization on the 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:

	2023	2022 (restated)
Amortization of property, plant and equipment and intangible assets	**$ 6,986,054**	$ 6,702,973
Amortization on the Statement of Comprehensive Income	**(6,493,976)**	(5,877,299)
Amortization on the Discontinued Operations	**-**	(375,876)
Transportation amortization	**$ 492,078**	$ 449,798
Transportation amortization - capitalized	**$ 255,956**	$ 196,747
Transportation amortization - expensed in operating expenses	**236,122**	253,051
	$ 492,078	$ 449,798

25. Expenses by Nature

	2023	2022
Staff costs (including post-employment benefits)	**$ 9,305,491**	$ 8,227,074
Repairs and maintenance	**4,843,361**	4,206,857
General administration and overhead	**3,041,084**	2,611,541
Bad debt	**58,684**	53,023
	$ 17,248,620	$ 15,098,495

(Expressed in Canadian Dollars)

26. Staff Costs

	2023	2022
Wages, salaries and short-term employee benefits	**$ 11,062,253**	$ 9,978,218
Wages, salaries and short-term employee benefits in revenue	**(81,465)**	(55,735)
Wages, salaries and short-term employee benefits capitalized	**(1,676,350)**	(1,719,717)
Post-employment benefits	**1,053**	24,308
	$ 9,305,491	$ 8,227,074

27. Financial Instruments and Risk Management

Fair value disclosure

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

The fair value of the term loans (Level 2) is $35,966,698 (2022 - $39,974,605). 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 Group's activities provide for a variety of financial risks, particularly credit risk, market risk and liquidity risk.

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 Group, such as cash and accounts receivable, expose it to credit risk. The Group earns its revenue from IESO, a government entity. The revenue is based on agreed upon market rates for energy generation. Power generation revenue makes up 99% of the total revenue. The carrying amounts of financial assets represent the maximum credit exposure.

ii) Market risk:

The Group is not exposed to significant market risk.

(Expressed in Canadian Dollars)

27 Financial Instruments and Risk Management (continued)

iii) Interest rate risk:

The Group'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, 2023, the Group is not exposed to any material changes in market interest rates on its long-term borrowing.

One of the TD bank term loans 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 Group'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 Group is not in compliance with its year-end financial and capital expenditure covenants. The Group closely monitors its financial performance to ensure it remains in compliance with its banking covenants.

iv) Liquidity risk:

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they come due. The Group monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Group's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Group 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, 2023			
Accounts payable and accrued liabilities	$ 8,039,507	$ -	$ -
Customer deposits	$ -	$ 539,884	$ -
Long-term debt	$ 13,338,987	$ 2,736,514	$ 33,230,184
Note payable	$ 339,666	$ -	$ -
At December 31, 2022			
Accounts payable and accrued liabilities	$ 7,762,433	$ -	$ -
Customer deposits	$ -	$ 582,162	$ -
Long-term debt	$ 3,643,167	$ 13,072,297	$ 26,603,246
Note payable	$ 390,000	$ 299,374	$ -

28. Contingencies

Letter of credit

The Group has a bank letter of credit outstanding for $452,305 (2022 - $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 Group 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, 2023, the Group provided prudential support using bank letters of credit of $452,305 (2022 - $452,305).

Lawsuits and claims

The Group 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 Group.

29. Capital Management

The main objectives of the Group, 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 Group's definition of capital is shareholders' equity. As at December 31, 2023, shareholders' equity amounts to $63,647,043 (2022 - $61,256,693).