

Financial Statements of

**BRANTFORD POWER INC.**

Year ended December 31, 2021

# BRANTFORD POWER INC.

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# Brantford Power Inc.

## Management Report

December 31, 2021

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

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

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

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

Paul Kwasnik  
President and Chief Executive Officer  
March 23, 2022

Brian D'Amboise, CPA, CA  
Chief Financial Officer  
March 23, 2022



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## INDEPENDENT AUDITORS' REPORT

To the Shareholder of Brantford Power Inc.

### ***Opinion***

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

- the statement of financial position as at December 31, 2021
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021 and its results of operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### ***Basis for Opinion***

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

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

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

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

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



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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.



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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

March 31, 2022

# BRANTFORD POWER INC.

## Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 4)	\$ 8,927,396	\$ 14,417,957
Accounts receivable (note 5)	9,801,440	11,390,904
Unbilled revenue	11,159,941	13,449,035
Materials and supplies (note 6)	1,305,023	1,419,447
Prepaid expenses	68,244	203,419
Non-current asset held for sale (note 8)	2,356,192	-
Payments in lieu of corporate income taxes (note 15)	552,397	-
Current portion of finance lease receivable (note 7)	42,213	9,318
Due from affiliates (note 12)	46,364	40,942
	34,259,210	40,931,022
Property, plant and equipment (note 8)	95,185,319	97,184,815
Finance lease receivable (note 7)	8,166,682	322,566
Intangible assets (note 9)	2,654,574	2,924,832
Deferred tax assets (note 15)	1,268,248	1,671,349
	107,274,823	102,103,562
Total assets	141,534,033	143,034,584
Regulatory debit balances (note 10)	5,500,312	4,829,545
Total assets and regulatory debit balances	\$ 147,034,345	\$ 147,864,129

See accompanying notes to financial statements.

# BRANTFORD POWER INC.

## Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
<b>Liabilities and Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 11)	\$ 15,316,339	\$ 21,670,574
Accounts payable to the City of Brantford (note 12)	154,001	476,491
Interest payable to the City of Brantford (note 13)	960,512	-
Customer deposits	2,402,829	2,003,318
Current portion of long term debt (note 13)	1,660,776	1,784,538
Payments in lieu of corporate income taxes (note 15)	-	143,326
	<u>20,494,457</u>	<u>26,078,247</u>
Long-term debt (note 13)	57,516,666	59,258,199
Post-employment benefits (note 14)	1,312,700	1,353,300
Deferred revenue (note 16)	9,142,534	5,067,435
Derivative liabilities (note 25)	1,204,854	3,109,811
Deferred tax liabilities (note 15)	5,943,194	4,748,209
	<u>75,119,948</u>	<u>73,536,954</u>
Total liabilities	95,614,405	99,615,201
Equity:		
Share capital (note 17)	22,437,505	22,437,505
Accumulated other comprehensive (loss) income	(61,388)	(1,510,150)
Retained earnings	27,633,969	25,665,543
	<u>50,010,086</u>	<u>46,592,898</u>
Total liabilities and equity	145,624,491	146,208,099
Regulatory credit balances (note 10)	1,409,854	1,656,030
Contingencies and commitments (note 20)		
Subsequent event (note 27)		
Total liabilities and equity and regulatory credit balances	<u>\$ 147,034,345</u>	<u>\$ 147,864,129</u>

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Director \_\_\_\_\_ Director



# BRANTFORD POWER INC.

## Statement of Comprehensive Income

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Distribution revenue	\$ 20,213,794	\$ 19,347,319
IESO conservation programs	810,869	304,847
Other income	2,719,856	1,566,055
	23,744,519	21,218,221
Sale of energy	114,545,458	127,505,201
Total revenue (note 18)	138,289,977	148,723,422
Operating expenses:		
Distribution operations and maintenance (note 21)	3,750,840	3,822,878
Billing and collecting (note 21)	3,415,371	3,825,634
General administration (note 21)	5,933,218	5,451,071
IESO conservation programs (note 21)	810,869	284,847
Amortization (note 23)	4,193,091	3,842,494
	18,103,389	17,226,924
Cost of power purchased	115,197,775	125,347,147
	133,301,164	142,574,071
Income from operations	4,988,813	6,149,351
Finance income and costs (note 19):		
Finance income	422,576	455,368
Finance costs	(2,304,460)	(1,647,341)
	(1,881,884)	(1,191,973)
Income tax expense (note 15)	1,057,214	941,720
Income for the year before net movement in regulatory balances	2,049,715	4,015,658
Net movement in regulatory balances, net of tax		
Net movement in regulatory balances	309,363	(2,120,687)
Income tax on movement in regulatory balances	609,348	(164,317)
	918,711	(2,285,004)
Net income for the year and net movement in regulatory balances	2,968,426	1,730,654
Other comprehensive income (loss)		
Items that will not be reclassified to profit or loss		
Unrealized gain (loss) on derivatives	1,903,390	(2,406,017)
Tax on unrealized gain (loss) on derivatives	(504,387)	637,595
Remeasurements of post-employment benefits (note 14)	67,700	(75,800)
Tax on remeasurements	(17,941)	20,087
Other comprehensive (loss) income for the year	1,448,762	(1,824,135)
Total comprehensive (loss) income for the year	\$ 4,417,188	\$ (93,481)

See accompanying notes to financial statements.

# BRANTFORD POWER INC.

## Statement of Changes In Equity

Year ended December 31, 2021, with comparative information for 2020

	Share capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance, January 1, 2020	\$ 22,437,505	\$ 24,934,889	\$ 313,985	\$ 47,686,379
Net income and net movement in regulatory balances	-	1,730,654	-	1,730,654
Other comprehensive loss	-	-	(1,824,135)	(1,824,135)
Dividends	-	(1,000,000)	-	(1,000,000)
Balance at December 31, 2020	22,437,505	25,665,543	(1,510,150)	46,592,898
Balance at January 1, 2021	22,437,505	25,665,543	(1,510,150)	46,592,898
Net income and net movement in regulatory balances	-	2,968,426	-	2,968,426
Other comprehensive income	-	-	1,448,762	1,448,762
Dividends	-	(1,000,000)	-	(1,000,000)
Balance at December 31, 2021	\$ 22,437,505	\$ 27,633,969	\$ (61,388)	\$ 50,010,086

See accompanying notes to financial statements.

# BRANTFORD POWER INC.

## Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Net income for the year and net movement in regulatory balances	\$ 2,968,426	\$ 1,730,654
Items not involving cash:		
Amortization (note 23)	4,335,303	4,087,308
Amortization of deferred revenue	(274,111)	(108,595)
Gain (loss) on disposal of property, plant and equipment	(542,059)	(341,526)
Income tax expense	1,057,214	941,720
Other items not affecting cash (note 22)	(33,381)	17,896
Interest expense	2,304,460	1,647,341
	9,815,852	7,974,798
Changes in non-cash operating working capital (note 22)	(2,154,479)	1,651,870
Regulatory balances	(916,943)	2,285,004
Contributions received from customers	4,913,983	450,246
Repayment of deposits	(564,773)	-
Interest paid	(1,343,449)	(2,293,041)
Income tax paid	(678,747)	(66,186)
Net cash from operating activities	9,071,444	10,002,691
Financing:		
Proceeds of issuance of long term debt	-	12,000,000
Repayment of long-term debt	(1,865,295)	(1,626,857)
Debt issuance costs	-	(135,360)
Dividends paid	(1,000,000)	(1,000,000)
	(2,865,295)	9,237,783
Investing:		
Acquisition of property, plant and equipment	(12,530,403)	(14,838,556)
Acquisition of intangible assets	(83,055)	(132,029)
Proceeds from disposal of property, plant and equipment	828,895	2,369,567
Repayment of lease receivable	87,853	-
	(11,696,710)	(12,601,018)
(Decrease) increase in cash and cash equivalents	(5,490,561)	6,639,456
Cash and cash equivalents, beginning of year	14,417,957	7,778,501
Cash and cash equivalents, end of year	\$ 8,927,396	\$ 14,417,957

See accompanying notes to financial statements.

# BRANTFORD POWER INC.

Notes to Financial Statements

Year ended December 31, 2021

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## 1. Description of business:

On March 1, 2000, Brantford Power Inc. (the Company) was incorporated under the Business Corporations Act (Ontario) along with its affiliate companies, Brantford Hydro Inc. and Brantford Energy Corporation. The incorporations were pursuant to the provisions of the Energy Competition Act, 1998. The Company is a wholly-owned subsidiary of Brantford Energy Corporation which is wholly owned by the City of Brantford. The Company provides electricity distribution services to residents of the City of Brantford in the Company's licensed service territory. The operations of the Company are regulated by the Ontario Energy Board (OEB). The Company's head office is located at 150 Savannah Oaks Drive which is located in the City of Brantford.

In November 2021, the Company and Energy+ Inc. filed a Mergers, Acquisitions, Amalgamations and Divestitures Application ("MAADs Application") with the OEB pursuant to the Handbook to Electricity Distributor and Transmitter Consolidation (the "MAADs Handbook") seeking approval for the amalgamation of the two companies. The MAADs Application included a request for OEB approval for the continuation of regulated rates and charges of the predecessor LDC's of the Company. On March 17, 2022 the OEB made a decision to approve the amalgamation. The Company anticipates a closing date on or before May 2, 2022 as a result of this decision.

## 2. Basis of presentation:

### (a) Statement of compliance:

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

The financial statements were approved by the Board of Directors on March 23, 2022.

### (b) Basis of measurement:

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

### (c) Functional and presentation currency:

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

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

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## 2. Basis of presentation (continued):

### (d) Use of estimates and judgments:

#### (i) Assumptions and estimation uncertainty:

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

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

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

- (a) Note 3(b) - measurement of unbilled revenue
- (b) Notes 3(d), 8 and 9 - estimation of useful lives of its property, plant and equipment and intangible assets.
- (c) Notes 3(j) and 10 - measurement of regulatory balances
- (d) Notes 3(k) and 14 - measurement of defined benefit obligations: key actuarial assumptions
- (e) Note 20 - recognition and measurement of provisions and contingencies

#### (ii) Judgments:

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

- (a) Note 3(h) - leases: whether an arrangement contains a lease
- (b) Note 3(h) - leases: lease term, underlying leased asset value
- (b) Note 20 - commitments and contingencies; whether a contingency is a liability

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

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## 2. Basis of presentation (continued):

### (e) Rate regulation:

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

The OEB has a decision and order in place banning LDCs in Ontario from disconnecting homes for non-payment during the winter. This ban is normally in place from November 15 to April 30 each year.

### (f) Rate setting - Distribution revenue:

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

In the intervening years, an Incentive Rate Mechanism (IRM) application is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for a 2-factor Input Price Index which accounts for the average weekly earnings for Ontario workers and the Gross Domestic Product Implicit Price Inflator - Final Domestic Demand (GDP IPI-FDD) net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor.

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

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

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## 2. Basis of presentation (continued):

### (f) Rate setting - Distribution revenue (continued):

In 2019, the Company filed an ICM application for rate increases on incremental capital expenditures relating to the purchase and refurbishment of 150 Savannah Oaks, for which a Decision and Rate order was issued on January 23, 2020 to apply rate riders effective March 1, 2020 to December 31, 2021.

In 2020, the Company filed an IRM application for rates effective January 1, 2021 to December 31, 2021 for which a Decision and Rate order was issued December 10, 2020.

In 2021, the Company filed a COS application for rates effective January 1, 2022 for which a Decision was issued on October 28, 2021 and Rate order was issued on November 25, 2021.

### (g) Rate setting - Electricity rates:

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

In 2021, the OEB also adjusted the Regulated Price Plan (RPP) prices in January and February in response to the Government issued Emergency Orders under the *Emergency Management and Civil Protection Act to assist Ontarians* who were forced to stay home due to the COVID-19 pandemic. All remaining consumers pay the market price for electricity.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

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### 3. Significant accounting policies:

#### (a) Financial instruments:

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

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

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

#### (b) Revenue recognition:

##### Sale and distribution of electricity:

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

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



# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

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## 3. Significant accounting policies (continued):

### (b) Revenue recognition (continued):

#### Capital contributions:

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 *Revenue from Contracts with Customers*. Cash contributions, received from developers are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Company's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

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

#### Other revenue:

Revenue earned from the provision of services is recognized as the service is rendered. Government grants and the related performance incentive payments under CDM programs are recognized as revenue in the year when there is reasonable assurance that the program conditions have been satisfied and the payment will be received.

### (c) Materials and supplies:

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

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

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## 3. Significant accounting policies (continued):

### (d) Property, plant and equipment:

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

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

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

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

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

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

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

## 3. Significant accounting policies (continued):

### (d) Property, plant and equipment (continued):

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

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

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

The estimated useful service lives are as follows:

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

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

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### 3. Significant accounting policies (continued):

(e) Intangible assets:

Intangible assets used in rate-regulated activities and acquired prior to January 1, 2014 were measured at deemed cost established on January 1, 2014, less accumulated amortization. All other intangible assets are measured at cost.

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

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

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

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

The estimated useful lives are:

Asset	Rate
Land rights	50 years
Capital contribution paid	45 years
Software	2 - 10 years

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# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

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## 3. Significant accounting policies (continued):

### (f) Impairment of assets:

Financial assets measured at amortized cost:

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

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount. Losses are recognized in profit or loss. An impairment loss is reversed through profit or loss if the reversal can be related objectively to an event occurring after the impairment loss was recognized. No impairment losses were incurred during 2021 or 2020.

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

Non-financial assets:

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

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

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

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

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

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### 3. Significant accounting policies (continued):

(g) Customer deposits:

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

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

(h) Leases:

As a lessee:

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

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

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

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

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

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## 3. Significant accounting policies (continued):

### (h) Leases (continued):

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

#### As a lessor:

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

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

The Company recognizes lease payments received under operating leases as finance income on a straight-line basis over the lease term.

Revenue on the finance lease is recognized as it accrues in net income based on the implicit interest rate over the term of the lease.

### (i) Provisions:

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

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

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## 3. Significant accounting policies (continued):

### (j) Regulatory balances:

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

Regulatory asset balances are recognized if it is probable that future billings in an amount at least equal to the deferred cost will be approved by the OEB for recovery through rates. The offsetting amount is recognized in net movement in regulatory balances in profit or loss or OCI. When the customer is billed at rates approved by the OEB for the recovery of the deferred costs, the customer billings are recognized in revenue. The regulatory asset balance is reduced by the amount of these customer billings with the offset to net movement in regulatory balances in profit or loss or OCI.

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

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



# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

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## 3. Significant accounting policies (continued):

### (k) Post-employment benefits:

#### Pension plan:

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

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

#### Post-employment benefits, other than pension:

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

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

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

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## 3. Significant accounting policies (continued):

### (l) Finance income and finance costs:

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

Finance costs comprise interest expense on borrowings, interest on customer deposits and the gain or loss on derivative liabilities. Finance costs are recognized in profit or loss unless they are capitalized as part of the cost of qualifying assets and except for instruments deemed to have a fully effective hedge.

### (m) Payments in lieu of corporate income taxes:

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

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

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

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

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

## 4. Cash and cash equivalents:

	2021	2020
Bank balances	\$ 8,926,832	\$ 14,416,957
Cash balances	564	1,000
	<u>\$ 8,927,396</u>	<u>\$ 14,417,957</u>

## 5. Accounts receivable:

	2021	2020
Trade receivables	\$ 10,181,112	\$ 10,540,034
Other trade receivables	246,770	640,576
Billable work	1,012,558	1,859,294
Expected credit losses	(1,639,000)	(1,649,000)
	<u>\$ 9,801,440</u>	<u>\$ 11,390,904</u>

## 6. Materials and supplies:

The amount of inventory consumed by the Company and recognized as an expense during 2021 was \$132,564 (2020 - \$158,552).

The amount of fuel stock consumed by the Company and recognized as an expenses during 2021 was \$47,960 (2020 - \$nil).

## 7. Finance lease receivable:

In February 2021, the Company executed a finance lease with Energy+ Inc. The lease has a term of 20 years and includes provisions for termination and extension clauses.

In August 2020, two separate finance leases were executed between Brantford Hydro Inc. and Brantford Energy Corporation related to the space occupied at the Company's 150 Savannah Oaks property. The terms of these leases were both for 5 years. Both leases include provisions for termination and extension clauses.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

## 7. Finance lease receivable (continued):

Revenue on the finance leases will be recognized in net income as it accrues based on the implicit interest rates over the term of the leases.

The carrying value of the lease receivables are as follows:

	2021	2020
Undiscounted lease payments receivable	\$ 23,454,988	\$ 727,032
Unearned finance income	(15,246,093)	(395,148)
	8,208,895	331,884
Current portion of lease receivable	(42,213)	(9,318)
Non-current portion of lease receivable	\$ 8,166,682	\$ 322,566

The following table sets out of the maturity of the lease receivables, based on the undiscounted lease payments to be received subsequent to the reporting date.

	2021	2020
Less than one year to one year	\$ 636,009	\$ 37,125
One to two years	636,009	37,125
Two to three years	636,009	37,125
Four to five years	636,009	37,125
Thereafter	20,910,952	578,532
Total undiscounted lease payments receivable	\$ 23,454,988	\$ 727,032

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

## 8. Property, plant and equipment:

	Land and buildings	Distribution equipment	Other fixed assets	Construction- in-progress	Total
<i>Cost or deemed cost</i>					
Balance at January 1, 2021	\$ 24,843,774	\$ 88,257,473	\$ 5,278,983	\$ 894,556	\$ 119,274,786
Additions	2,596,449	8,017,395	1,338,449	578,110	12,530,403
Transfers	409,434	-	-	(409,434)	-
Disposals/ retirements	(102,419)	(327,765)	(1,247)	-	(431,431)
Transfer to non-current asset held for sale	(2,356,192)	-	-	-	(2,356,192)
Transfer to finance lease receivable	(7,904,881)	-	-	-	(7,904,881)
Balance at December 31, 2021	\$ 17,486,165	\$ 95,947,103	\$ 6,616,185	\$ 1,063,232	\$ 121,112,685
Balance at January 1, 2020	\$ 2,805,337	\$ 83,850,678	\$ 4,609,660	\$ 15,335,809	\$ 106,601,484
Additions	10,525,616	3,242,675	753,411	316,854	14,838,556
Transfers	13,190,613	1,567,494	-	(14,758,107)	-
Disposals/ retirements	(1,677,792)	(403,374)	(84,088)	-	(2,165,254)
Balance at December 31, 2020	\$ 24,843,774	\$ 88,257,473	\$ 5,278,983	\$ 894,556	\$ 119,274,786
<i>Accumulated depreciation</i>					
Balance at January 1, 2021	\$ 433,196	\$ 19,514,652	\$ 2,142,123	\$ -	\$ 22,089,971
Depreciation	376,748	3,105,834	499,408	-	3,981,990
Disposals/ retirements	(24,468)	(118,880)	(1,247)	-	(144,595)
Balance at December 31, 2021	\$ 785,476	\$ 22,501,606	\$ 2,640,284	\$ -	\$ 25,927,366
Balance at January 1, 2020	\$ 164,047	\$ 16,566,153	\$ 1,784,836	\$ -	\$ 18,515,036
Depreciation	269,149	3,050,828	424,393	-	3,744,370
Disposals/ retirements	-	(102,329)	(67,106)	-	(169,435)
Balance at December 31, 2020	\$ 433,196	\$ 19,514,652	\$ 2,142,123	\$ -	\$ 22,089,971

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

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## 8. Property, plant and equipment (continued):

### *Carrying amounts*

At December 31, 2021	\$ 16,700,689	\$ 73,445,497	\$ 3,975,901	\$ 1,063,232	\$ 95,185,319
At December 31, 2020	24,410,578	68,742,821	3,136,860	894,556	97,184,815

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At December 31, 2021, property, plant and equipment with a carrying amount of \$95,185,319 (2020 - \$97,184,815) are subject to general security agreements. Borrowing costs in the amount of \$nil (2020 - \$381,963) were capitalized as part of the cost of property, plant and equipment.

On June 9, 2021, the Company adopted a formal plan to dispose of the 130 Savannah Oaks Drive, Brantford property. Accordingly, land with a cost of \$2,356,192 has been classified as held for sale.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

## 9. Intangible assets:

	Land rights	Capital contributions paid	Software	Work in progress	Total
<i>Cost or deemed cost</i>					
Balance at January 1, 2021	\$ 127,467	\$ 378,358	\$ 4,015,917	\$ 40,187	\$ 4,561,929
Additions	-	-	83,055	-	83,055
Transfers	-	-	40,187	(40,187)	-
Disposals/retirements	-	-	-	-	-
Balance at December 31, 2021	\$ 127,467	\$ 378,358	\$ 4,139,159	\$ -	\$ 4,644,984
Balance at January 1, 2020	\$ 98,187	\$ 414,608	\$ 3,912,543	\$ 40,812	\$ 4,466,150
Additions	29,280	-	62,561	40,188	132,029
Transfers	-	-	40,813	(40,813)	-
Disposals/retirements	-	(36,250)	-	-	(36,250)
Balance at December 31, 2020	\$ 127,467	\$ 378,358	\$ 4,015,917	\$ 40,187	\$ 4,561,929
<i>Accumulated depreciation</i>					
Balance at January 1, 2021	\$ 13,926	\$ 50,000	\$ 1,573,171	\$ -	\$ 1,637,097
Depreciation	2,017	8,403	342,893	-	353,313
Balance at December 31, 2021	\$ 15,943	\$ 58,403	\$ 1,916,064	\$ -	\$ 1,990,410
Balance at January 1, 2020	\$ 11,903	\$ 45,197	\$ 1,353,257	\$ -	\$ 1,410,357
Depreciation	2,023	8,830	219,914	-	230,767
Disposals/retirements	-	(4,027)	-	-	(4,027)
Balance at December 31, 2020	\$ 13,926	\$ 50,000	\$ 1,573,171	\$ -	\$ 1,637,097
<i>Carrying amounts</i>					
At December 31, 2021	\$ 111,524	\$ 319,955	\$ 2,223,095	\$ -	\$ 2,654,574
At December 31, 2020	113,541	328,358	2,442,746	40,187	2,924,832

At December 31, 2021, all intangible assets are subject to general security agreements.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

## 10. Regulatory balances:

Reconciliation of the carrying amount for each class of regulatory balances:

	January 1, 2021	Additions	Recovery/ reversal	December 31, 2021	Remaining years
<b>Regulatory deferral account debit balances</b>					
Group 1 deferred accounts					
Retail settlement variance accounts	\$ 803,052	\$ 35,931	\$ -	\$ 838,983	1
Retailer cost variance accounts	14,767	28,724	-	43,491	1
Deferred meter costs	135,829	325	-	136,154	1
Other regulatory accounts	739,591	(3,870)	-	735,721	1
Regulatory settlement account	136,051	309	-	136,360	-
Deferred income tax	3,000,255	609,348	-	3,609,603	*
	<b>\$ 4,829,545</b>	<b>\$ 670,767</b>	<b>\$ -</b>	<b>\$ 5,500,312</b>	
	January 1, 2020	Additions	Recovery/ reversal	December 31, 2020	Remaining years
<b>Regulatory deferral account debit balances</b>					
Group 1 deferred accounts					
Retail settlement variance accounts	\$ 2,602,062	\$ (1,799,010)	\$ -	\$ 803,052	1
Deferred meter costs	135,046	783	-	135,829	2
Retailer cost variance accounts	31,984	(17,217)	-	14,767	
Other regulatory accounts	479,650	259,941	-	739,591	2
Regulatory settlement account	-	136,051	-	136,051	-
Deferred income tax	3,164,572	(164,317)	-	3,000,255	*
	<b>\$ 6,413,314</b>	<b>\$ (1,583,769)</b>	<b>\$ -</b>	<b>\$ 4,829,545</b>	



# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

## 10. Regulatory balances (continued):

	January 1, 2021	Additions	Recovery/ reversal	December 31, 2021	Remaining years
<b>Regulatory deferral account credit balances</b>					
Group 1 deferred accounts					
Retail settlement variance accounts	\$ 983,116	\$ (634,176)	-	\$ 348,940	1
Regulatory settlement account	-	-	-	-	1
Retailer cost variance accounts	-	45,419	-	45,419	
Other regulatory accounts	672,914	342,581	-	1,015,495	1
	\$ 1,656,030	\$ (246,176)	-	\$ 1,409,854	
	January 1, 2020	Additions	Recovery/ reversal	December 31, 2020	Remaining years
<b>Regulatory deferral account credit balances</b>					
Group 1 deferred accounts					
Retail settlement variance accounts	\$ 505,320	\$ 529,594	-	\$ 1,034,914	1
Regulatory settlement account	125,300	(125,300)	-	-	2
Other regulatory accounts	324,175	296,941	-	621,116	2
	\$ 954,795	\$ 701,235	-	\$ 1,656,030	

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

Settlement of the Group 1 deferral accounts can be done on an annual basis through application to the OEB. Group 2 and other deferral accounts can be settled during a cost of service application to the OEB.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

## 10. Regulatory balances (continued):

The OEB requires the Company to estimate its income taxes when it files a COS application to set its rates. As a result, the Corporation has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Company's deferred tax balance fluctuates.

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

The rates were as follows:

	2021	2020
Quarter		
January 1 to March 31	0.57 %	2.18 %
April 1 to June 30	0.57 %	2.18 %
July 1 to September 30	0.57 %	0.57 %
October 1 to December 31	0.57 %	0.57 %

## 11. Accounts payable and accrued liabilities:

	2021	2020
Accounts payable and accruals-energy purchases	\$ 7,745,788	\$ 10,764,747
Payroll payable	662,476	654,460
IESO conservation program funding	632,406	1,109,689
Other	6,275,669	9,141,678
	\$ 15,316,339	\$ 21,670,574

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

## 12. Related party transactions:

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

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

The Company has entered into a shared services agreement with the City, whereby the City will provide administrative, maintenance and operational services to the Company. The exchange amount for these services has been set out in the agreement. As at December 31, 2021 the balance owing to the City for these services was \$154,001 (2020 - \$476,491).

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

City of Brantford	2021	2020
Revenues:		
Sale of electricity	\$ 5,484,793	\$ 5,765,049
Other services	121,445	629,287
	<u>\$ 5,606,238</u>	<u>\$ 6,394,336</u>

	2021	2020
Operating expenses:		
Shared services agreement	\$ 1,249,579	\$ 1,545,999
Property taxes	405,002	359,904
	<u>\$ 1,654,581</u>	<u>\$ 1,905,903</u>

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

The Company obtains management services from Brantford Energy Corporation.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

## 12. Related party transactions (continued):

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

Brantford Energy Corporation	2021	2020
Revenues:		
Administrative support	\$ 63,036	\$ 74,811
Financial information system fees	3,375	14,843
	\$ 66,411	\$ 89,654
	2021	2020
Operating expenses:		
Shared service fees	\$ 247,084	\$ 290,019
Management fees	754,955	279,356
	\$ 1,002,039	\$ 569,375

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

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

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

Brantford Hydro Inc.	2021	2020
Revenues:		
Administrative support	\$ 139,405	\$ 105,260
Pole rental fees	104,175	102,395
Financial information system fees	23,075	23,721
Other services	2,100	1,414
	\$ 268,755	\$ 232,790

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

## 12. Related party transactions (continued):

	2021	2020
Operating expenses:		
Dark fibre optic services	\$ 7,875	\$ 7,648
Other services	14,400	5,500
	\$ 22,275	\$ 13,148

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

	2021	2020
Brantford Energy Corporation	\$ (17,660)	\$ (14,685)
Brantford Hydro Inc.	64,024	55,627
	\$ 46,364	\$ 40,942

### *Key management personnel*

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

	2021	2020
Directors' fees	\$ 30,195	\$ 33,750
Salaries and other short-term benefits	390,179	491,671
	\$ 420,374	\$ 525,421

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

## 13. Long-term debt:

	2021	2020
Note payable, bearing interest at 3.95%, repayable to the City, interest only payable annually - due February, 2026	\$ 24,189,168	\$ 24,189,168
Royal Bank, non-revolving term facility with interest at prime repayable in quarterly instalments, repaid during the year	-	148,847
Royal Bank, non-revolving term facility with interest at prime repayable in quarterly instalments of \$250,000, due September 30, 2045	23,471,088	24,551,870
Ontario Infrastructure and Lands Corporation non-revolving term facility with interest at 5.14% repayable in semi annual instalments of \$86,523 due December, 2032	1,447,518	1,542,612
Ontario Infrastructure and Lands Corporation non-revolving term facility with interest at 4.95% repayable in semi annual instalments of \$138,371 due December, 2050	4,252,077	4,316,029
Ontario Infrastructure and Lands Corporation non-revolving term facility with interest at 3.46% repayable in semi annual instalments of \$237,885 due October, 2027	2,580,787	2,960,213
Ontario Infrastructure and Lands Corporation non-revolving term facility with interest at 3.90% repayable in semi annual instalments of \$113,683 due December, 2042	3,236,804	3,333,998
	59,177,442	61,042,737
Less current portion long-term debt	1,660,776	1,784,538
	\$ 57,516,666	\$ 59,258,199

The City has an option to extend the maturity date of the promissory note for successive five year periods. The City also has the option to convert the principal sum outstanding into common shares of the Company at a conversion ratio of \$100 per common share. Interest payable to the City of \$960,512 (2020 - \$nil) was outstanding as at December 31, 2021.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

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## 13. Long-term debt (continued):

The Company has a swap agreement with Royal Bank to fix the interest rate on the term facility. The agreement represents the full amount of \$25,000,000. Under the terms of the agreement, the Company has contracted to pay interest at a fixed rate of 2.54% plus a stamping fee of 0.55%.

Estimated principal repayments are as follows:

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2022	\$ 1,660,776
2023	1,687,048
2024	1,714,395
2025	1,742,864
Thereafter	52,608,274
	<hr/>
	\$ 59,413,357

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# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

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## 14. Post-employment benefits:

### ***Ontario Municipal Employees Retirement System (OMERS) Pension Plan***

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

The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees.

In 2021, the Company made employer contributions of \$544,874 to OMERS (2020 - \$535,381), of which \$27,221 (2020 - \$18,535) has been capitalized as part of PP&E and the remaining amount of \$517,653 (2020 - \$516,846) has been recognized in profit or loss. The Company estimates that a contribution of \$588,942 to OMERS will be made during the next fiscal year.

As at December 31, 2021, OMERS had over 500,000 members. The most recently available OMERS annual report is for the year ended December 31, 2021, which reported that the plan was 97% funded, with an unfunded liability of \$3.1 billion. This unfunded liability is likely to result in future payments by participating employers and members.

### ***Post-employment benefits other than pension***

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

The Company measures the accrued benefit obligation for accounting purposes as of December 31 of each year. The accrued benefit obligation as at December 31, 2021 and the expense for the period ended December 31, 2021 are based on actuarial valuations done as at January 1, 2022.

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



# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

## 14. Post-employment benefits (continued):

### *Significant assumptions*

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

	2021	2020
To determine benefit obligation at end of year		
Discount rate	2.60 %	2.60 %
To determine benefit expense (income) for the year		
Discount rate	3.20 %	2.60 %
Rate of increase in future compensation	N/A	N/A
Health care cost trend rates at end of year		
Initial rate	6.00 %	6.00 %
Ultimate rate	4.50 %	4.75 %
Year ultimate rate reached	2024	2024

### *Sensitivity analysis*

	Change in obligation	Change in expense
Impact of 1% increase in assumed health care trend rate	\$ 92,200	\$ 15,600
Impact of 1% decrease in assumed health care trend rate	(79,000)	(12,900)

Reconciliation of the obligation:

	2021	2020
Defined benefit obligation, beginning of year	\$ 1,353,300	\$ 1,245,300
Included in profit or loss		
Current service cost	61,500	52,800
Past service cost	-	19,100
Interest cost	35,900	40,900
Benefits paid	(70,300)	(80,600)
Included in OCI		
Actuarial (gains) losses	(67,700)	75,800
Defined benefit obligation, end of year	\$ 1,312,700	\$ 1,353,300

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

## 15. Income tax expense:

	2021	2020
Current tax expense		
Current year	\$ (54,826)	\$ 206,736
Adjustment for prior years	36,285	841,000
	(18,541)	1,047,736
Deferred tax expense		
Change in recognized deductible temporary differences	1,075,755	(106,016)
	\$ 1,057,214	\$ 941,720

Reconciliation of effective tax rate:

	2021	2020
Income before taxes	\$ 3,106,929	\$ 4,957,378
Canada and Ontario statutory income tax rates	26.5 %	26.5 %
Expected tax provision on income at statutory rates	823,335	1,313,705
Increase (decrease) in income taxes resulting from:		
Permanent differences	294	425
Prior periods	85,569	388,141
Regulatory balances	242,990	(561,982)
Other	(94,974)	(198,569)
	\$ 1,057,214	\$ 941,720

Significant components of the Company's deferred tax balances:

	2021	2020
Deferred tax assets (liabilities):		
Property, plant and equipment	\$ (4,511,846)	\$ (3,796,280)
Leases	(46,294)	358,625
Post employment benefits	347,866	436,985
Expected credit losses	434,335	(951,929)
Regulatory balances	(1,385,054)	-
Corporate minimum tax	166,338	38,751
Derivative liabilities	319,709	824,100
Other	-	12,888
Net deferred tax (liabilities) assets	\$ (4,674,946)	\$ (3,076,860)

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

## 16. Deferred revenue:

	2021	2020
Contributions received from customers	\$ 9,142,534	\$ 4,502,662
Other	-	564,773
	\$ 9,142,534	\$ 5,067,435

## 17. Share capital:

	2021	2020
Authorized:		
Unlimited number of common shares		
Issued:		
1,001 common shares	\$ 22,437,505	\$ 22,437,505

### *Dividends*

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

The Company paid aggregate dividends in the year on common shares of \$999 per share (2020 - \$999), which amount to total dividends paid in the year of \$1,000,000 (2020 - \$1,000,000).

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

## 18. Revenue:

	2021	2020
Revenue from contracts with customers:		
Energy sales	\$ 114,545,458	\$ 127,505,201
Distribution revenue	20,213,794	19,347,319
	134,759,252	146,852,520
IESO conservation programs	810,869	304,847
Other revenue	2,719,856	1,566,055
	\$ 138,289,977	\$ 148,723,422
	2021	2020
Energy sales and distribution revenue by class comprise:		
Residential	\$ 51,864,199	\$ 57,527,444
General service <50	11,403,228	13,250,347
General service >50	69,662,334	73,845,034
Embedded distribution	642,994	632,556
Unmetered	265,958	296,095
Street lighting	856,563	1,239,705
Sentinel light	63,976	61,339
	\$ 134,759,252	\$ 146,852,520
Other revenue	2021	2020
Specific services charges	\$ 212,872	\$ 199,548
Management fees	228,892	218,636
Property rental	1,210,261	526,096
Retailer revenue	27,974	32,389
Gain on disposal of assets	542,242	360,662
Customer contributions	393,114	220,766
Other revenue	104,501	7,958
Total other revenue	\$ 2,719,856	\$ 1,566,055

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

## 19. Finance income and finance costs:

Finance income:

	2021	2020
Interest income on bank deposits	\$ 69,926	\$ 96,066
Late payment charges	352,650	359,302
	<u>\$ 422,576</u>	<u>\$ 455,368</u>

Finance costs:

	2021	2020
Interest on long-term debt	\$ 2,231,551	\$ 1,580,605
Interest expense on customer deposits	14,651	22,121
Other	58,258	44,615
	<u>2,304,460</u>	<u>1,647,341</u>
Net finance costs recognized in profit or loss	<u>\$ 1,881,884</u>	<u>\$ 1,191,973</u>

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

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## 20. Contingencies and commitments:

### *General liability insurance:*

The Company has obtained general liability and enhanced directors and officers insurance coverage from the Municipal Electric Association Reciprocal Insurance Exchange (The Mearie Group) expiring January 1, 2024. The Mearie Group is an insurance reciprocal whereby all members through the unincorporated group share risks with each other. Members of the Mearie Group are assessed a premium deposit at policy execution. Should the group experience losses that are in excess of the accumulated premium deposits of its members combined with reserves and supplementary insurance, members would be assessed a supplementary or retro assessment on a pro-rata basis for the years in which the Company was a member.

As at December 31, 2021, the Company has not been made aware of any additional assessments. Participation in The Mearie Group covers a three year underwriting period which expires on January 1, 2024.

### *General:*

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

### *Merger:*

On September 1, 2021, the Company entered into a Merger Participation Agreement ("MPA") with: The Corporation of the City of Cambridge ("Cambridge"), The Corporation of the Township of North Dumfries ("North Dumfries"); The Corporation of the City of Brantford ("Brantford"); Energy+ Inc. ("Energy+"); Cambridge and North Dumfries Energy Plus Inc. ("Energy Plus"); Cambridge and North Dumfries Energy Solutions Inc. ("Energy Solutions"); Brantford Energy Corporation ("BEC"); and Brantford Hydro Inc. ("BHI").

The MPA provides terms and conditions under which CND Energy Plus and BEC will amalgamate (the "HoldCo Amalgamation"), and immediately following the Holdco Amalgamation, the Company will amalgamate with Energy+ ("LDC Amalgamation") and continue as a corporation amalgamated under the laws of Ontario.

The merger has been approved by the OEB based on the MAADs application as described under note 1. The Company anticipates a closing date on or before May 2, 2022 as a result of this decision. The Company expects that the merger contemplated under the MPA will result in more efficient and enhanced service delivery through lower operating costs while providing significant benefits for communities and shareholders.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

## 21. Operating expenses:

Distribution operations and maintenance:

	2021	2020
Salaries and benefits	\$ 1,381,189	\$ 1,619,628
Other staff costs	133,599	122,062
City of Brantford shared services	881,601	932,052
Contracted services	484,026	527,186
Building utilities and maintenance	71,527	46,141
Materials and supplies	462,048	330,370
Equipment repairs and maintenance	9,895	6,919
Vehicle	299,002	234,324
Other	27,953	4,196
	<b>\$ 3,750,840</b>	<b>\$ 3,822,878</b>

	2021	2020
Salaries and benefits	\$ 1,329,500	\$ 1,486,879
Other staff costs	9,294	(1,787)
City of Brantford shared services	210,857	242,265
Contracted services	780,445	666,942
Expected credit losses	496,127	875,861
Materials and suppliers	4,226	6,659
Postage	376,349	372,309
Other	208,573	176,506
	<b>\$ 3,415,371</b>	<b>\$ 3,825,634</b>

General administration:

	2021	2020
Salaries and benefits	\$ 2,405,974	\$ 2,400,366
Other staff costs	66,018	55,436
City of Brantford shared services	508,485	572,738
Contracted services	988,029	1,323,005
Building utilities and maintenance	882,953	354,423
Materials and supplies	41,628	59,359
Vehicle	5,317	-
Other	1,034,814	685,744
	<b>\$ 5,933,218</b>	<b>\$ 5,451,071</b>

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

## 21. Operating expenses (continued):

IESO conservation programs:

	2021	2020
Incentives paid to customers	\$ 720,790	\$ 165,500
Salaries and benefits	1,582	11,352
Other staff costs	513	783
City of Brantford shared services	200	383
Contracted services	87,784	106,829
	<u>\$ 810,869</u>	<u>\$ 284,847</u>

The IESO conservation programs are winding down. There are no new applications, only existing applications are being settled.

## 22. Statement of cash flows:

Changes in non-cash working capital:

	2021	2020
Accounts receivable	\$ 1,589,464	\$ (1,114,975)
Unbilled revenue	2,289,094	(449,713)
Materials and supplies	114,424	(457,928)
Prepaid expenses	135,175	36,509
Accounts payable and accrued liabilities	(6,354,235)	3,982,696
Accounts payable to the City of Brantford	(322,490)	(105,939)
Due to affiliates	(5,422)	(160,564)
Customer deposits	399,511	(78,216)
	<u>\$ (2,154,479)</u>	<u>\$ 1,651,870</u>

Other items not affecting cash:

	2021	2020
Post-employment benefits	\$ 27,100	\$ 32,200
Derivative liabilities	(499)	(14,304)
Remeasurement of lease receivable	(59,982)	-
	<u>\$ (33,381)</u>	<u>\$ 17,896</u>



# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

## 23. Amortization:

	2021	2020
Amortization of capital assets	\$ 4,193,091	\$ 3,842,494
Amortization of capital assets charged to general administration	17,125	2,101
Amortization of capital assets charged to distribution operations and maintenance	251,232	244,814
	\$ 4,461,448	\$ 4,089,409

## 24. Capital disclosures:

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

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

As at December 31, 2021, the Company's definition of capital includes equity and long-term debt. This definition remains unchanged from prior years. As at December 31, 2021, equity amounts to \$50,010,086 (2020 - \$46,592,898) and long-term debt, amounts to \$57,516,666 (2020 - \$59,258,199). The Company's capital structure as at December 31, 2021 is 53% debt and 47% equity (2020 - 56% debt and 44% equity). There have been no changes in the Company's approach to capital management during the year.

The Company's long-term debt agreements include both financial and non-financial covenants. As at December 31, 2021, the Company was in compliance with all covenants.

## 25. Financial instruments:

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

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

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## 25. Financial instruments (continued):

### (a) Interest rate risk:

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

A term facility loan bears interest at a floating rate and thus, the carrying value approximates fair value. However, the Company has entered into an interest rate swap transaction, derivative instrument, the effect of which is to fix the interest rate on the \$25,000,000 term facility loan at 2.54%. The potential replacement cost to the Company of the interest rate swaps, representing estimated fair value as presented on the balance sheet, was \$1,204,854 (2020 - \$3,109,811), which was in the favour of Royal Bank. The Company entered into these interest rate swap transactions to fix the interest rate over the long-term and intends to hold this to maturity at which time there should be no replacement cost.

### (b) Credit risk:

The Company grants credit to its customers in the normal course of business and monitors their financial condition and reviews the credit history of new customers. As a result of the COVID-19 pandemic, certain of the Company's customers have experienced loss of employment, business shut-downs and other disruptions. In response to the increased collection risk, the Company has increased its loss allowance for expected credit losses to adjust for the higher level of expected customer defaults on accounts receivable. The Company is currently holding customer deposits on hand in the amount of \$2,402,829 (2020 - \$2,003,318) which is reflected on the Statement of Financial Position. Customer deposits are limited to those allowed under the OEB's Retail Settlement Code. Allowances of \$1,639,000 (2020 - \$1,649,000) are also maintained for potential credit losses. The Company's accounts receivable do not reflect the concentrated risk of default from exposure to large customers. At December 31, 2021, the outstanding amounts receivable from the largest ten customers represented \$2,495,990 or 26% (2020 - \$1,843,223 or 19%) of the total outstanding accounts receivable. Management believes that it has adequately provided for any exposure to normal customer and retailer credit risk.

### (c) Liquidity risk:

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

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

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## 25. Financial instruments (continued):

### (d) Prudential support:

The Company is required, through the Independent Electricity System Operator (IESO), to provide security to mitigate the company's risk of default based on its expected activity in the electricity market. The IESO could draw on this guarantee if the Company fails to make a payment required by a default notice issued by the IESO. The maximum potential payment is the face value of the bank letter of credit. As at December 31, 2021, the Company provided prudential support in the form of a bank letter of credit of \$13,057,140 (2020 - \$13,057,140).

### (e) Revolving term facility:

As at December 31, 2021, the Company has been authorized for a revolving term facility of \$14,000,000 (2020 - \$14,000,000) of which \$nil had been drawn upon. The facility bears interest at prime and is secured by a general security agreement over all assets of the Company and assignment of related fire insurance.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

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## 25. Financial instruments (continued):

(f) Fair value of other financial instruments:

(i) Establishing fair value:

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

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

Customer deposits fair value approximates carrying value. Interest is paid on deposits on a monthly basis at a market rate, reset quarterly, as directed by the OEB.

The fixed rate long-term debt facility, maturing December 2032, funded by the Ontario Infrastructure and Lands Corporation (OILC) has an estimated fair value of \$1,602,500 (carrying value - \$1,447,518). The fair value was determined using the present value of the cash flows using the quoted OILC market rate for the debt at December 31, 2021, of 3.1% per annum, (actual rate – 5.14% per annum). The loan is classified as an Other Liability (OL) with no resulting adjustment to carrying value.

The fixed rate long-term debt facility, maturing December 2050, funded by the OILC has an estimated fair value of \$5,022,300 (carrying value - \$4,252,077). The fair value was determined using the present value of the cash flows using the quoted OILC market rate for the debt at December 31, 2021, of 3.49% per annum, (actual rate – 4.95% per annum). The loan is classified as an Other Liability (OL) with no resulting adjustment to carrying value.

The fixed rate long-term debt facility, maturing October 2027, funded by the OILC has an estimated fair value of \$2,611,000 (carrying value - \$2,580,787). The fair value was determined using the present value of the cash flows using the quoted OILC market rate for the debt at December 31, 2021, of 2.8% per annum, (actual rate – 3.46% per annum). The loan is classified as an Other Liability (OL) with no resulting adjustment to carrying value.

The fixed rate long-term debt facility, maturing December 2042, funded by the OILC has an estimated fair value of \$3,470,400 (carrying value - \$3,236,804). The fair value was determined using the present value of the cash flows using the quoted OILC market rate for the debt at December 31, 2021, of 3.16% per annum, (actual rate – 3.90% per annum). The loan is classified as an Other Liability (OL) with no resulting adjustment to carrying value.

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

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## 25. Financial instruments (continued):

(f) Fair value of other financial instruments (continued):

(i) Establishing fair value (continued):

The promissory note payable to the City has an estimated fair value of \$26,686,200 (carrying value - \$24,189,168). The fair value was determined using the present value of the cash flows using the quoted OILC market rate for the debt at December 31, 2021, of 3.16% per annum, (actual rate – 3.95% per annum). The loan is classified as an Other Liability (OL) with no resulting adjustment to carrying value.

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

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

(ii) Fair value hierarchy:

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

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

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

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

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

# BRANTFORD POWER INC.

Notes to Financial Statements (continued)

Year ended December 31, 2021

## 25. Financial instruments (continued):

(f) Fair value of other financial instruments (continued):

(ii) Fair value hierarchy (continued):

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

	Level 1	Level 2	Level 3	Total financial assets and liabilities at fair value
Financial assets				
Cash and cash equivalents	\$ 8,927,396	\$ -	\$ -	\$ 8,927,396
	\$ 8,927,396	\$ -	\$ -	\$ 8,927,396
Derivative liabilities	\$ 1,204,854	\$ -	\$ -	\$ 1,204,854
Total financial liabilities	\$ 1,204,854	\$ -	\$ -	\$ 1,204,854

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

## 26. Comparative information:

Certain comparative information has been reclassified to conform with the current year's presentation.

## 27. Subsequent event:

On January 6, 2022, the Company executed an agreement with a third party to sell the 130 Savannah Oaks Drive property. The related asset is presented under non-current asset held for sale on the Statement of Financial Position.