



City of Hamilton
HAMILTON ENTERPRISES HOLDING CORPORATION
SHAREHOLDER
AGENDA

Date: June 17, 2022

Time: 9:30 a.m.

Location: Council Chambers
Council Chambers, Hamilton City Hall
71 Main Street West

Stephanie Paparella, Legislative Coordinator (905) 546-2424 ext. 3993

1. APPROVAL OF AGENDA

(Added Items, if applicable, will be noted with *)

2. DECLARATIONS OF INTEREST

3. APPROVAL OF MINUTES OF PREVIOUS MEETING

3.1. December 10, 2021

4. COMMUNICATIONS

4.1. Hamilton Enterprises Holding Corporation Board Member Profiles

Recommendation: Be received.

5. PRESENTATIONS

5.1. 2022 Hamilton Enterprises Holding Corporation Update

6. SHAREHOLDER RESOLUTIONS

6.1. Consolidated Financial Statements - Year Ended December 31, 2021; Appointment and Remuneration of Auditor

7. PRIVATE AND CONFIDENTIAL

7.1. Appointment of the Directors of the Hamilton Enterprises Holding Corporation

Pursuant to Section 9.1, Sub-section (b) of the City's Procedural By-law 21-021, as amended, and Section 239(2), Sub-section (b) of the *Ontario Municipal Act*, 2001, as amended, as the subject matter pertains to personal matters about an identifiable individual, including municipal or local board employees.

8. ADJOURNMENT



HAMILTON ENTERPRISES HOLDING CORPORATION SHAREHOLDER MINUTES

2:29 p.m.

December 10, 2021

Due to COVID-19 and the closure of City Hall, this meeting was held virtually.

Present: Mayor F. Eisenberger (Chair), Deputy Mayor T. Jackson, Councillors M. Wilson, J. Farr, R. Powers, E. Pauls, J. P. Danko, B. Clark, M. Pearson, A. VanderBeek, J. Partridge

Absent: Councillor T. Whitehead, N. Nann, S. Merulla, B. Johnson – Personal
Councillor L. Ferguson – Other City Business

THE FOLLOWING ITEMS WERE REFERRED TO COUNCIL FOR CONSIDERATION:

1. Number of Directors (Item 4.1)

(Jackson/Danko)

WHEREAS, the City of Hamilton is the sole shareholder of Hamilton Enterprises Holding Corporation (“the Corporation”); ,

WHEREAS, the Articles of Incorporation of the Corporation provide that the Board of Directors shall consist of a minimum of one (1) and a maximum of twenty (20) Directors; ,

WHEREAS, it has heretofore been resolved that the Corporation shall have six (6) Directors; and,

WHEREAS, it is desirable to increase the number of Directors that the Corporation may have to seven (7) in order that Elizabeth DiDonato might be elected as a Director of the Corporation:

THEREFORE, BE IT RESOLVED:

That, as a Special Resolution, effective the date that these Resolutions are passed and thereafter until otherwise determined by the Shareholder of the

Corporation, the number of Directors that the Corporation shall have shall be seven (7).

Result: Motion CARRIED by a vote of 10 to 0, as follows:

Yes	-	Mayor Fred Eisenberger
Yes	-	Ward 1 Councillor Maureen Wilson
Yes	-	Ward 2 Councillor Jason Farr
Absent	-	Ward 3 Councillor Nrinder Nann
Absent	-	Ward 4 Councillor Sam Merulla
Yes	-	Ward 5 Councillor Russ Powers
Yes	-	Ward 6 Councillor Tom Jackson
Yes	-	Ward 7 Councillor Esther Pauls
Yes	-	Ward 8 Councillor J. P. Danko
Yes	-	Ward 9 Councillor Brad Clark
Yes	-	Ward 10 Councillor Maria Pearson
Absent	-	Ward 11 Councillor Brenda Johnson
Absent	-	Ward 12 Councillor Lloyd Ferguson
Yes	-	Ward 13 Councillor Arlene VanderBeek
Absent	-	Ward 14 Councillor Terry Whitehead
Absent	-	Ward 15 Councillor Judi Partridge

2. Appointment of Private Director (Item 4.2)

(VanderBeek/Pearson)

WHEREAS, it has been resolved that the Corporation shall have seven (7) Directors;

WHEREAS, the Corporation presently has six (6) Directors;

WHEREAS, it has been previously resolved by the Shareholder of the Corporation that if a seventh Director is appointed for the Corporation that such Director shall be a resident of the City of Hamilton, thus fulfilling the Shareholder's requirement to have the majority of the Directors of the Corporation being residents of the City of Hamilton, Ontario;

WHEREAS, it is desirable that Elizabeth DiDonato, a resident of the City of Hamilton, Ontario, be elected a Director of the Corporation such that the Corporation would then have the required seven (7) Directors and, further, that a majority of the Directors of the Corporation would then be residents of the City of Hamilton, Ontario;

WHEREAS, it is desirable that the term of Elizabeth DiDonato as a Director of the Corporation expire when the term of Lesley Gallinger would have expired in order that the rotation of Directors of the Corporation occur with a uniform sequential three year regularity; and,

WHEREAS, the term of Lesley Gallinger as a Director of the Corporation would have expired on June 30, 2023;

THEREFORE, BE IT RESOLVED:

That Elizabeth DiDonato, being a resident Canadian and a resident of Hamilton Ontario, and having consented to act as a Director of the Corporation, is appointed and elected as a Director of the Corporation to hold office for a term commencing on the date these Resolutions are passed and expiring on June 30, 2023 and thereafter until her successor is duly elected or appointed.

Result: Motion CARRIED by a vote of 11 to 0, as follows:

Yes	-	Mayor Fred Eisenberger
Yes	-	Ward 1 Councillor Maureen Wilson
Yes	-	Ward 2 Councillor Jason Farr
Absent	-	Ward 3 Councillor Nrinder Nann
Absent	-	Ward 4 Councillor Sam Merulla
Yes	-	Ward 5 Councillor Russ Powers
Yes	-	Ward 6 Councillor Tom Jackson
Yes	-	Ward 7 Councillor Esther Pauls
Yes	-	Ward 8 Councillor J. P. Danko
Yes	-	Ward 9 Councillor Brad Clark
Yes	-	Ward 10 Councillor Maria Pearson
Absent	-	Ward 11 Councillor Brenda Johnson
Absent	-	Ward 12 Councillor Lloyd Ferguson
Yes	-	Ward 13 Councillor Arlene VanderBeek
Absent	-	Ward 14 Councillor Terry Whitehead
Yes	-	Ward 15 Councillor Judi Partridge

FOR INFORMATION:

(a) CHANGES TO THE AGENDA (Item 1)

The Committee Clerk advised that there were no changes to the agenda.

(Clark/Powers)

That the agenda for the December 10, 2021 Hamilton Enterprises Holding Corporation meeting, be approved, as presented.

Result: Motion CARRIED by a vote of 10 to 0, as follows:

Yes	-	Mayor Fred Eisenberger
Yes	-	Ward 1 Councillor Maureen Wilson
Yes	-	Ward 2 Councillor Jason Farr

Absent	-	Ward 3	Councillor Nrinder Nann
Absent	-	Ward 4	Councillor Sam Merulla
Yes	-	Ward 5	Councillor Russ Powers
Yes	-	Ward 6	Councillor Tom Jackson
Yes	-	Ward 7	Councillor Esther Pauls
Yes	-	Ward 8	Councillor J. P. Danko
Yes	-	Ward 9	Councillor Brad Clark
Yes	-	Ward 10	Councillor Maria Pearson
Absent	-	Ward 11	Councillor Brenda Johnson
Absent	-	Ward 12	Councillor Lloyd Ferguson
Yes	-	Ward 13	Councillor Arlene VanderBeek
Absent	-	Ward 14	Councillor Terry Whitehead
Absent	-	Ward 15	Councillor Judi Partridge

(b) DECLARATIONS OF INTEREST (Item 2)

There were no declarations of interest.

(c) APPROVAL OF MINUTES OF PREVIOUS MEETING (Item 3)

(i) June 10, 2021 (Item 3.1)

(Farr/Pauls)

That the Minutes of the December 10, 2021 Shareholder meeting, be approved, as presented.

Result: Motion CARRIED by a vote of 10 to 0, as follows:

Yes	-	Mayor Fred Eisenberger
Yes	-	Ward 1 Councillor Maureen Wilson
Yes	-	Ward 2 Councillor Jason Farr
Absent	-	Ward 3 Councillor Nrinder Nann
Absent	-	Ward 4 Councillor Sam Merulla
Yes	-	Ward 5 Councillor Russ Powers
Yes	-	Ward 6 Councillor Tom Jackson
Yes	-	Ward 7 Councillor Esther Pauls
Yes	-	Ward 8 Councillor J. P. Danko
Yes	-	Ward 9 Councillor Brad Clark
Yes	-	Ward 10 Councillor Maria Pearson
Absent	-	Ward 11 Councillor Brenda Johnson
Absent	-	Ward 12 Councillor Lloyd Ferguson
Yes	-	Ward 13 Councillor Arlene VanderBeek
Absent	-	Ward 14 Councillor Terry Whitehead
Absent	-	Ward 15 Councillor Judi Partridge

(d) **ADJOURNMENT (Item 5)**

(Pearson/VanderBeek)

That, there being no further business, the Hamilton Enterprises Holding Corporation Shareholder meeting, be adjourned at 2:55 p.m.

Result: Motion CARRIED by a vote of 11 to 0, as follows:

Yes	-	Mayor Fred Eisenberger
Yes	-	Ward 1 Councillor Maureen Wilson
Yes	-	Ward 2 Councillor Jason Farr
Absent	-	Ward 3 Councillor Nrinder Nann
Absent	-	Ward 4 Councillor Sam Merulla
Yes	-	Ward 5 Councillor Russ Powers
Yes	-	Ward 6 Councillor Tom Jackson
Yes	-	Ward 7 Councillor Esther Pauls
Yes	-	Ward 8 Councillor J. P. Danko
Yes	-	Ward 9 Councillor Brad Clark
Yes	-	Ward 10 Councillor Maria Pearson
Absent	-	Ward 11 Councillor Brenda Johnson
Absent	-	Ward 12 Councillor Lloyd Ferguson
Yes	-	Ward 13 Councillor Arlene VanderBeek
Absent	-	Ward 14 Councillor Terry Whitehead
Yes	-	Ward 15 Councillor Judi Partridge

Respectfully submitted,

Mayor Fred Eisenberger
Chair, Hamilton Enterprises
Holding Corporation Shareholder

Stephanie Paparella
Legislative Coordinator
Office of the City Clerk

Hamilton Community Enterprises Corporation

Directors Profiles

Chair, Board of Directors

Laurie Tugman - In addition to being a Director of HEHCo, Mr. Tugman is currently President, CEO, and majority owner of TDL Canada Inc. a distributor of internet infrastructure equipment and other residential and commercial technology products. Mr. Tugman is also Chair of the Advisory Board for Sustainable Business, CPA Canada, and Audit Committee Chair for Solar Manufacturer Silfab Inc.

Mr. Tugman was the former President and CEO of Marsulex Inc., from 2004 until its sale in June 2011. He is a former Director of several Corporations. Mr. Tugman was elected a Fellow Chartered Accountant in 2011. He obtained his ICD.D in 2015. A member of Financial Executives International Canada (FEIC), he served on FEIC's Board from 2004 to 2007, and was a founding Chairman of one of the national committees. He has also served on the Chemistry Industry Assn. of Canada's (CIAC) Board from 2007 to 2011 and was Chairman from 2010 to 2011.

Chair, Human Resources and Corporate Governance Committee

Julia Kamula - Julia Kamula is a former Senior Media Executive with over 30 years' experience in Canada's leading print and digital publishing, distribution and print manufacturing organizations. In her most recent role, Ms. Kamula was Senior Vice President of TC Media – Transcontinental Inc. Previous to joining Transcontinental, she was Executive Vice President of Operations for Sun Media – Quebecor Inc., joining Sun Media through the acquisition of Osprey Media in 2007 where she was Senior Vice President of Operations.

Ms Kamula is a certified Director (ICD.D) with extensive experience on large complex boards in the education, healthcare and news media sectors. In addition to serving on the Boards of Hamilton Enterprises Corporation and Hamilton Utilities Corporation, she is currently a Director on the Board of Hamilton Health Sciences Research Institute.

Ms Kamula's previous board experience includes a nine-year term with Hamilton Health Sciences, most recently as Board Chair. She has also served as a Director on the Boards of News Media Canada, the Atlantic Free Daily Newspaper Group, Brock University and Niagara College Canada.

Ms Kamula is a resident of downtown Hamilton and a proud supporter of the city.

Chair, Audit and Risk Management Committee

Greg McCamus - Greg McCamus is a retired executive with senior operational leadership experience in the telecommunications and energy industries. Most recently he was President of Superior Plus Energy Distribution, a division of Superior Plus (TSX SPB.TO) and led the strategic transformation of Superior Propane in Canada and the entry of Superior into the US market where the company is now one of the largest propane distributors in North America. Prior to joining Superior in 2005 he held a number of senior executive roles in the competitive telecommunications industry with Call-Net Enterprises (Sprint Canada), AT&T Canada, and Unitel Communications.

Mr. McCamus holds an HBA from Huron University College (University of Western Ontario), an MBA from York University's Schulich School of Business, and the ICD.D designation from the Institute of Corporate Directors. He is a past member of the board of directors of the National Propane Gas Association and of The Learning Partnership.

Director

Christa C. Wessel – Christa Wessel is the Chief Operating Officer and General Counsel of ClearView Strategic Partners Inc. where she is responsible for operations including technology, finance and advisory services. Prior to joining ClearView, an ethics reporting system provider, Christa was Senior Advisor at The Change Alliance where she provided leading-edge advice and support to Boards of Directors and senior leaders in the areas of strategic planning, culture, reputation and ethics.

Ms Wessel leverages her experience as a C-suite executive for global giants McCain and Siemens, where she held chief accountability for the human resources, compliance, legal and stakeholder engagement portfolios. As the Executive Vice-President, Global Business Practices at McCain, she was responsible for ensuring the business was aligned with organizational values and objectives, and that business strategies and social mission met stakeholder's expectations. As a senior partner with two major Canadian law firms, she has also provided strategic counsel to numerous corporations in the areas of international business transactions, mergers and acquisitions and governance. She was called to the Bar in the Province of Ontario, holds an LL.B., University of Ottawa, B.A. Econ., York University C. Dir., Directors College at McMaster University and a Certificate in Enterprise Risk Management from University of Toronto.

Director

Tony Thoma – Mr. Thoma has worked in several senior-level positions in academia and industry including: Dean of Engineering Technology, VP operations and Global technical director. In Industry these experiences include participation in due diligence investigations to secure partners, site locations, and commissioning manufacturing plants in Canada, USA, Mexico, Hungary, and China. Mr. Thoma's roles within industry have included operations, process quality, maintenance, engineering and energy management with an international automotive parts company.

In Academia, Mr. Thoma has managing large technical schools working with industry partners to bring the latest trends in technology to the market and preparing students for successful careers in developing topics such as Smart Energy Systems, Automation, Mechatronics, and Industry 4.0.

Mr. Thoma's board experience includes 9 years at St. Joseph's Hospital in Hamilton, 3yrs on the Ontario Independent Electricity System Operator (IESO) Stakeholder Advisory Committee and is currently on the advisory board for Thompson Gordon Group in Burlington. Mr. Thoma has also recently served for the City of Hamilton's Citizens Jury committees for Area Rating and LRT initiatives.

Credentials include being a licensed Professional Engineer (PEO), an MBA from the University of Western Ontario, an Honours BBA from Brock University, and a B.Sc. in Metallurgy and Materials Science from McMaster University. More recently, Mr. Thoma has completed the McMaster University Chartered Directors Program.

Director

Elizabeth DiDonato - Elizabeth DiDonato is a senior executive who for the past few years has been assisting enterprises achieve significant strategic objectives through assignments in corporate branding, process re-engineering, governance realignment, corporate reorganization including acquisitions and divestitures, record keeping and data analytics. Ms DiDonato has held executive positions in the global enterprises of McCain Foods, Siemens and International Wallcoverings, and has served as the Executive Director of the Research Oversight and Compliance Office at the University of Toronto.

Ms DiDonato graduated from the University of Ottawa with a degree in Business Administration and went on to become a C.P.A. Chartered Accountant. Ms DiDonato honed her management and governance skills during her tenure at Price Waterhouse and Pricewaterhouse Coopers where she led numerous special and assurance engagements at the regional office level as well as advising other professionals from the Canadian National Office. Ms DiDonato also obtained the Chartered Director designation from McMaster University and is a life-time resident of the City of Hamilton.

Director

Sam Merulla City of Hamilton Councillor - Ward 4 - Sam Merulla was first elected in November of 2000 as City Councillor for Ward 4 in the newly amalgamated City of Hamilton. Strongly committed to the citizens of East Hamilton, he actively serves as a member of the General Issues Committee (GIC), Board of Health Committee, Healthy & Safe Communities Committee and the Public Works Committee.

Councillor Merulla is an active participant on several Committees dedicated to people with disabilities such as the Hamilton-Wentworth Training Board for the Labour Partner Group for Persons with Disabilities, the HRDC Employment Expo Committee and the Hamilton-Wentworth Service Providers Committee. In addition, he sat on D.A.R.T.S. (Disabled and Aged Regional Transit System) Board of Directors as Vice Chairman from 1999-2003 and is the Services Coordinator for PATH Employment Services/Human Resource Development Canada.

Councillor Merulla has held such positions as Advisor to the Official Opposition Whip and Management Board Critic of the Legislative Assembly of Ontario, Executive Senior Advisor to Hamilton East MPP, Environment Critic and Community and Social Services Critic, (Ontario Government, Legislative Assembly of Ontario Queen's Park office. Councillor Merulla resides in Hamilton with his wife Corinne and their two daughters, Alexa and Sabrina.

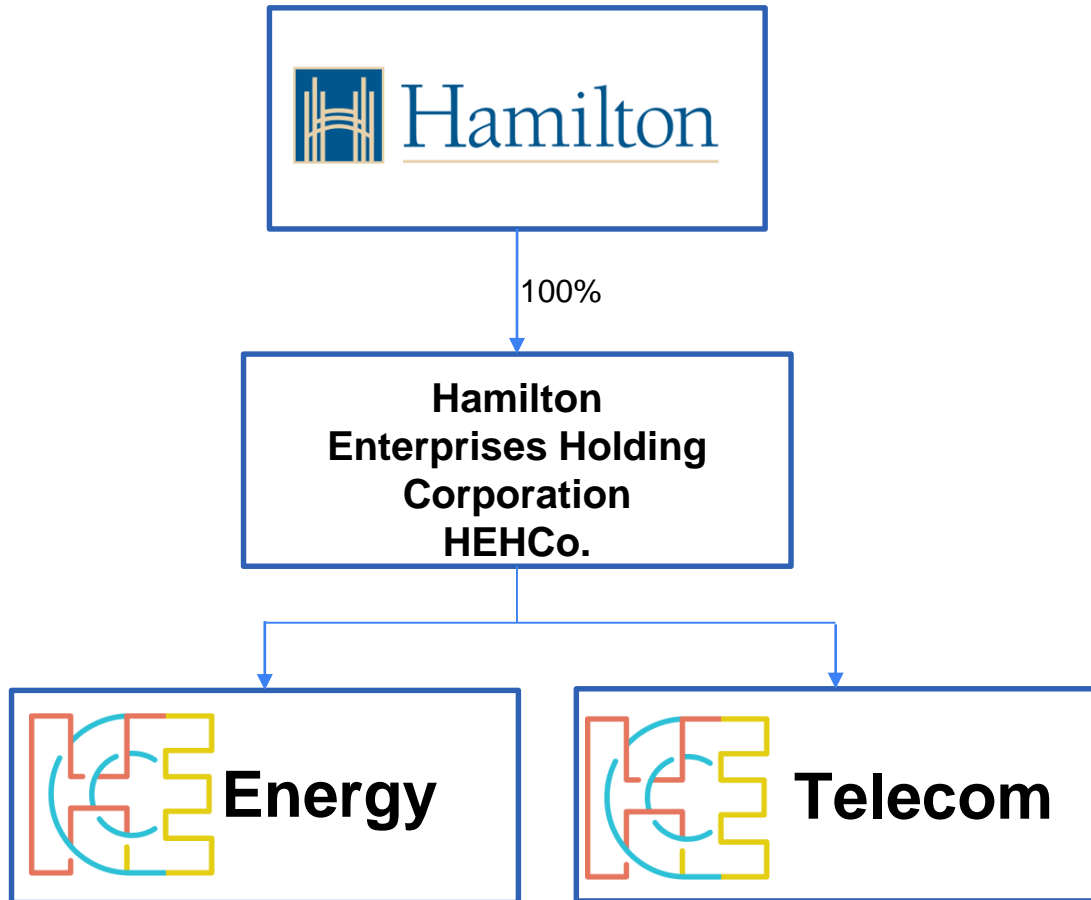
Hamilton Enterprises Holding Corporation

AGM – June 17, 2022



Introduction Corporate Structure

- HEHCo



Hamilton Enterprises Holding Corporation (**HEHCo.**) is 100% owned by the City of Hamilton and contains two affiliate businesses that operate in the competitive non-regulated **Energy** and **Telecommunication** sectors. HEHCo was established in 2017 resulting from the merger of Horizon Utilities to form Alectra.

Affiliate Businesses



Hamilton Community Enterprises - Energy



Hamilton Community Enterprises - Telecom



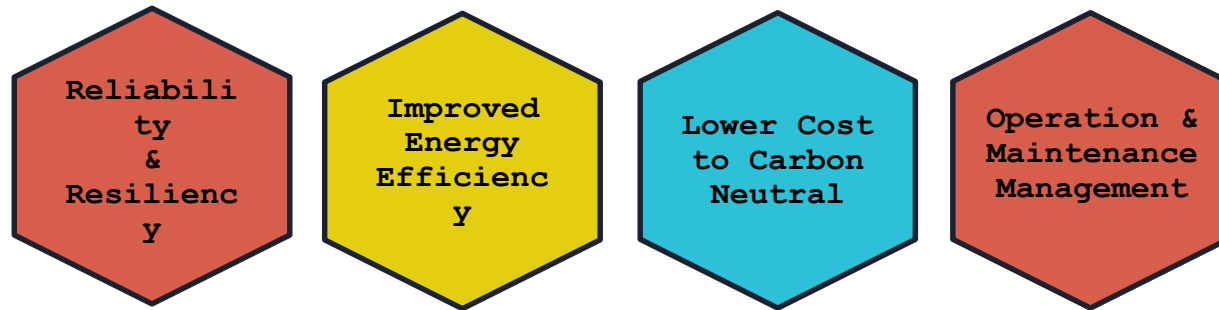
Introduction

Corporate Structure - HCE Energy

A wholly-owned subsidiary founded in 2002, HCE Energy provides environmentally sustainable and affordable District Energy solutions to the City of Hamilton and private institutions.

- Over 3.0M ft² of residential and commercial property load
- Over 10MW of power generation under contract
- HCE solutions are 100% energy sharing (network) and/or renewable energy based

Value Proposition



District EnergySolar PV

Combined Heat & Power Systems

Geo-Thermal

Operations & Maintenance Services

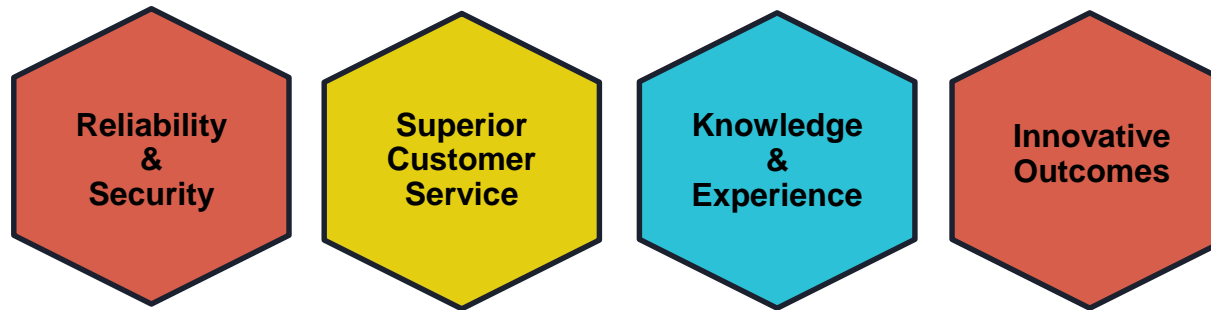


Introduction

Corporate Structure – HCE Telecom

Founded in 2015, HCE Telecom provides mission-critical Internet and communication technology solutions to Municipalities, Health Care, Education, Utilities, Essential Services and Enterprise Businesses across the Greater Toronto Hamilton Region and extending throughout Ontario. HCE solutions are designed to make communities resilient, engaged and safe.

Value Proposition



Internet

Voice

Wi-Fi

Private Networks

Data Centre

Cloud

Design & Build



A few of our Customers



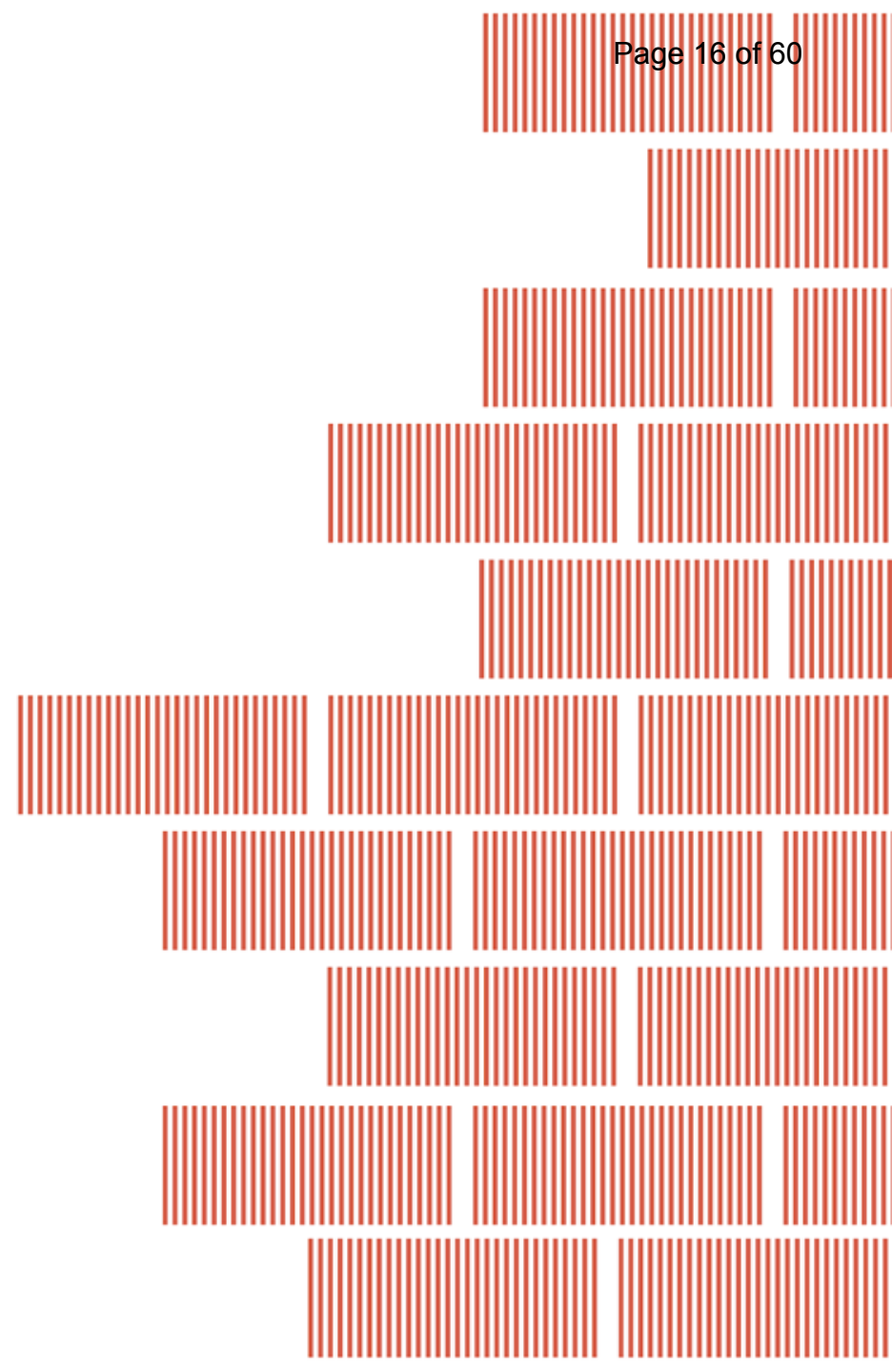


Vision:

To connect and power our communities with innovative solutions creating a smart, sustainable future.

Mission:

To be a visionary leader, redefining how energy and data technology are delivered, through value-creating critical infrastructure solutions.





Triple Bottom Line (TBL)

Generating Shareholder Value

PEOPLE

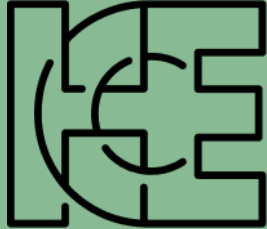
Develop local innovation that's deployed within Hamilton benefiting the residents and businesses

Promote public education and engagements with community leaders and Institutions

PROFIT

Generate non-levy based returns to the Shareholder across the private and public sectors both within and outside Hamilton

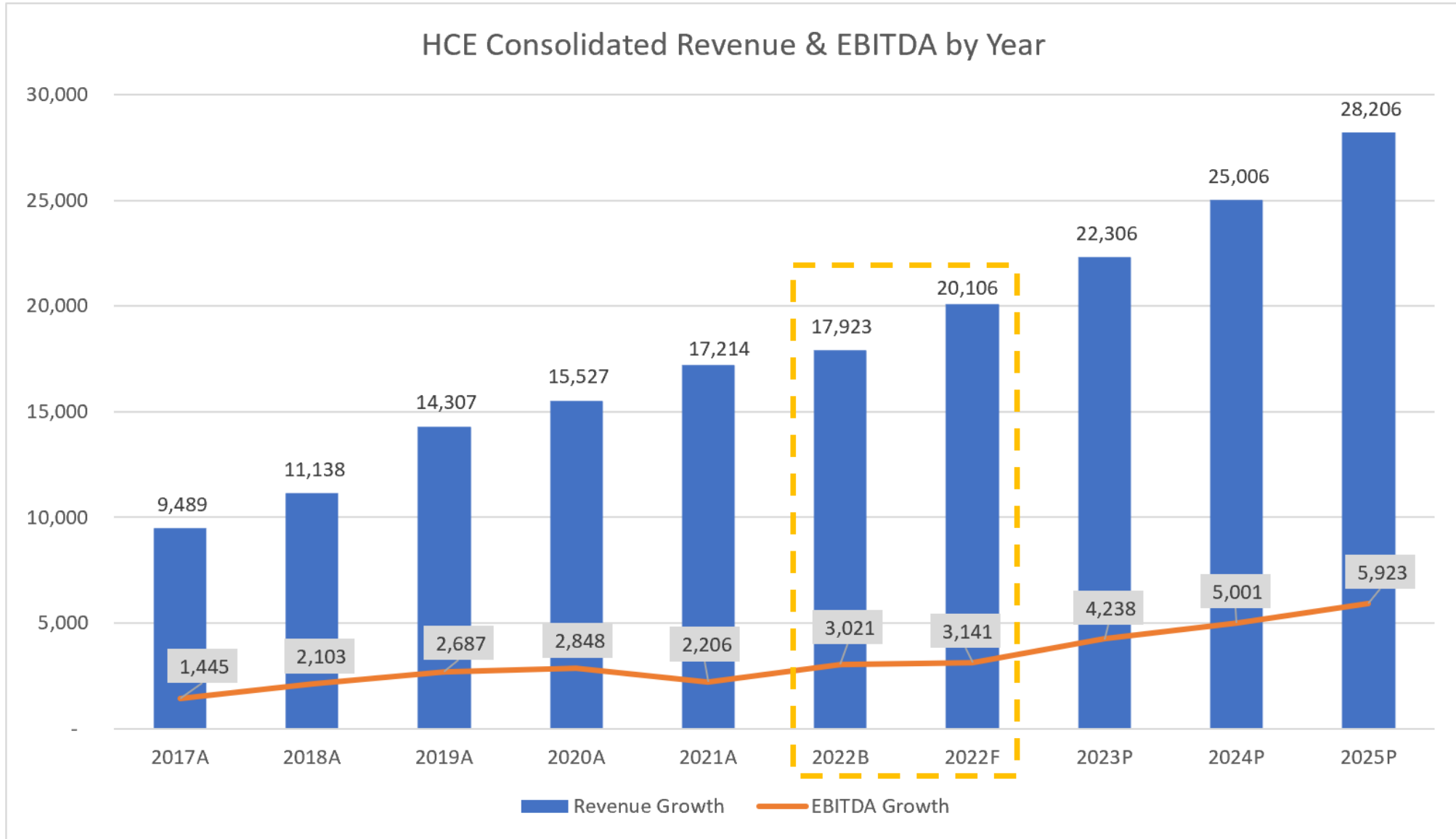
Provide high quality, responsive and cost-effective services to the City



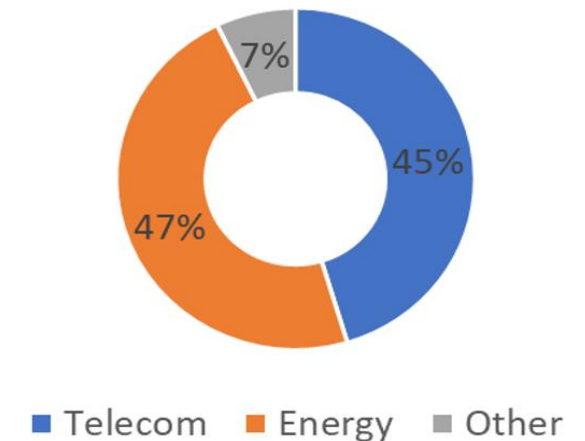
Reduce Hamilton GHG footprint through low carbon energy solutions

Enable Hamilton's transition to a Net Zero Community

PLANET



- **Growth Trend:** 2021 saw 11% growth in revenues with a 5 Year Growth Rate of 21%
- **Top Line Revenue:** Top Line Revenue: \$5.8M in 2015 to \$17.2M in 2021
- **Year over Year Growth:** 2022 Revenue Growth budgeted to be 4% over 2021
- **Strong sales funnel** leading to 3yr annual growth projected at 12%
- Lower 2021 EBITDA resulting from a capital project write off as a onetime event with no projected re-occurrence





2021 Notable Highlights

COVID Update

- While the impact of COVID caused timing delays in contracting and delivering new revenue, the organization was able to sustain growth in 2021

Business Highlights

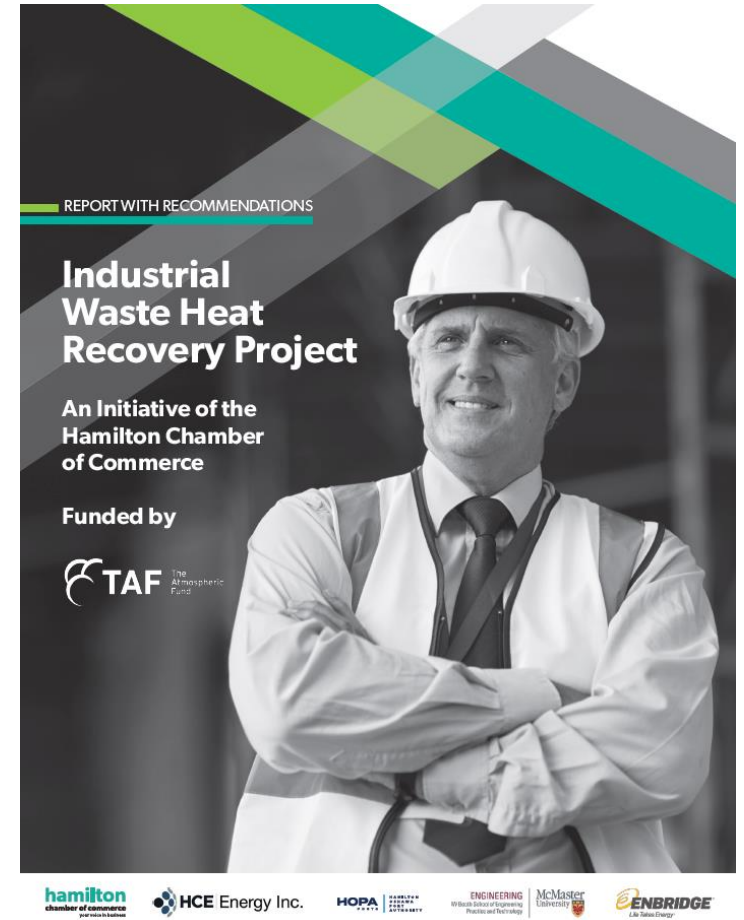
- Increased City of Hamilton network capacity by 100x with no increase in operating costs to the City
- Deployed a modern, secure and highly resilient network for Hamilton Water
- Provided innovative and cost-effective Internet services to Community Housing Hamilton
- Deployed public internet access as a pilot project in William Connell Park
- Launched new branding including website and social media presence





2021 Notable Highlights

- Active contributor in the development of the Industrial Waste Heat Recovery Project report
<https://www.hamiltonchamber.ca/what-we-do/industrial-waste-heat-recovery-project/>
- HCE, along with the Hamilton Chamber of Commerce, launched a public education series on the decarbonization of heating and the potential of industrial waste heat to combat climate change





Alignment to the City of Hamilton's Strategic Plan

A review of the City's Priorities highlights and how HCE aligns

- Hamilton has an open, transparent, and accessible approach to City government that engages with and empowers all citizens to be involved in their community with a focus on **Digital Service and Smart City Transformation**.
- Hamilton is a safe and supportive city where people are active, healthy, and have a high quality of life with **universal access to services** and supports needed to be healthy and active with a focus on **healthy communities** and lifestyles.
- Hamilton is **environmentally sustainable** with a healthy balance of natural and urban spaces **focused on climate change, and energy sources that are sustainable, efficient, and renewable**.
- Hamilton is supported by **state-of-the-art infrastructure**, transportation, buildings and public spaces that create a dynamic city with a **focus on roads management, water – potable / waste / storm, buildings and city facilities and affordable housing**.



Summary

HCE continues to pursue opportunities to generate Triple Bottom Line returns to the City of Hamilton with a focus on establishing open lines of communication across the Municipality.

HCE looking ahead:

- Build upon HCE's thermal expertise to develop Net Zero building heating solutions that can provide benefits across the entire community
- Greening of the district energy system through supporting downtown redevelopment
- Expanding community Internet access through Wi-Fi and 5G wireless
- Pursue opportunities to digitize legacy applications, such as water billing



- Approval of the 2021 Audited Financial Statements
- Appointment & Remuneration of the Auditor for 2022
- Number of & Appointment of Directors of the Hamilton Enterprises Holding Corporation

HAMILTON ENTERPRISES HOLDING CORPORATION
(the "Corporation")

RESOLUTIONS OF THE SHAREHOLDER

1. Audited Consolidated Financial Statements - Year Ended December 31, 2021

BE IT RESOLVED THAT the Audited Consolidated Financial Statements of the Corporation for the year ended December 31, 2021 (attached hereto as Appendix "A"), as approved by the Board of Directors of the Corporation, be received and approved by the Shareholder.

2. Appointment and Remuneration of Auditor

BE IT RESOLVED that the present auditor of the Corporation, KPMG LLP, be appointed as the auditor of the Corporation for the 2022 fiscal year of the Corporation at a remuneration to be fixed by the Directors of the Corporation, the Directors of the Corporation being hereby authorized to fix such remuneration.

Hamilton Enterprises Holding Corporation

**Hamilton Enterprises Holding Corporation
Auditors' Report to the Shareholder
and Consolidated Financial Statements
Year Ended December 31, 2021**

Hamilton Enterprises Holding Corporation**Table of Contents****Independent Auditors' Report****Consolidated Financial statements**

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KPMG LLP
 Commerce Place
 21 King Street West, Suite 700
 Hamilton Ontario L8P 4W7
 Canada
 Telephone (905) 523-8200
 Fax (905) 523-2222

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Hamilton Enterprises Holding Corporation

Opinion

We have audited the consolidated financial statements of Hamilton Enterprises Holding Corporation (the "Entity"), which comprise:

- the consolidated statement of financial position as at December 31, 2021
- the consolidated statement of comprehensive loss for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated 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 consolidated financial position of the Entity as at December 31, 2021, and its consolidated financial performance and its consolidated 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 are other ethical responsibilities in accordance with these requirements.

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



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

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.



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

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

March 25, 2022

Hamilton Enterprises Holding Corporation

Consolidated Statement of Financial Position

As at December 31, 2021, with comparative information for 2020
(stated in thousands of Canadian dollars)

	2021	2020
Assets		
Current assets		
Cash and cash equivalents <i>[note 5]</i>	\$ 2,404	\$ 2,315
Accounts receivable	2,511	2,279
Accounts receivable from related parties <i>[note 17]</i>	2,655	3,529
Other current assets	699	1,319
	8,269	9,442
Non-current assets		
Property, plant and equipment <i>[note 8]</i>	47,381	51,478
Intangible assets <i>[note 9]</i>	1,062	1,210
Right-of-use assets <i>[note 10]</i>	3,526	3,777
Goodwill	571	571
Deferred payments in lieu of income taxes <i>[note 11]</i>	5,243	5,209
	57,783	62,245
Total assets	\$ 66,052	\$ 71,687

Hamilton Enterprises Holding Corporation

Consolidated Statement of Financial Position

As at December 31, 2021, with comparative information for 2020
(stated in thousands of Canadian dollars)

	2021	2020
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,945	\$ 1,944
Derivative liability <i>[note 7]</i>	149	382
Income taxes payable	54	183
Asset retirement obligation	44	40
Amounts owing to related parties <i>[note 17]</i>	15,663	16,756
Current portion of finance lease liabilities <i>[note 10]</i>	200	190
Current portion of long-term borrowings <i>[note 7]</i>	681	599
Current portion of amounts owing to related party <i>[note 6]</i>	324	324
Deferred revenue	175	368
	19,235	20,786
Non-current liabilities		
Long-term borrowings <i>[note 7]</i>	13,233	13,920
Finance lease liabilities <i>[note 10]</i>	3,565	3,755
Amounts owing to related party <i>[note 6]</i>	5,508	5,832
Employee future benefits <i>[note 12]</i>	286	286
Deferred payment in lieu of income taxes <i>[note 11]</i>	6,053	6,169
	28,645	29,962
Total liabilities	47,880	50,748
Shareholder's equity		
Share capital <i>[note 14]</i>	37,986	37,986
Non-controlling interest	59	78
Accumulated other comprehensive income	(115)	(137)
Retained deficit	(19,758)	(16,988)
Total shareholder's equity	18,172	20,939
Contingencies <i>[note 19]</i>		
Total liabilities and shareholder's equity	\$ 66,052	\$ 71,687

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

On behalf of the Board:

Director

Director

Hamilton Enterprises Holding Corporation

Consolidated Statement of Income and Comprehensive Income

Year ended December 31, 2021, with comparative information for 2020
(stated in thousands of Canadian dollars)

	2021	2020
Solar generation	\$ 1,407	\$ 1,322
Electricity, heating and cooling service charges	7,199	7,559
Telecommunication	8,221	6,049
Other income	1,306	597
Total revenue	18,133	15,527
Expenses:		
Cost of sales	9,057	6,393
Operating expenses	6,809	6,286
Depreciation and amortization <i>[note 8, 9, 10]</i>	4,411	3,854
	20,277	16,533
Loss from operating activities	(2,144)	(1,006)
Finance income <i>[note 15]</i>	24	19
Finance charges <i>[note 15]</i>	(917)	(1,365)
Loss before payment in lieu of income tax recovery	(3,037)	(2,352)
Payments in lieu of income tax expense (recovery) <i>[note 11]</i>	(248)	334
Loss for the year	(2,789)	(2,686)
Net loss attributable to:		
Shareholder of the Corporation	(2,770)	(2,681)
Non-controlling interest of a subsidiary	(19)	(5)
	(2,789)	(2,686)
Other comprehensive income		
Remeasurement of defined benefit obligation	22	(120)
Payments in lieu of income tax recovery	-	7
	22	(113)
Total comprehensive loss	\$ (2,767)	\$ (2,799)

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

Hamilton Enterprises Holding Corporation

Consolidated Statement of Changes in Equity

Year ended December 31, 2021, with comparative information for 2020
(stated in thousands of Canadian dollars)

				Accumulated other comprehensive loss	Non- Controlling Interest	2021 Total
2021	Share capital	Retained deficit				
Balance at January 1	\$ 37,986	\$ (16,988)	\$ (137)	\$ 78	\$	20,939
Net loss	–	(2,770)	–	(19)		(2,789)
Other comprehensive income	–	–	22	–		22
Balance at December 31	\$ 37,986	\$ (19,758)	\$ (115)	\$ 59	\$	18,172
				Accumulated other comprehensive loss	Non- Controlling Interest	2020 Total
2020	Share capital	Retained deficit				
Balance at January 1	\$ –	\$ (14,307)	\$ (24)	\$ 83	\$	(14,248)
Net loss	–	(2,681)	–	(5)		(2,686)
Other comprehensive income	–	–	(113)	–		(113)
Issuance of share capital (note 14)	37,986	–	–	–		37,986
Balance at December 31	\$ 37,986	\$ (16,988)	\$ (137)	\$ 78	\$	20,939

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

Hamilton Enterprises Holding Corporation

Consolidated Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020
(stated in thousands of Canadian dollars)

	2021	2020
Net loss	\$ (2,789)	\$ (2,686)
Adjustments for:		
Depreciation and amortization <i>[notes 8, 9, 10]</i>	4,411	3,854
Payments in lieu of income tax recovery <i>[note 11]</i>	(248)	334
Finance income	(24)	(19)
Finance charges	917	1,365
Finance charges received	24	19
Finance income paid	(1,146)	(1,076)
Loss on disposal of property, plant and equipment	1,258	–
Accretion – ARO	4	3
Income taxes paid	(13)	(70)
Change employee future benefits	–	51
Change in other assets and liabilities <i>[note 16]</i>	(23)	(730)
Net cash from operating activities	2,371	1,045
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment <i>[note 8]</i>	(1,173)	(1,588)
Net cash used in investing activities	(1,173)	(1,588)
FINANCING ACTIVITIES		
Repayment of long-term borrowings	(605)	(520)
Proceeds from long-term borrowings	–	3,045
Repayment of finance lease liabilities	(180)	(173)
Repayment of amounts owing to corporations under common control	(324)	(324)
Net cash from (used in) financing activities	(1,109)	2,028
Increase in cash and cash equivalents	89	1,485
Cash and cash equivalents, beginning of year	2,315	830
Cash and cash equivalents, end of year	\$ 2,404	\$ 2,315

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

Hamilton Enterprises Holding Corporation

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(stated in thousands of Canadian dollars)

1. REPORTING ENTITY

On December 18, 2017, Hamilton Enterprises Holding Corporation (the "Corporation") was incorporated under the Business Corporations Act (Ontario). The Corporation is wholly owned by the City of Hamilton and is located in the City of Hamilton.

The Corporation, through its wholly owned subsidiaries, generates electricity, provides heat, cooling, electrical energy and voice and data solutions through fibre optic technologies to its customers. The Corporation's subsidiaries include:

Hamilton Infrastructure Projects Corporation ("HIPCo") – 100%

HCE Energy Inc. ("HCE") – 100%

HIPCO-CUP ("CUP") Projects Corporation – 100%

HIPCO-FIT5 Projects Corporation – 100%

HIPCO-MIP Projects Corporation – 100%

Longwood Energy Inc. – 50%

HIPCO-FIT4 ("FIT4") Projects Corporation – 100%

2622882 Ontario Inc – 100%

HIPCO-Portlands ("Portlands") Projects Corporation – 100%

Hamilton Ventures Corporation ("HVCO") – 100%

HCE Energy (2017) Inc. – 100%

HCE Energy (2018) Inc. – 100%

HCE Telecom ("Telecom") – 100%

Hamover Power Limited Partnership ("Hamover LP") – 75%

2291506 Ontario Inc. – 85%

Hamover Power General Partnership ("Hamover GP") – 75%

HCE, CUP and Portlands provide various thermal heat, cooling and electricity to certain institutional, industrial and commercial customers through a district heating system. HCE Energy 2017 Inc. has a 75% interest in Hamover Power LP which leases a solar farm to its subsidiary, 2291506 Ontario Inc. 2291506 Ontario Inc. generates solar revenue through approved IESO Feed-in-Tariff ("FIT") contracts.

Telecom provides voice and data solutions for businesses using fibre optic technologies. Hamover GP is the general partner holding a 25% interest in Hamover LP. FIT4 and 2622882 generate solar revenue through approved IESO Feed-in-Tariff ("FIT") contracts.

All other entities operate as a holding company with no direct operating activity.

Hamilton Enterprises Holding Corporation**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2021
(stated in thousands of Canadian dollars)

1. REPORTING ENTITY (Continued)

In 2018, a corporation under common control underwent a corporate restructuring whereby it transferred its investments in its subsidiaries to the Corporation. The investments transferred were HCE Energy Inc., HCE Telecom, Hamover Power General Partnership and Hamover Power Limited Partnership and 2291506 Ontario Inc. See notes 3 (k) and 4 for details.

The address of the Corporation's registered office is 79 Bay Street North, Hamilton, Ontario, Canada.

2. BASIS OF PREPARATION**(a) Statement of compliance**

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

(b) Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors on March 24, 2022.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis unless otherwise stated.

(d) Functional and presentation currency

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

Hamilton Enterprises Holding Corporation**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2021
(stated in thousands of Canadian dollars)

2. BASIS OF PREPARATION (Continued)**(e) Use of estimates and judgements**

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates. Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment is included in the following notes:

- (i) Notes 3(d), (e), (m), 8, 9, 10 – estimation of useful lives of property, plant, and equipment, intangible assets and right-of-use assets
- (ii) Notes 3(h), 12 – Employee future benefits: measurements of the defined benefit obligation and key actuarial assumptions
- (iii) Notes 3(m), 10 – leases – discount rate

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 any future periods affected.

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

- (i) Notes 3(n), 19 – Contingencies: whether a contingency is a liability
- (ii) Note 3(m) – leases – whether an arrangement contains a lease; lease term; underlying leased asset value

Hamilton Enterprises Holding Corporation**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2021
(stated in thousands of Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

These consolidated financial statements include the accounts of the corporations as described in the reporting entity in note 1. Subsidiaries are entities controlled by the Corporation. The financial statements of the subsidiaries are included in these consolidated financial statements from the date on which control commences until the date on which control ceases. All subsidiaries are consolidated at 100%, with the exception of Hamover Power LP which is consolidated at 75% based on the Corporation's partnership units held, as well as Longwood Energy Inc. which is consolidated at 50%, which represents the Corporation's share of the joint venture. Hamover Power LP controls 2291506 Ontario Inc. to which it has an 85% interest in. All inter-company accounts and transactions have been eliminated.

(b) Financial instruments

All financial assets and all financial liabilities with the exception for the derivative liability 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 in note 3(g)(i). The derivative liability is classified as a financial liability at fair value through profit or loss. Transaction costs are expensed in the year as incurred.

(c) Revenue recognition*Telecommunication*

Telecommunications revenue is recognized in income over time as the performance obligation is satisfied. Connection charges are recognized as income at a point in time when the network connection is installed at a base location and the performance obligation satisfied.

Solar generation

The performance obligations 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 Corporation has the right to bill.

Hamilton Enterprises Holding Corporation**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2021
(stated in thousands of Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(c) Revenue recognition (continued)***Heating and cooling*

These charges comprise charges to customers for use of the Corporation's electricity and thermal distribution systems. The performance obligations are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity and thermal 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 Corporation has the right to bill.

Other revenue

The performance obligations for the provision of services is recognized over time using an input method based on labour hours and resources consumed to measure the satisfaction of the performance obligation. The value of services transferred to the customer is determined based on the agree-upon price with the customer and represents the amount that the customer has the right to bill for services completed to date.

(d) Property, plant and equipment

Items in property, plant and equipment ("PP&E") are measured at historical cost or deemed cost established on the transition date, less accumulated depreciation and accumulated impairment losses, if any.

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, direct labour, directly attributable 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 using the weighted average cost of debt incurred on the Corporation's external borrowings. Qualifying assets are considered to be those that take a substantial period of time to construct.

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

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

Hamilton Enterprises Holding Corporation

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(stated in thousands of Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (continued)

The cost of replacing part of an item of PP&E is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of PP&E are recognized in income or loss as incurred.

Depreciation is recognized in income or loss on a straight-line basis over the estimated useful life of each part or component of an item of PP&E. Working-progress ("WIP") assets are not depreciated until the project is complete and the asset is available for use.

The estimated useful lives for the current and comparative years are as follows:

Other PP&E	3 to 10 years
Buildings	25 years
Fibre & Data network	15 to 70 years
Heating and electricity generation equipment	7 to 50 years

Gains and losses on disposal of an item of PP&E are determined by comparing the proceeds from disposal with the carrying amount of PP&E and are recognized in income or loss.

Depreciation methods, useful lives and residual values, if any, are reviewed at each reporting date and adjusted prospectively.

(e) Intangible assets and Goodwill

Intangible assets with a finite life are measured at cost less accumulated amortization. Amortization is recognized in net income on a straight-line basis over the estimated useful life of the intangible asset from the date that they are available for use.

The estimated useful lives for the current and comparative years are as follows:

Computer software	3 to 5 years
Licenses	5 years
Customer contracts	3 years
Feed-in Tariff agreements	20 years

Goodwill arising on the acquisition of subsidiaries is subsequently measured at cost less accumulated impairment losses as described in note 3(g)(ii).

Hamilton Enterprises Holding Corporation**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2021
(stated in thousands of Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(f) Other assets – materials and supplies**

Materials and supplies, the majority of which is consumed by the Corporation 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.

(g) Impairment**(i) Financial assets**

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.

(ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than inventory 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"). The recoverable amount of an asset or cash-generating unit 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 cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in net income.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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.

Hamilton Enterprises Holding Corporation**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2021
(stated in thousands of Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(h) Employee future benefits****(i) Pension plan**

The Corporation 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, public utilities and school boards. 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.

OMERS is a defined benefit plan. However, as OMERS does not track information for individual employers, sufficient information is not available to enable the Corporation to account for the plan as a defined benefit plan, the plan has been accounted for as a defined contribution plan.

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in income or loss when they are due.

(ii) Other than pension

The Corporation provides its retired employees with post-retirement life insurance. In addition, the Corporation provides post-retirement medical benefits beyond those provided by government sponsored plans for those employees who retire with least 20 years of service and eligible to receive an OMERS pension. These benefits are provided through a group defined benefit plan. The Corporation has reflected the defined benefit costs and related liabilities, as calculated by the actuary, in these consolidated financial statements.

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, are recognized immediately on 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.

Hamilton Enterprises Holding Corporation

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(stated in thousands of Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(i) Finance income and finance charges**

Finance income is recognized in income or loss as it accrues, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents and unrealized gains on derivatives.

Finance charges are calculated using the effective interest rate method with the exception of the derivative liability and are recognized as an expense unless they are capitalized as part of the cost of qualifying assets. Finance charges comprises interest expense on borrowings, finance lease liabilities, accretion of asset retirement obligations and unrealized loss on derivative liabilities.

(j) Payments in lieu of income taxes

The Corporation and some of its subsidiaries are exempt from taxes under the Income Tax Act (Canada) ("ITA") and the Ontario Corporations Tax Act ("OCTA") (collectively the "Tax Acts").

Pursuant to the *Electricity Act, 1998 (Ontario)* ("EA"), and as a consequence of its exemption from income taxes under the Tax Acts, the Corporation and some of its subsidiaries are required to make payments in lieu of corporate income taxes ("PILs") to the Ontario Electricity Financial Corporation ("OEFC"). These payments are calculated in accordance with the Tax Acts. Some of the Corporation's subsidiaries are not exempt from taxes under the ITA and accordingly calculate and pay income tax in accordance with the Tax Acts to the Canada Revenue Agency.

PILs comprises current and deferred tax for both the taxable and exempt subsidiaries. Payments in lieu of income taxes is recognized in net income except to the extent that it relates to items recognized either in comprehensive income or directly in equity, in which case, it is recognized in comprehensive income or equity.

Current PILs is the expected tax payable on the taxable income 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.

Hamilton Enterprises Holding Corporation

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(stated in thousands of Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(j) Payments in lieu of income taxes (continued)**

Deferred PILS comprise the net tax effects of temporary differences between the tax basis of assets and liabilities and their respective carrying amounts for accounting purposes, as well as for tax losses available to be carried forward to future years that are likely to be realized.

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(k) Business reorganizations between entities under common control

Business reorganizations between entities under common control are accounted for at book value on a retrospective basis with comparative information restated to present financial information as if the restructuring had occurred prior to the date of restructuring.

(l) Set-off and reporting on a net basis

Assets and liabilities and income and expenses are not offset and reported on a net basis unless required or permitted by IFRS. Offsetting is permitted for financial assets and financial liabilities when, and only when, the Corporation has a legally enforceable right to set-off and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(m) Leases

At inception of a contract, the Corporation assess whether the contract is or contains a lease. A contract is determined to contain a lease if it provides the Corporation 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 Corporation 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.

Hamilton Enterprises Holding Corporation**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2021
(stated in thousands of Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(m) Leases (continued)**

The right-of-use asset is subsequently depreciated using the straight-line method from the 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 estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. 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 the 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 Corporation'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 Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation has elected not to recognize 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 Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(n) Provisions

A provision is recognized if, as a result of a past event, the Corporation 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.

Hamilton Enterprises Holding Corporation

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(stated in thousands of Canadian dollars)

4. BUSINESS REORGANIZATIONS WITH CORPORATIONS UNDER COMMON CONTROL

On December 31, 2018, the Corporation underwent a corporate restructuring whereby it received investments in its subsidiaries and partnerships from a company owned by the Corporation's parent ("the Transferor"). The transfer was made in return for notes payable which were valued at the fair value of the underlying shares and units of the companies and partnerships transferred.

In 2020, the Corporation executed the final restructuring steps that were approved to occur post December 31, 2018. As part of the final restructuring steps, the City of Hamilton (the "City"), the Corporation's sole shareholder, subscribed to \$37,986 common shares of the Corporation in exchange for settlement of the outstanding notes payable established on the reorganization as at December 31, 2018.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of overnight deposits in Canadian chartered banks.

6. AMOUNTS OWING TO RELATED PARTY

Amounts owing to corporations under common control totaling \$5,832 (2020 - \$6,156), previously owed to Hamilton Utilities Corporation ("HUC") and now owing to the City of Hamilton (the "City") are due December 31, 2039, bearing interest at a fixed interest rate of 4.06% throughout the term of the loan. The loan is payable in annual principal repayments of \$324 plus interest. The amounts owing to the City relate to the Corporation's acquisition of the City of Hamilton's Central Utilities Plant ("CUP").

During the prior year, the amounts owing to HUC were formally assigned to the City who accepted the assignment of borrowings and the Corporation is now remitting principal and interest payments directly to the City.

The borrowings are secured by the assets of the CUP with a net book value of \$9,034 (2020 - \$9,273) with a cross-company guarantee provided by a corporation under common control.

Interest expense for the long-term borrowings was \$210 (2020 - \$229). Principal payments on the long-term borrowings and receivables are due as follows:

2022	\$	324
2023		324
2024		324
2025		324
2026		324
Thereafter		4,212
	\$	5,832

Hamilton Enterprises Holding Corporation

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
(stated in thousands of Canadian dollars)

7. LONG-TERM BORROWINGS

	2021	2020
Bank loans	\$ 6,458	\$ 6,727
Term Loan – Tranche A	5,043	5,275
Term Loan – Tranche B	2,413	2,517
	13,914	14,519
Less: current portion	681	599
	\$ 13,233	\$ 13,920

The Corporation holds three bank loans. The first bank loan bears interest at the cost of funds index plus 2.39% and is repayable in monthly instalments of \$24 principal and interest. The principal amount outstanding at December 31, 2022 is \$3,554 (2020 - \$3,722). The loan is due January 12, 2022 and is secured by guarantees of Hamilton Utilities Corporation (related party under common control), Port Dover Farms Inc. and the Corporation's subsidiary 2291506 Ontario Inc. (the "Subsidiary") and a registered security interest in the rooftop solar power generation equipment owned by Hamover Power LP (the "Partnership"). The loan is further secured by an assignment of the assets between the Partnership and its subsidiary and the Feed-in Tariff contracts held by the subsidiary. In January 2016, the Partnership entered into an interest rate swap agreement with a notional value of \$5,760. Under the terms of the agreement, the Partnership has contracted to pay interest at a fixed rate of 2.46% while receiving a variable rate equivalent to the one-month Canadian Dollar Offer Rate. The interest rate swap agreement is recorded at fair value and is in a net unfavorable position of \$149 (2020 – unfavorable - \$382). The unrealized gain of \$233 recognized during the year is included in Finance charges.

The second bank loan was entered into during the year and bears interest at 5.69% per annum and is repayable in monthly instalments of principal and interest of \$22 and matures July 2029. The principal amount outstanding is \$2,859 (2020 - \$2,960). The loan is secured by the related equipment for which the loan was issued.

The third bank loan is comprised of a loan from the federal government through National Bank of Canada under the Canada Emergency Business Account (CEBA) program. The principal amount outstanding is \$45 (2020 - \$45). The loan was received in two tranches of \$40,000 and \$20,000 respectively. The loan is non-interest bearing and forgivable up to \$20,000 (\$10,000 from each tranche) if the loan is repaid before the due date of December 31, 2022. If not repaid at January 1, 2023, the loan will become due and payable on December 31, 2025 and will bear interest at 5% with interest payment frequency determined by the financial institution.

Hamilton Enterprises Holding Corporation

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7. LONG-TERM BORROWINGS (Continued)

In 2018, the Corporation entered into a lending agreement in two tranches secured by certain district energy assets which are due March 16, 2036. Tranche A was issued in the amount of \$5,853 and bears interest at 5.322% per annum, repayable in blended quarterly principal and interest repayments of \$127. Tranche B was issued in the amount of \$2,733 and bears interest at 5.419% per annum, repayable in blended quarterly principal and interest repayments of \$60.

Repayment of long-term debt for the year ended December 31:

2022	\$	681
2023		669
2024		704
2025		740
2026		778
Thereafter		10,342
	\$	13,914

8. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Heating and Electricity Generation infrastructure	Fibre & Data network	Other PP&E	WIP	2021 Total	2020 Total
<i>Cost or deemed cost</i>							
Balance at							
January 1	\$ 1,704	\$ 49,839	\$10,040	\$2,043	\$ 4,065	\$ 67,691	\$ 66,103
Additions	–	446	468	259	–	1,173	1,588
Transfers	–	2,538	95	310	(2,943)	–	–
Disposals	–	–	(304)	–	(954)	(1,258)	–
Balance at							
December 31	\$ 1,704	\$ 52,823	\$ 10,299	\$2,612	\$ 168	\$ 67,606	\$ 67,691
<i>Accumulated depreciation</i>							
Balance at							
January 1	\$ 989	\$ 9,861	\$ 3,776	\$1,587	\$ –	\$ 16,213	\$ 12,943
Depreciation charge	103	3,382	442	85	–	4,012	3,270
Disposals	–	–	–	–	–	–	–
Balance at							
December 31	\$ 1,092	\$ 13,243	\$ 4,218	\$1,672	\$ –	\$ 20,225	\$ 16,213

Hamilton Enterprises Holding Corporation

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8. PROPERTY, PLANT AND EQUIPMENT (Continued)

Carrying amounts

December 31, 2020	\$ 51,478
December 31, 2021	\$ 47,381

Rooftop solar assets owned by a subsidiary of the Corporation with a net book value of \$4,083 (2020 - \$4,353) are subject to a registered security interest. Assets with a net book value of \$6,207 are subject to a security interest for one of the Corporation's subsidiary's long-term debt which was advanced in prior years.

During the year, the Corporation assessed the future benefits of costs included in work in progress and recognised a loss on disposal of \$954 which is included in the Operating expenses on the statement of loss and comprehensive loss.

9. INTANGIBLE ASSETS

	Customer Contracts and Licenses	Computer software	Feed-in Tariff	2021 Total	2020 Total
<i>Cost or deemed cost</i>					
Balance at January 1	\$ 2,240	\$ 642	\$ 638	\$ 3,520	\$ 3,520
Additions	—	—	—	—	—
Balance at December 31	\$ 2,240	\$ 642	\$ 638	\$ 3,520	\$ 3,520

	Customer Contracts and Licenses	Computer software	Feed-in Tariff	2021 Total	2020 Total
<i>Accumulated depreciation</i>					
Balance at January 1	\$ 1,713	\$ 501	\$ 96	\$ 2,310	\$ 1,977
Depreciation charge	75	41	32	148	333
Balance at December 31	\$ 1,788	\$ 542	\$ 128	\$ 2,458	\$ 2,310

Carrying amounts

December 31, 2020	\$ 1,210
December 31, 2021	\$ 1,062

Hamilton Enterprises Holding Corporation

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10. RIGHT OF USE ASSETS AND FINANCE LEASES

	Land and buildings	Rooftops	Total
Right-of-use assets			
Cost			
Balance at January 1, 2021	\$ 2,335	\$ 1,944	\$ 4,279
Remeasurement	—	—	—
Disposals/retirements	—	—	—
Balance at December 31, 2021	\$ 2,335	\$ 1,944	\$ 4,279
Accumulated depreciation			
Balance at January 1, 2021	\$ 284	\$ 218	\$ 502
Additions	141	110	251
Disposals/retirements	—	—	—
Balance at December 31, 2021	\$ 425	\$ 328	\$ 753
Carrying amounts			
At December 31, 2021	\$ 1,910	\$ 1,616	\$ 3,526
At December 31, 2020	\$ 2,051	\$ 1,726	\$ 3,777
Finance lease liability			
Balance at January 1, 2021	\$ 2,142	\$ 1,803	\$ 3,945
Interest	111	85	196
Repayments	(212)	(164)	(376)
Balance at December 31, 2021	\$ 2,041	\$ 1,724	\$ 3,765
At December 31, 2020	\$ 2,142	\$ 1,803	\$ 3,945

Total cash outflows with respect to leasing arrangements during the year was \$376 (2020 - \$376) consisting of principal and interest of \$180 and \$196, respectively (2020 - \$173 and \$203).

The Corporation has several lease commitments for which the underlying asset value has been determined by the Corporation to be less than \$5,000 USD. These assets have not been accounted for under IFRS 16 *Leases* due to their low value. As such, the Corporation has expensed \$5.8 (2020 - \$5) in profit or loss during the year for these leases.

Certain leases held by the Corporation provide the Corporation with extension options and termination options that may impact the term of the Lease which can impact the finance lease liability recognized in the statement of financial position. The Corporation has determined the lease term for all contracts based on all available information as at the reporting date.

Hamilton Enterprises Holding Corporation

Notes to the Consolidated Financial Statements

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10. RIGHT OF USE ASSETS AND FINANCE LEASES (Continued)

The Corporation has leases for which certain payments made under the leasing arrangement are variable in nature and thus not included in the determination of the right-of-use asset and finance lease liability. These payments include payments for common area maintenance, insurance, and taxes. During the year, the Corporation recognized \$28 (2020 - \$28) as an expense in profit or loss relating to variable lease payments. The Corporation expects to recognize \$30 within the next 12 months in profit or loss relating to variable payments.

Repayment of finance lease liabilities, both principal and interest, are as follows:

2022	\$	200
2023		210
2024		221
2025		232
2026		244
Thereafter		2,658
	\$	3,765

Hamilton Enterprises Holding Corporation

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11. PAYMENTS IN LIEU OF INCOME TAXES

Current and deferred payments in lieu of income taxes

	2021	2020
Current payments in lieu of income taxes:		
Current year	\$ 97	\$ 105
Other	1	–
Deferred payments in lieu of income taxes:		
Origination and reversal of temporary differences and other	150	229
	(150)	229
Payments in lieu of income expense (recovery)	\$ (248)	\$ 334
Reconciliation of effective tax rate		
	2021	2020
Loss before taxes	\$ (3,050)	\$ (2,352)
Canada and Ontario statutory Income tax rates	26.5%	26.5%
Expected tax recovery on income at statutory rates	(808)	(623)
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses	1	27
Deferred PILS asset not recognized	889	947
Adjustments to prior provision	(144)	(151)
Other	(186)	134
Income tax expense (recovery)	\$ (248)	\$ 334

Hamilton Enterprises Holding Corporation

Notes to the Consolidated Financial Statements

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11. PAYMENTS IN LIEU OF INCOME TAXES (Continued)

Deferred tax balances

Significant components of the Corporation's deferred tax balances are as follows:

	2021	2020
Deferred payments in lieu of income taxes - liabilities:		
Property, plant, and equipment	\$ (6,053)	\$ (6,169)
Deferred payments in lieu of income taxes – assets:		
Non-capital losses	7,292	6,403
Right-of-use assets	63	32
Other	40	42
CMT carry forward	228	222
	\$ 7,623	\$ 6,699
Unrecognised deferred tax assets:		
Deductible temporary differences	693	11
Tax losses	1,687	1,479
Total unrecognised deferred tax assets	2,380	1,490
Net recognized deferred tax assets	5,243	5,209

Hamilton Enterprises Holding Corporation

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12. EMPLOYEE FUTURE BENEFITS

The Corporation provides certain health, dental and life insurance benefits on behalf of its retired employees. These benefits are provided through a defined benefit plan. The Corporation has reflected the defined benefit costs and related liabilities, as calculated by the actuary, in these consolidated financial statements. The defined benefit obligation and the expense for the year ended December 31, 2021 was based on the most recent results and assumptions determined by a full actuarial valuation as at December 31, 2020 and extrapolated to December 2021.

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

	2021	2020
Defined benefit obligation, beginning of year	\$ 286	\$ 115
Current service cost	28	5
Interest cost	7	4
Benefits paid during the year	(13)	(10)
Past service costs	–	52
Actuarial (loss) gain recognized in other comprehensive income	(22)	120
Defined benefit obligation, end of year	\$ 286	\$ 286

The main actuarial assumptions underlying the valuation are as follows:

a) General inflation

The health care cost trend for prescription drugs is estimated to increase from 4.40% in 2021 to 5.40% in 2025, before declining to 4.00% over 20 years. Other medical and dental expenses are assumed to increase at 4.5% per year.

Hamilton Enterprises Holding Corporation

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12. EMPLOYEE FUTURE BENEFITS (Continued)

b) Discount rate

The obligation at the period end and the present value of future liabilities were determined using a discount rate of 2.70% (2020 – 2.70%) representing an estimate of the yield on high quality corporate bonds as at the valuation date. A 1% increase or decrease in the discount rate would result in a decrease of \$45 or increase of \$61 to the defined benefit obligation respectively.

c) Salary levels

Future general salary and wage levels were assumed to increase at 3.30% (2020 – 3.30%) per year.

13. PENSION

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined benefit pension plan with equal contributions by the employer and its employees. In 2021, the Corporation made employer contributions of \$360 to OMERS (2020 - \$344) which are recognized in profit or loss during the year.

The Corporation expects to make a contribution of \$360 to OMERS during the next fiscal year.

14. SHARE CAPITAL

	2021	2020
Unlimited number of common shares 38,968 (2020 - 38,968) issued and outstanding	\$ 37,986	\$ 37,986

During 2020, the Corporation's sole shareholder subscribed for 37,986 common shares in exchange for settlement of outstanding notes payable owing from the Corporation to the City of Hamilton (see note 17).

Dividends

The holders of the common shares are entitled to receive dividends as declared from time to time.

The Corporation did not pay a dividend in 2021 or 2020.

Hamilton Enterprises Holding Corporation

Notes to the Consolidated Financial Statements

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15. FINANCE INCOME AND CHARGES

	2021	2020
Interest income on bank deposits	\$ 24	\$ 19
Finance income	24	19
Finance lease liabilities	(196)	(203)
Accretion – ARO	(4)	(3)
Unrealized gain (loss) on derivative liability (note 7)	233	(286)
Interest expense – note payable	(210)	(229)
Interest expense – long-term borrowings	(740)	(644)
Finance charges	(917)	(1,365)
Net finance costs recognized in income	\$ (893)	\$ (1,346)

16. Cash flow information

Net change in other assets and liabilities:

	2021	2020
Accounts receivable	\$ (232)	\$ 145
Accounts receivable from corporations under common control	874	(16)
Other current assets	620	293
Accounts payable and accrued liabilities	1	(1,231)
Amounts owing to related parties	(1,093)	27
Deferred revenue	(193)	52
	\$ (23)	\$ (730)

17. RELATED PARTY TRANSACTIONS**(a) Parent and ultimate controlling party**

The parent company and ultimate controlling party is the City of Hamilton. The City of Hamilton produces financial statements that are available for public use. The Corporation has long-term borrowings outstanding with the City of Hamilton as described in note 6.

Hamilton Enterprises Holding Corporation

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021
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17. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with corporations under common control

Outstanding balances with related parties are as follows:

	2021	2020
Hamilton Utilities Corporation	\$ 2,500	\$ 3,328
Port Dover Farms Inc.	155	201
1278424 Ontario Inc.	—	—
	2,655	3,529
Bright Ray Solar	(173)	(173)
Other related parties	—	(26)
First Longwood Innovation Trust	—	—
Hamilton Utilities Corporation	(15,490)	(16,557)
	(15,663)	(16,756)
Notes payable in exchange for shares (note 4)		
Hamilton Utilities Corporation	—	—
	\$ (13,008)	\$ (13,227)

During the prior year, the Corporation settled outstanding notes payable that originated as part of the corporate reorganization in 2018. As part of the settlement, the Corporation, HUC and the City of Hamilton agreed to settle the notes in the amount of \$37,986, which represents the value of notes payable in exchange for shares transferred during the reorganization for the Corporation's subsidiaries. The remaining amounts of notes payable not settled in 2020 remain outstanding with the related parties as summarized above.

Amounts owing to and from corporations under common control are non-interest bearing and have no fixed terms of repayment. The Corporation received management and administrative and billing fees from a corporation under common control in the amount of \$156 (2020 - \$156).

(c) Key management personnel

The key management personnel of the Corporation has been defined as members of its board of directors and executive management team members. Total key management compensation for the Corporation in 2021 consisted of salaries and other short-term benefits as well as bonuses and amounted to \$1,560 (2020 - \$1,689).

Hamilton Enterprises Holding Corporation

Notes to the Consolidated Financial Statements

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18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value disclosure

The carrying values of cash and cash equivalents, accounts receivable, accounts receivable and accounts payable from related parties, accounts payable and accrued liabilities and deferred revenue approximate fair value because of the short maturity of these instruments.

The fair value of the long-term borrowings is \$14,216.

Financial risks

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk and liquidity risk as well as related mitigation strategies are discussed below. However, the risks described below are not exhaustive of all the risks nor will the mitigation strategies eliminate the Corporation's exposure to all risks listed.

(i) Credit risk

Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable and notes receivable, expose it to credit risk. The majority of accounts receivable was collected subsequent to year end.

The carrying amount of accounts receivable is reduced through an allowance for estimated credit losses and the amount of the related impairment loss is recognized in profit or loss. Subsequent recoveries of receivables previously provisioned are credited to profit or loss. The balance of the allowance for impairment at December 31, 2021 is \$83 (2020 - \$31).

(ii) Market risk

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have any material commodity, foreign exchange or interest rate risk.

(iii) Liquidity risk

The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure.

The majority of accounts payable, as reported on the balance sheet, are due within 30 days.

Hamilton Enterprises Holding Corporation**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2021
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18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**(iv) Capital disclosures**

The main objectives of the Corporation, when managing capital, are to ensure on-going access to funding to maintain infrastructure to supply services to customers, to prudently manage its capital structure and deliver appropriate financial returns. The Corporation's definition of capital includes share capital and long-term borrowings. As at December 31, 2021, the amount of share capital is \$37,986 (2020 - \$37,986) and long-term borrowings amount to \$13,914 (2020 - \$14,519).

19. CONTINGENCIES

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. The Corporation 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 Corporation's financial position, results of operations or its ability to carry on any of its business activities.

21. IMPACT OF COVID-19

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Corporation's operating results and financial position in the future. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy is not known at this time. It is not expected that the impact to the Corporation will be significant in 2022.