Hamilton Utilities Corporation®

Hamilton Utilities Corporation

Auditors’ Report to the Shareholder

and Financial Statements

Year Ended December 31, 2020

Table of Contents

INDEPENDENT AUDITORS' REPORT

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 Utilities Corporation

Opinion

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

- the statement of financial position as at December 31, 2020
- 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, 2020, and its financial performance 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 are other ethical responsibilities in accordance with these requirements.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

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

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

May 27, 2021

Hamilton Utilities Corporation®

Statement of Financial Position

As at December 31, 2020, with comparative information for 2019
(stated in thousands of Canadian dollars)

	2020	2019
Assets		
Current assets		
Cash and cash equivalents *[note 4]*	$ 48	$ 42
Accounts receivable	24	22
Current portion of long-term receivables *[note 6]*	–	324
	72	388
Non-current assets		
Investment in Alectra Inc. *[note 5]*	350,198	351,550
Long-term receivables *[note 6]*	–	6,156
Due from related parties *[note 11]*	2,426	2,130
Notes receivable from corporations under common control *[note 11]*	13,786	51,772
Deferred payments in lieu of income taxes *[note 7]*	473	461
	366,883	412,069
Total assets	$ 366,955	$ 412,457
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 8	$ –
Current portion of long-term borrowings *[note 6]*	–	324
	8	324
Non-current liabilities		
Long-term borrowings *[note 6]*	–	6,156
Due to related parties *[note 11]*	3,241	2,920
Deferred payments in lieu of income taxes *[note 7]*	64,685	65,024
	67,926	74,100
Total liabilities	67,934	74,424
Shareholder's equity		
Share capital *[note 8]*	129,897	129,897
Accumulated other comprehensive loss	(4,893)	(4,200)
Retained earnings	174,017	212,336
Total shareholder's equity	299,021	338,033
Total liabilities and shareholder's equity	$ 366,955	$ 412,457

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

On behalf of the Board:

Director

Director

21 King Street West, Suite 1400 I Hamilton, ON I L8P 4W7 I www.hamiltonucorp.com

Statement of Comprehensive Income

For the year ended December 31, 2020, with comparative information for 2019
(stated in thousands of Canadian dollars)

	2020	2019
Management fee income	$ 156	$ 353
Total revenue	156	353
Expenses:		
Operating expenses	188	816
	188	816
Loss from operating activities	(32)	(463)
Finance income *[note 9]*	12	248
Finance charges *[note 9]*	(5)	(248)
Gain on dilution of investment in Alectra Holdings Inc. *[note 5]*	–	979
Equity income in Alectra Holdings Inc. *[note 5]*	13,147	10,541
Income before payments in lieu of income taxes	13,122	11,057
Payments in lieu of income taxes (recovery) *[note 7]*	(351)	-(1,842)
Net income	13,473	12,899
Other comprehensive income (loss)		
Items that may be reclassified to income – loss on bond forward:		
Share of Alectra Holdings Inc.'s reclassification to net income	346	173
Dilution of investment in Alectra Holdings Inc. reclassification to net income	–	24
	346	197
Items that will not be subsequently reclassified to income:		
Remeasurement of Alectra Holdings Inc. defined benefit obligation	(1,212)	(3,636)
Tax impact on remeasurement of defined benefit obligation	173	867
Total other comprehensive loss	(693)	(2,572)
Total comprehensive income	$ 12,780	$ 10,327

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

Statement of Changes in Equity

For the year ended December 31, 2020, with comparative information for 2019
(stated in thousands of Canadian dollars)

	Share capital	Retained earnings	Accumulated other comprehensive loss	2020 Total	2019 Total
Balance at January 1	$ 129,897	$ 212,336	$ (4,200)	$ 338,033	$ 341,675
Net income	–	13,473	–	13,473	12,899
Other comprehensive loss	–	–	(693)	(693)	(2,572)
Long-term debt forgiveness	–	6,156	–	6,156	–
Transfer of long-term receivable	–	(6,156)	–	(6,156)	–
Dividends	–	(51,792)	–	(51,792)	(13,969)
Balance at December 31	$ 129,897	$ 174,017	$ (4,893)	$ 299,021	$ 338,033

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

Statement of Cash Flows

For the year ended December 31, 2020, with comparative information for 2019
(stated in thousands of Canadian dollars)

	2020	2019
OPERATING ACTIVITIES		
Net income	$ 13,473	$ 12,899
Adjustments for:		
Equity income in Alectra Holdings Inc.	(13,147)	(10,541)
Gain on dilution of investment in Alectra Holdings Inc.	–	(979)
Reclassification of OCI on dilution of Alectra Holdings Inc.	–	24
Management fee retained on dividends	(156)	(353)
Deferred payments in lieu of income taxes (recovery) *[note 8]*	(351)	(1,842)
Payments in lieu of income taxes expense *[note 8]*	–	–
Finance income	(12)	(248)
Finance charges	5	248
Finance charges paid	(5)	–
Finance income received	12	–
Payments in lieu of income taxes paid	–	(56)
Payments in lieu of income taxes received	–	–
Change employee future benefits	–	(91)
Change in other assets and liabilities *[note 10]*	31	(698)
Net cash from operating activities	(150)	(1,637)
INVESTING ACTIVITIES		
Repayment of long term receivables	–	324
Decrease in temporary investments	–	1,000
Dividends received	13,806	13,969
Net cash from in investing activities	13,806	15,293
FINANCING ACTIVITIES		
Dividends paid in the year	(13,650)	(13,616)
Repayment of long-term borrowings	–	(324)
Net cash used in financing activities	(13,650)	(13,940)
Decrease in cash and cash equivalents	6	(284)
Cash and cash equivalents, beginning of year	42	326
Cash and cash equivalents, end of year	$ 48	$ 42

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

Notes to Financial Statements

For the year ended December 31, 2020
(stated in thousands of Canadian dollars)

1. REPORTING ENTITY

On June 1, 2000, Hamilton Utilities Corporation (the “Corporation”) was incorporated under the Business Corporations Act (Ontario). The Corporation is an investment holding company with investments as follows:

Investments where the Corporation exercises significant influence:

Alectra Holdings Inc. (“Alectra”) – 17.31%

Alectra Inc.

Alectra Energy Solutions Inc.

Solar Sunbelt General Partnership

Horizon Solar Corporation

Alectra is an investment holding company that has wholly-owned investment interests in a regulated electricity distribution company, Alectra Inc., a non-regulated energy services company, Alectra Energy Solutions Inc., and a solar generation business, Solar Sunbelt General Partnership and Horizon Solar Corporation.

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

Notes to Financial Statements

For the year ended December 31, 2020
(stated in thousands of Canadian dollars)

2. BASIS OF PREPARATION

(a) Statement of compliance

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

The Corporation owns a 17.31% interest in Alectra Inc., a local distribution company which distributes electricity to residents and businesses to customers in the Province of Ontario under a license issued by the Ontario Energy Board ("OEB"). The Corporation's investment in Alectra Inc. is accounted for using the equity method.

(b) Approval of the financial statements

The financial statements were approved by the Board of Directors on May 27, 2021.

(c) Basis of measurement

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

(d) Functional and presentation currency

These 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.

2. BASIS OF PREPARATION (CONTINUED):

(e) Use of estimates and judgements

The preparation of 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.

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 financial statements is included in the following notes:

(i) Notes 3(i) – recognition and measurement of provisions and contingencies

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Financial instruments

All financial assets and all financial 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 in note 3(c).

The Corporation does not enter into derivative instruments. Hedge accounting has not been used in the preparation of these financial statements.

(b) Investment in Alectra Inc.

The Corporation has significant influence, but not control over the financial and operating policies of Alectra. Accordingly, the Corporation's investment in Alectra is accounted for using the equity method and is initially recognized at cost. The financial statements include the Corporation's share of the income and expenses and equity movements of Alectra after adjustments to align the accounting policies with those of the Corporation from the date that significant influence commences until the date that significant influence ceases.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Impairment

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 that asset.

The carrying amounts of the Corporation's non-financial assets, other than 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.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination.

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. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis, if applicable.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) 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 long-term receivables.

Finance charges are calculated using the effective interest rate method and are recognized as an expense. Finance charges comprises interest expense on borrowings and interest and penalties on income tax payments and bank charges.

(e) Payments in lieu of income taxes

The Corporation is currently 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 is 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.

PILs comprises current and deferred tax. 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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Payments in lieu of income taxes (continued)

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.

(f) Revenue recognition

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.

Management fee income is recognized in revenue at the amount agreed upon with the City of Hamilton upon distribution of annual dividends to the City.

(g) 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 January 1, 2017.

(h) 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.

Notes to Financial Statements

For the year ended December 31, 2020
(stated in thousands of Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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.

4. CASH AND CASH EQUIVALENTS

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

5. INVESTMENTS IN ALECTRA INC.

On January 31, 2017, the Corporation disposed of its wholly-owned subsidiary, Horizon Holdings Inc. (“Horizon”). Horizon amalgamated with PowerStream Holdings Inc. (“PowerStream”) and Enersource Holdings Inc. (“Enersource”) to form Alectra Inc. (“Alectra”). Alectra’s primary business is to distribute electricity to customers in municipalities in the greater golden horseshoe area as well as provide non-regulated energy services. In consideration for its disposition of Horizon, the Corporation received a 18.15% ownership interest in Alectra’s issued and outstanding common shares.

(stated in thousands of Canadian dollars)

5. INVESTMENTS IN ALECTRA INC. (CONTINUED)

Alectra has also issued Class S Shares to the former PowerStream shareholders relating to Ring Fenced Solar Portfolio, a division of Alectra. In accordance with the Solar Services and Indemnity Agreement between the former PowerStream shareholders and Alectra, the solar division within Alectra is beneficially owned indirectly by the former PowerStream shareholders through Alectra's Class S shares. As such, the Corporation does not hold Class S shares of Alectra.

On January 1, 2019, Alectra Inc. amalgamated with Guelph Hydro Electric Systems Inc. ("GHESI"). Alectra Inc. issued 485,000 Class G Common Shares to Guelph Municipal Holdings Inc. ("GMHI") in consideration for all the issued and outstanding shares of GHESI. The common shares issuance by Alectra Inc. represents an effective 4.6% interest in its aggregate issued and outstanding classes of common shares. The new shareholder ownership structure has resulted in a decrease to the Corporation's investment from 18.15% to 17.31%, effective January 1, 2019.

The following tables summarizes the financial information of Alectra as included in its own financial statements, adjusted for fair value adjustments at acquisition as well as the removal of Ring Fenced Solar Portfolio's net assets and operating results. The table also reconciles the summarized financial information to the carrying amount of the Corporation's interest in Alectra:

	2020	2019
Current assets	$ 745,000	$ 625,000
Non-current assets	4,605,000	4,431,000
Current liabilities	(1,060,000)	(750,000)
Non-current liabilities	(2,554,000)	(2,559,000)
Net assets (100%)	1,736,000	1,747,000
Ring Fenced Solar Portfolio Net Assets	(10,395)	(13,212)
Fair value bump	296,145	296,145
	2,021,750	2,029,933
Carrying value of investment in Alectra at 17.31% (2019 at 17.31%)	$ 350,198	$ 351,550

Investment in Alectra Inc.	2020	2019
Opening investment as at January 1	$ 351,550	$ 356,595
Share of income	13,147	10,541
Share of OCI	(693)	(2,596)
Dividends received	(13,806)	(13,969)
Gain on dilution	–	979
Ending investment as at December 31	$ 350,198	$ 351,550

Notes to Financial Statements

For the year ended December 31, 2020
(stated in thousands of Canadian dollars)

5. INVESTMENTS IN ALECTRA INC. (CONTINUED)

The following provides condensed supplementary financial information for the operations of Alectra Inc. for the year ended December 31, 2019.

	2020	2019
Revenue	$ 4,162,000	$ 3,779,000
Depreciation and amortization	(165,000)	(158,000)
Other expenses	(3,816,000)	(3,463,000)
Finance income	1,000	1,000
Finance expense	(75,000)	(75,000)
Income tax expense	(28,000)	(20,000)
Net income	79,000	64,000
Ring Fenced Solar Portfolio net income	3,513	3,102
Net income attributable to common shareholders	75,487	60,898
Share of income at 17.31%	$ 13,147	$ 10,541
Other comprehensive income attributable to common shareholders	(4,000)	(15,000)
Share of other comprehensive loss 17.31%	$ (693)	$ (2,596)

6. LONG-TERM RECEIVABLES AND BORROWINGS

Long-term receivables related to a loan between the Corporation and HCE Energy (“HCE”), a corporation under common control relating to HCE’s acquisition of the City of Hamilton’s Central Utilities Plant (CUP). The long-term borrowings were a loan between the City of Hamilton (the “City”) and the Corporation relating to HCE’s acquisition of the City’s Central Utilities Plant (CUP).

Prior to year-end, the Corporation and the City, along with HCE formally entered into an assignment agreement to transfer both the remaining long-term receivable in the amount of $6,156 and long-term borrowing in the amount of $6,156 to the City and HCE respectively. As at December 31, 2020, the Corporation has no further contractual right to cash flows from long-term receivables and no obligation to settle long-term borrowings with the City.

The settlement transaction comprised of long-term debt forgiveness and the transfer of long-term receivable with related parties have been recognized directly in equity in the statement of changes in equity.

Interest expense for the long-term borrowings was $nil (2018 - $248). Interest revenue recognized was $nil (2019 - $248).

Notes to Financial Statements

For the year ended December 31, 2020
(stated in thousands of Canadian dollars)

7. PAYMENTS IN LIEU OF INCOME TAXES

Deferred and current payments in lieu of income taxes

		2020		2019
Deferred payments in lieu of income taxes (recovery):				
Origination and reversal of temporary differences	$	(351)	$	(1,842)
Payments in lieu of income taxes (recovery)	$	(351)	$	(1,842)

Reconciliation of effective tax rate

		2020		2019
Income before taxes	$	13,122	$	11,057
Canada and Ontario statutory Income tax rates		26.5%		26.5%
Expected tax provision on income at statutory rates		3,477		2,930
Increase (decrease) in income taxes resulting from:				
Non-deductible expenses		(3,659)		(3,865)
Remeasurement of DBO, Alectra Inc.		(229)		(917)
Adjustment for prior years		38		(75)
Changes in tax rates		22		85
Income tax recovery	$	(351)	$	(1,842)

Deferred tax balances

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

		2020		2019
Deferred payments in lieu of income taxes:				
Other	$	156	$	157
Non-capital losses		317		280
Employee future benefits		–		24
Investment in Alectra Inc.		(64,685)		(65,024)
Deferred payments in lieu of income taxes	$	(64,212)	$	(64,563)

Notes to Financial Statements

For the year ended December 31, 2020
(stated in thousands of Canadian dollars)

8. SHARE CAPITAL

	2020	2019
Unlimited number of common shares (1,000 issued and outstanding)	$ 129,897	$ 129,897

Any invitation to the public to subscribe for shares of the Corporation is prohibited.

Dividends

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

The Corporation paid a dividend of $13.806 per share (2019 - $13.969) on the common shares during the year, amounting to a total dividend of $13,806 (2019 - $13,969).

As part of the restructuring that occurred in 2018 between the Corporation and the previous Corporation's subsidiaries, final restructuring steps were executed in 2020 which resulted in the formal assignment of notes receivable (see note 11) in exchange for a dividend issued in-kind to the Corporation's sole shareholder in the amount of $37,986 (2019 - $nil).

9. FINANCE INCOME AND CHARGES

	2020	2019
Interest income on bank deposits	$ 12	$ –
Interest income – Intercompany	–	248
Finance income	12	248
Interest expense – Intercompany	-	(248)
Other	(5)	–
Finance charges	(5)	(248)
Net finance income recognized in income	$ 7	$ –

Notes to Financial Statements

For the year ended December 31, 2020
(stated in thousands of Canadian dollars)

10. CASH FLOW INFORMATION

Net change in other assets and liabilities:

		2020		2019
Accounts receivable	$	(2)	$	(14)
Other current assets		–		56
Due from related parties		(296)		(2,130)
Due to related parties		321		2,920
Accounts payable and accrued liabilities		8		(1,530)
	$	31	$	(698)

11. RELATED PARTY TRANSACTIONS

(a) Parent and ultimate controlling party

The parent company and ultimate controlling party is the City of Hamilton (the “City”). The City of Hamilton produces financial statements that are available for public use.

The Corporation earns its revenue primarily from its investment in Alectra.

(b) Transactions with ultimate parent (the City)

The Corporation has received a formal assignment of the long-term borrowings previously held with the City, as described in note 6.

Notes to Financial Statements

For the year ended December 31, 2020
(stated in thousands of Canadian dollars)

11. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Transactions with corporations under common control

Outstanding balances with related parties are as follows:

	2020	2019
Hamilton Enterprises Holding Corporation	$ 1,477	$ 3,524
Hamilton Enterprises Holding Corporation	–	19,987
New Energy Co. HCE Energy - 2017	–	788
Hamilton Infrastructure Projects Corporation	11,817	11,817
Hamilton Ventures Corporation	–	17,211
HIPCO CUP	2,400	–
HCE Energy Inc.	188	188
HCE Telecom	330	387
	16,212	53,902
HCE Energy Inc.	(1,750)	(1,750)
HCE Telecom	–	(56)
Hamilton Enterprises Holding Corporation	(1,491)	(1,114)
	(3,241)	(2,920)
TOTAL	$ 12,971	$ 50,982

As part of the Corporation's restructuring in 2018, certain notes receivable were recognized as a result of the sale of shares of the Corporation's previous subsidiaries. The Corporation executed the remaining restructuring steps approved by the Ministry of Finance with its sole shareholder, The Corporation of the City of Hamilton ("City"). As a result, and as described in note 8, notes receivable totalling $37,986 were formally assigned to the City by way of a dividend in-kind. The amounts remaining from the initial notes receivable established on restructuring over and above the fair value for the shares agreed upon at the date of restructuring remain receivable as at December 31, 2020.

The Corporation paid management and administrative and billing fees to a corporation under common control in the amount of $156 (2019 - $353).

The Corporation has formally assigned their loan agreement with a related party as described in note 6.

Amounts owing to and from corporations under common control are non-interest bearing with no fixed terms of repayment.

Notes to Financial Statements

For the year ended December 31, 2020
(stated in thousands of Canadian dollars)

11. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management personnel

The key management personnel of the Corporation has been defined as members of its board of directors. No direct compensation has been paid to any key management personnel during the year or 2019.

12. Commitments and contingencies

The Corporation has guaranteed debt of a related party under common control in the amount of $4,962,262 which is subject to a swap agreement. The swap contract as at December 31, 2020 is in an unfavorable position in the amount of $509,381.

13. FINANCIAL INSTRUMENTS and risk management

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

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. The Corporation is not significantly exposed to increased financial risks as a result of COVID-19 given the current operational structure. 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. Accounts receivable consists primarily of amounts outstanding for HST as at year-end. The Corporation has determined that it is not subject to any significant credit risk and the carrying amount of accounts receivable have not been reduced for any loss allowance in 2020 or 2019.

(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.

Notes to Financial Statements

For the year ended December 31, 2020
(stated in thousands of Canadian dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(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 Corporation has minimal working capital requirements and does not believe there is significant exposure with respect to liquidity risk. The Corporation monitors liquidity risk through reviewing and determining dividends received and paid.

(iv) Capital disclosures

The main objectives of the Corporation, when managing capital, are to ensure on-going access to dividends from its investment in Alectra to deliver appropriate financial returns. The Corporation's definition of capital includes shareholder's equity and long-term borrowings. As at December 31, 2020, shareholder's equity amounts to $298,328 (2019 - $338,033) and long-term borrowings amounts to $nil (2019 - $6,480).

14. COMPARATIVE INFORMATION

Certain comparative information has been reclassified to conform to the presentation adopted in the current year impact. There is no impact to retained earnings as a result of the reclassification.