Hamilton Enterprises Holding Corporation

Hamilton Enterprises Holding Corporation
Auditors' Report to the Shareholder
and Consolidated Financial Statements
Year Ended December 31, 2020

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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, 2020
- the consolidated statement of comprehensive income 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, 2020, 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.

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.

- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
May 27, 2021

Consolidated 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 5]*	$	2,315	$	830
Accounts receivable		2,279		2,424
Accounts receivable from related parties *[note 17]*		3,529		3,510
Other current assets		1,319		1,612
		9,442		8,376
Non-current assets				
Property, plant and equipment *[note 8]*		51,478		53,160
Intangible assets *[note 9]*		1,210		1,543
Right-of-use assets *[note 10]*		3,777		4,028
Goodwill		571		571
Deferred payments in lieu of income taxes *[note 11]*		5,209		4,514
		62,245		63,816
Total assets	$	71,687	$	72,192

Consolidated Statement of Financial Position

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

	2020	2019
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 1,944	$ 3,175
Derivative liability *[note 7]*	382	96
Income taxes payable	183	129
Asset retirement obligation	40	37
Amounts owing to related parties *[note 17]*	16,756	2,941
Current portion of finance lease liabilities *[note 10]*	190	180
Current portion of long-term borrowings *[note 7]*	599	480
Current portion of amounts owing to related party *[note 6]*	324	324
Deferred revenue	368	316
	20,786	7,678
Non-current liabilities		
Long-term borrowings *[note 7]*	13,920	11,514
Finance lease liabilities *[note 10]*	3,755	3,938
Notes payable to corporations under common control *[Note 17]*	-	51,771
Amounts owing to related party *[note 6]*	5,832	6,156
Employee future benefits *[note 12]*	286	115
Deferred payment in lieu of income taxes *[note 11]*	6,169	5,268
	29,962	78,762
Total liabilities	50,748	86,440
Shareholder's equity (deficit)		
Share capital *[note 14]*	37,986	-
Non-controlling interest	78	83
Accumulated other comprehensive income	(137)	(24)
Retained deficit	(16,988)	(14,307)
Total shareholder's equity (deficit)	20,939	(14,248)
Commitments and contingencies *[note 19]*		
Total liabilities and shareholder's deficit	$ 71,687	$ 72,192

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

O*n behalf of the Board:*

Director

Director

Consolidated Statement of Income and Comprehensive Income

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

		2020		2019
Solar generation	$	1,322	$	1,242
Telecommunication		6,049		5,312
Electricity, heating and cooling service charges		7,559		7,385
Other income		597		368
Total revenue		15,527		14,307
Expenses:				
Cost of sales		6,393		5,932
Operating expenses		6,286		5,688
Depreciation and amortization *[note 8, 9, 10]*		3,854		4,066
		16,533		15,686
Loss from operating activities		(1,006)		(1,379)
Finance income *[note 15]*		19		199
Finance charges *[note 15]*		(1,365)		(1,187)
Loss before payment in lieu of income tax recovery		(2,352)		(2,367)
Payments in lieu of income tax expense (recovery) *[note 11]*		334		(544)
Loss for the year		(2,686)		(1,823)
Net loss attributable to:				
Shareholder of the Corporation		(2,681)		(1,815)
Non-controlling interest of a subsidiary		(5)		(8)
		(2,686)		(1,823)
Other comprehensive income				
Remeasurement of defined benefit obligation		(120)		-
Payments in lieu of income tax recovery		7		
		(113)		-
Total comprehensive loss	$	(2,799)	$	(1,823)

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

Consolidated Statement of Changes in Equity

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

2020	Share capital	Retained deficit	Accumulated other comprehensive loss	Non-Controlling Interest	2020 Total
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

2019	Share capital	Retained deficit	Accumulated other comprehensive loss	Non-Controlling Interest	2019 Total
Balance at January 1	$ -	$ (12,492)	$ (24)	$ 91	$ (12,425)
Net loss	-	(1,815)	-	(8)	(1,823)
Other comprehensive income	-	-	-	-	-
Balance at December 31	$ -	$ (14,307)	$ (24)	$ 83	$ (14,248)

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

Consolidated Statement of Cash Flows

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

	2020	2019
Net loss	$ (2,686)	$ (1,823)
Adjustments for:		
Depreciation and amortization *[notes 8, 9, 10]*	3,854	4,066
Payments in lieu of income tax recovery *[note 11]*	334	(544)
Finance income	(19)	(199)
Finance charges	1,365	1,187
Finance charges received	19	199
Finance income paid	(1,076)	(1,071)
Accretion – ARO	3	2
Income taxes paid	(70)	(37)
Change employee future benefits	51	91
Change in other assets and liabilities *[note 16]*	(730)	105
Net cash from operating activities	1,045	1,976
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment *[note 8]*	(1,588)	(2,626)
Acquisition of intangible assets *[note 9]*	-	(31)
Net cash used in investing activities	(1,588)	(2,657)
FINANCING ACTIVITIES		
Repayment of long-term borrowings	(520)	(458)
Proceeds from long-term borrowings	3,045	-
Repayment of finance lease liabilities	(173)	(161)
Repayment of amounts owing to corporations under common control	(324)	(324)
Net cash from (used) in financing activities	2,028	(943)
Increase (decrease) in cash and cash equivalents	1,485	(1,624)
Cash and cash equivalents, beginning of year	830	2,454
Cash and cash equivalents, end of year	$ 2,315	$ 830

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020, with comparative information for 2019
(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 Portalnds 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020, with comparative information for 2019
(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 (j) 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 May 27, 2021.

(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.

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

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 Corporations partnership units held, as well as Longwood Energy Inc. which is consolidated at 50%, which represents the Corporation’s share of the joint venture. All inter-company accounts and transactions have been eliminated.

Notes to the Consolidated Financial Statements

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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.

Notes to the Consolidated Financial Statements

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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.

Notes to the Consolidated Financial Statements

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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).

(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.

Notes to the Consolidated Financial Statements

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020, with comparative information for 2019
(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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020, with comparative information for 2019
(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Leases

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.

Notes to the Consolidated Financial Statements

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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, 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 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 $9,273 (2019 - $9,778) with a cross-company guarantee provided by a corporation under common control.

Interest expense for the long-term borrowings was $229 (2019 - $248). Principal payments on the long-term borrowings and receivables are due as follows:

2021	$	324
2022		324
2023		324
2024		324
2025		324
Thereafter		4,536
		6,156

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7. LONG-TERM BORROWINGS

	2020	2019
Bank loans	$ 6,727	$ 3,883
Term Loan – Tranche A	5,275	5,495
Term Loan – Tranche B	2,517	2,616
	14,519	11,994
Less: current portion	599	480
	$ 13,920	$ 11,514

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, 2020 is $3,722 (2019 - $3,883). 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 favorable position of $382 (2019 – unfavorable - $96).

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 $2,960 (2019 - $nil). 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 (2019 - $nil). 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.

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.

Notes to the Consolidated Financial Statements

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7. LONG-TERM BORROWINGS (CONTINUED)

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

2021	$ 599
2022	681
2023	669
2024	704
2025	740
Thereafter	11,126
	$ 14,519

8. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Heating and Electricity Generation infrastructure	Fibre & Data network	Other PP&E	WIP	2020 Total	2019 Total
Cost or deemed cost							
Balance at January 1	$ 1,704	$ 48,161	$ 9,742	$ 2,033	$ 4,463	$ 66,103	$ 63,477
Additions	-	-	-	10	1,578	1,588	2,626
Transfers	-	1,678	298	-	(1,976)	-	-
Disposals	-	-	-	-	-	-	-
Balance at December 31	$ 1,704	$ 49,839	$ 10,040	$ 2,043	$ 4,065	$ 67,691	$ 66,103

	Buildings	Heating and Electricity Generation infrastructure	Fibre & Data network	Other PP&E	WIP	2020 Total	2019 Total
Accumulated depreciation							
Balance at January 1	$ 887	$ 7,651	$ 2,990	$ 1,415	$ -	$ 12,943	$ 9,545
Depreciation charge	102	2,210	786	172	-	3,270	3,398
Disposals	-	-	-	-	-	-	-
Balance at December 31	$ 989	$ 9,861	$ 3,776	$ 1,587	$ -	$ 16,213	$ 12,943
Carrying amounts							
December 31, 2019							$ 53,160
December 31, 2020							$ 51,478

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020, with comparative information for 2019
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8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year, borrowing costs of $nil (2019 - $nil) were capitalized as part of the cost of property, plant and equipment. Rooftop solar assets owned by a subsidiary of the Corporation with a net book value of $4,353 (2019 - $4,623) are subject to a registered security interest. Assets with a net book value of $6,572 are subject to a security interest for one of the Corporation’s subsidiary’s long-term debt which was advanced during the year.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020, with comparative information for 2019
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9. INTANGIBLE ASSETS

	Customer Contracts and Licenses	Computer software	Feed-in Tariff	2020 Total	2019 Total
Cost or deemed cost					
Balance at January 1	$ 2,240	$ 642	$ 638	$ 3,520	$ 3,489
Additions	-	-	-	-	31
Balance at December 31	$ 2,240	$ 642	$ 638	$ 3,520	$ 3,520

	Customer Contracts and Licenses	Computer software	Feed-in Tariff	2020 Total	2019 Total
Accumulated depreciation					
Balance at January 1	$ 1,454	$ 459	$ 64	$ 1,977	$ 1,560
Depreciation charge	259	42	32	333	417
Balance at December 31	$ 1,713	$ 501	$ 96	$ 2,310	$ 1,977

Carrying amounts	
December 31, 2019	$ 1,543
December 31, 2020	$ 1,210

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020, with comparative information for 2019
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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, 2020	$ 2,335	$ 1,944	$ 4,279
Remeasurement	-	-	-
Disposals/retirements	-	-	-
Balance at December 31, 2020	$ 2,335	$ 1,944	$ 4,279
Accumulated depreciation			
Balance at January 1, 2020	$ 142	$ 109	$ 251
Additions	142	109	251
Disposals/retirements	-	-	-
Balance at December 31, 2020	$ 284	$ 218	$ 502
Carrying amounts			
At December 31, 2020	$ 2,051	$ 1,726	$ 3,777
At December 31, 2019	$ 2,193	$ 1,835	$ 4,028
Finance lease liability			
Balance at January 1, 2020	$ 2,243	$ 1,875	$ 4,118
Interest	112	91	203
Repayments	(213)	(163)	(376)
Balance at December 31, 2020	$ 2,142	$ 1,803	$ 3,945
At December 31, 2019	$ 2,243	$ 1,875	$ 4,118

Total cash outflows with respect to leasing arrangements during the year was $376 (2019 - $376) consisting of principal and interest of $173 and $203, respectively (2019 - $161 and $215).

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 (2019 - $4) 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.

Notes to the Consolidated Financial Statements

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

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 (2019 - $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:

2021	$	190
2022		200
2023		210
2024		221
2025		232
Thereafter		2,892
	$	3,945

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020, with comparative information for 2019
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11. PAYMENTS IN LIEU OF INCOME TAXES

Current and deferred payments in lieu of income taxes

		2020		2019
Current payments in lieu of income taxes:				
Current year	$	105	$	25
Deferred payments in lieu of income taxes:				
Origination and reversal of temporary differences		229		(275)
Adjustments to prior provision		-		(294)
		229		(569)
Payments in lieu of income expense (recovery)	$	334	$	(544)

Reconciliation of effective tax rate

		2020		2019
Loss before taxes	$	(2,352)	$	(2,367)
Canada and Ontario statutory Income tax rates		26.5%		26.5%
Expected tax provision on income at statutory rates		(623)		(627)
Increase (decrease) in income taxes resulting from:				
Non-deductible expenses		27		3
Deferred PILS asset not recognized		947		395
Adjustments to prior provision		(151)		(294)
Other		134		(21)
Income tax expense (recovery)	$	334	$	(544)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020, with comparative information for 2019
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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:

	2020	2019
Deferred payments in lieu of income taxes - liabilities:		
Property, plant, and equipment	$ (6,169)	$ (5,268)
Deferred payments in lieu of income taxes – assets:		
Non-capital losses	4,924	4,345
Right-of-use assets	32	21
Other	31	19
CMT carry forward	222	129
	$ 5,209	$ 4,514

(stated in thousands of Canadian dollars)

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, 2020 was based on the most recent results and assumptions determined by an actuarial valuation as at December 31, 2020.

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:

	2020	2019
Defined benefit obligation, beginning of year	$ 115	$ 24
Transfer in from related party	-	88
Current service cost	5	3
Interest cost	4	1
Benefits paid during the year	(10)	(1)
Past service costs	52	-
Actuarial gain recognized in other comprehensive income	120	-
Defined benefit obligation, end of year	$ 286	$ 115

Notes to the Consolidated Financial Statements

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12. EMPLOYEE FUTURE BENEFITS (Continued)

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.

The approximate effect on the accrued benefit obligation ("ABO") and the estimated net benefit expense if the health care trend rate assumption was increased or decreased by 1% is as follows:

	ABO
1% increase in health care trend rate	19
1% decrease in health care trend rate	(17)

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% (2019 – 4.00%) 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 $62 to the defined benefit obligation respectively.

c) Salary levels

Future general salary and wage levels were assumed to increase at 3.30% (2019 – 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 2020, the Corporation made employer contributions of $344 to OMERS (2019 - $400) which are recognized in profit or loss during the year.

The Corporation expects to make a contribution of $400 to OMERS during the next fiscal year.

Notes to the Consolidated Financial Statements

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14. SHARE CAPITAL

	2020	2019
Unlimited number of common shares (38,968 (2019 - 1,000) issued and outstanding)	$ 37,986	$ 0.1

During the year, 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 2020 or 2019.

15. FINANCE INCOME AND CHARGES

	2020	2019
Interest income on bank deposits	$ 19	$ 199
Finance income	$ 19	$ 199
Finance lease liabilities	(203)	(215)
Accretion – ARO	(3)	(2)
Unrealized loss on derivative liability	(286)	(114)
Interest expense – note payable	(229)	(248)
Interest expense – long-term borrowings	(644)	(608)
Finance charges	(1,365)	(1,187)
Net finance costs recognized in income	$ (1,346)	$ (988)

16. CASH FLOW INFORMATION

Net change in other assets and liabilities:

	2020	2019
Accounts receivable	$ 145	$ (668)
Accounts receivable from corporations under common control	(16)	(3,287)
Other current assets	293	(887)
Accounts payable and accrued liabilities	(1,231)	1,928
Amounts owing to related parties	27	2,760
Deferred revenue	52	259
	$ (730)	$ 105

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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.

(b) Transactions with corporations under common control

Outstanding balances with related parties are as follows:

	2020	2019
Hamilton Utilities Corporation	$ 3,328	$ 3,310
Port Dover Farms Inc.	201	-
1278424 Ontario Inc.	-	200
	3,529	3,510
Bright Ray Solar	(173)	(135)
Other related parties	(26)	-
First Longwood Innovation Trust	-	(13)
Hamilton Utilities Corporation	(16,557)	(2,793)
	(16,756)	(2,941)
Notes payable in exchange for shares (note 4)		
Hamilton Utilities Corporation	-	51,771
	$ -	$ 51,771

During the 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 (2019 - $353).

(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 2020 consisted of salaries and other short-term benefits as well as bonuses and amounted to $1,689 (2019 - $1,463).

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 $14,821.

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, 2020 is $31 (2019 - $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.

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

(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, 2020, the amount of share capital is $37,986 (2019 - $nil) and long-term borrowings amount to $14,519 (2019 - $11,994).

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.

20. COMPARATIVE INFORMATION

Certain comparative information has been reclassified to conform to the presentation adopted in the current year. There is no impact to total comprehensive loss or equity as a result of the reclassification.

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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 and our business are not known at this time.