Appendix “A”

HAMILTON ENTERPRISES HOLDING CORPORATION

AUDITED CONSOLIDATED FINANCIAL STATEMENTS – YEAR ENDED DECEMBER 31, 2024

Hamilton Enterprises Holding Corporation
Independent Auditor's Report to the Shareholder
and Consolidated Financial Statements
Year Ended December 31, 2024

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INDEPENDENT AUDITOR'S 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, 2024
- the consolidated statement of loss and comprehensive loss for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(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, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting 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.

Auditor’s 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 auditor’s report that includes our opinion.

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 auditor's 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 auditor's 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
March 28, 2025

Consolidated Statement of Financial Position

As at December 31, 2024, with comparative information for 2023
(stated in thousands of Canadian dollars)

	2024	2023
Assets		
Current assets		
Cash and cash equivalents *[note 4]*	$ 2,282	$ 3,743
Restricted cash *[note 5]*	198	200
Accounts receivable	3,470	2,540
Accounts receivable from related parties under common control *[note 17]*	183	2,727
Prepaid assets	452	411
Inventory	835	578
Derivative assets *[note 7]*	121	192
	7,541	10,391
Non-current assets		
Long-term receivable	59	69
Property, plant and equipment *[note 8]*	40,949	42,467
Intangible assets *[note 9]*	685	798
Right-of-use assets *[note 10]*	2,773	3,024
Deferred payments in lieu of income taxes *[note 11]*	5,534	6,262
Goodwill	571	571
	50,571	53,191
Total assets	**$ 58,112**	**$ 63,582**

Consolidated Statement of Financial Position

As at December 31, 2024, with comparative information for 2023
(stated in thousands of Canadian dollars)

	2024	2023
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,354	$ 2,746
Asset retirement obligation	44	44
Amounts owing to related parties under common control *[note 17]*	151	15,663
Current portion of lease liabilities *[note 10]*	232	221
Current portion of long-term borrowings *[note 7]*	824	807
Current portion of amounts owing to Parent *[note 6]*	324	324
Deferred revenue	1,214	794
	5,143	20,599
Non-current liabilities		
Long-term borrowings *[note 7]*	10,951	11,755
Lease liabilities *[note 10]*	2,942	3,160
Amounts owing to Parent *[note 6]*	4,536	4,860
Employee future benefits *[note 12]*	233	216
Deferred payments in lieu of income taxes *[note 11]*	6,650	7,173
	25,312	27,164
Total liabilities	**30,455**	**47,763**
Shareholder's equity		
Share capital *[note 14]*	50,955	37,986
Accumulated other comprehensive loss	(17)	(15)
Deficit	(23,281)	(22,152)
Total shareholder's equity	**27,657**	**15,819**
Contingencies *[note 19]*		
Total liabilities and shareholder's equity	**$ 58,112**	**$ 63,582**

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

On behalf of the Board:

Director

Director

Consolidated Statement of Loss and Comprehensive Loss

Year ended December 31, 2024, with comparative information for 2023
(stated in thousands of Canadian dollars)

	2024	2023
Revenue:		
Solar generation	$ 1,298	$ 1,365
Electricity, heating and cooling service charges	10,318	10,884
Telecommunication	8,106	7,409
Other income	7	7
Total revenue	19,729	19,665
Expenses:		
Cost of sales	10,569	10,739
Operating expenses	5,472	5,277
Depreciation and amortization *[note 8, 9, 10]*	3,740	3,846
	19,781	19,862
Loss from operating activities	**(52)**	(197)
Finance income *[note 15]*	167	141
Finance charges *[note 15]*	(1,039)	(1,131)
Loss before payment in lieu of income tax expense (recovery)	(924)	(1,187)
Payments in lieu of income tax expense (recovery) *[note 11]*	205	(79)
Net loss for the year	**(1,129)**	(1,108)
Other comprehensive income (loss)		
Remeasurement of defined benefit obligation	(2)	15
	(2)	15
Total comprehensive loss and net loss	$ (1,131)	$ (1,093)

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

Consolidated Statement of Changes in Equity

Year ended December 31, 2024, with comparative information for 2023
(stated in thousands of Canadian dollars)

2024	Share capital	Deficit	Accumulated other comprehensive loss	2024 Total
Balance at January 1	$ 37,986	$ (22,152)	$ (15)	$ 15,819
Net loss	–	(1,129)	–	(1,129)
Other comprehensive loss	–	–	(2)	(2)
Issuance of share capital	12,969	–	–	12,969
Balance at December 31	$ 50,955	$ (23,281)	$ (17)	$ 27,657

2023	Share capital	Deficit	Accumulated other comprehensive loss	2023 Total
Balance at January 1	$ 37,986	$ (21,044)	$ (30)	$ 16,912
Net loss	–	(1,108)	–	(1,108)
Other comprehensive income	–	–	15	15
Balance at December 31	$ 37,986	$ (22,152)	$ (15)	$ 15,819

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

Consolidated Statement of Cash Flows

Year ended December 31, 2024, with comparative information for 2023
(stated in thousands of Canadian dollars)

	2024	2023
OPERATING ACTIVITIES		
Net loss	$ (1,129)	$ (1,108)
Adjustments for:		
Depreciation and amortization *[notes 8, 9, 10]*	3,740	3,846
Payments in lieu of income tax expense (recovery) *[note 11]*	205	(79)
Finance income	(167)	(141)
Finance charges	1,039	1,131
Finance income received	167	141
Finance charges paid	(968)	(1,035)
Change in employee future benefits	15	15
Change in other assets and liabilities *[note 16]*	(1,190)	924
Net cash from operating activities	**1,712**	3,694
INVESTING ACTIVITIES		
Acquisition and transfer of property, plant and equipment *[note 8]*	(1,831)	(1,340)
Acquisition of intangible assets *[note 9]*	(27)	–
Net cash used in investing activities	**(1,858)**	(1,340)
FINANCING ACTIVITIES		
Repayment of long-term borrowings	(787)	(715)
Repayment of lease liabilities	(207)	(198)
Accounts receivable from related parties under common control	2,544	(44)
Amounts owing to related parties under common control	(15,512)	(3)
Repayment of amounts owing to Parent	(324)	(324)
Issuance of share capital	12,969	–
Net cash used in financing activities	**(1,317)**	(1,284)
(Decrease) increase in cash and cash equivalents	(1,463)	1,070
Cash, cash equivalents and restricted cash, beginning of year	3,943	2,873
Cash, cash equivalents and restricted cash, end of year	$ 2,480	$ 3,943

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

Notes to the Consolidated Financial Statements

Year ended December 31, 2024
(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% (2023 - 100%)

- HCE Energy Inc. ("HCE") – 100% (2023 - 100%)
  - HIPCO-CUP ("CUP") Projects Corporation – 100% (2023 - 100%)
  - HIPCO-FIT5 Projects Corporation – 100% (2023 - 100%)
  - HIPCO-MIP Projects Corporation – 100% (2023 - 100%)
    - Longwood Energy Inc. – 50% (2023 - 50%) – Joint Operation
  - HIPCO-FIT4 ("FIT4") Projects Corporation – 100% (2023 - 100%)
    - 2622882 Ontario Inc – 100% (2023 - 100%)
  - HIPCO-Portlands ("Portlands") Projects Corporation – 100% (2023 - 100%)

Hamilton Ventures Corporation ("HVCO") – 100% (2023 - 100%)

- HCE Telecom Inc. ("Telecom") – 100% (2023 - 100%)
- HCE Energy (2017) Inc. – 100% (2023 - 100%)
  - HCE Energy (2018) Inc. – 100% (2023 - 100%)
  - Hamover Power Limited Partnership ("Hamover LP") – 74.99% (2023 - 74.99%)
    - 2219506 Ontario Inc. – 100% (2023 - 100%)
- Hamover Power General Partnership ("Hamover GP") – 75% (2023 - 75%)

HCE Energy 2017 Inc. is a limited partner with 74.99% interest in Hamover LP, with 25% interest held by a third party and 0.01% interest held by Hamover GP. Hamover LP leases solar farm to its 100% owned subsidiary, 2291506 Ontario Inc. 2291506 Ontario Inc. generates solar revenue through approved IESO Feed-in-Tariff ("FIT") contracts. Hamover LP acquired 100% ownership of 2291506 Ontario Inc. during 2022 year by acquiring the 15% non-controlling interest not already owned.

1. REPORTING ENTITY (continued)

HVCO, a wholly owned subsidiary of Corporation, has a 75% interest in Hamover GP which is the general partner in Hamover LP. Hamover GP manages the operations of Hamover LP. However, key economic decisions relating to Hamover LP requires approval of shareholders holding 80% voting rights in Hamover GP. Therefore, the Corporation, through its subsidiary, cannot unilaterally take the relevant economic decisions of Hamover LP without consent of the other partner and therefore have Joint Control over Hamover LP with a third party and the joint arrangement is concluded to be a Joint Operation. Therefore, the consolidated financial statements include Corporation's proportionate interest in financial statements of the Joint Operation.

HCE, CUP and Portlands provide various thermal heat, cooling and electricity to certain institutional, industrial and commercial customers through a district heating system.

Telecom provides voice and data solutions for businesses using fibre optic technologies. 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.

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

2. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors on March 27, 2025.

(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), (g)(ii), 8, 9, 10 – estimation of useful lives of property, plant, and equipment, intangible assets and right-of-use assets and impairment of non-financial 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. MATERIAL 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%. As described in note 1, the consolidated financial statements also include Corporations proportionate interest in Joint Operations; Hamover LP and Longwood Energy Inc. in which Corporation, through its subsidiaries, holds 75% and 50% interests respectively. Hamover Power LP controls 2291506 Ontario Inc. in which it has an 100% interest (2023 - 100%). All inter-company accounts and transactions have been eliminated.

(b) Financial instruments

All financial assets and all financial liabilities with the exception for the derivative liability are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3(g)(i). The derivative liability is classified as a financial liability at fair value through profit or loss. Transaction costs are expensed in the year as incurred.

(c) Revenue recognition

Telecommunication

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

Solar generation

The performance obligations are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount that the Corporation has the right to bill.

3. MATERIAL ACCOUNTING POLICIES (continued)

(c) Revenue recognition (continued)

Heating and cooling

These charges comprise charges to customers for use of the Corporation’s electricity and thermal distribution systems. The performance obligations are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity and thermal services transferred to the customer is determined on the basis of cyclical meter readings plus estimated customer usage since the last meter reading date to the end of the year and represents the amount that the Corporation has the right to bill.

Other revenue

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

(d) Property, plant and equipment

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

Cost includes expenditures that are directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes contracted services, materials and transportation, direct labour, directly attributable overhead costs, borrowing costs and any other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs on qualifying assets are capitalized as part of the cost of the asset using the weighted average cost of debt incurred on the Corporation’s external borrowings. Qualifying assets are considered to be those that take a substantial period of time to construct.

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

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

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

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

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

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

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

(e) Intangible assets and Goodwill

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

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

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

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

3. MATERIAL ACCOUNTING POLICIES (continued)

(f) Other assets – materials and supplies

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

(g) Impairment

(i) Financial assets

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

(ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets, other than inventory and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. Goodwill is tested for impairment annually irrespective of any indicator.

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 'he 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. MATERIAL 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.

3. MATERIAL 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.

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.

3. MATERIAL ACCOUNTING POLICIES (continued)

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

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.

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.

3. MATERIAL ACCOUNTING POLICIES (continued)

(m) Leases (continued)

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.

(o) Amendments to accounting standards effective in 2024

The Corporation has adopted Classification of Liabilities as Current or Non-current (Amendments to IAS 1) and Non-current Liabilities with Covenants (Amendments to IAS 1) from January 1, 2024. The amendments apply retrospectively. They clarify certain requirements for determining whether a liability should be classified as current or non-current and require new disclosures for non-current loan liabilities that are subject to covenants within 12 months after the reporting period. Despite the change in policy there is no retrospective impact on the comparative statement of financial position.

Notes to the Consolidated Financial Statements

Year ended December 31, 2024
(stated in thousands of Canadian dollars)

4. CASH AND CASH EQUIVALENTS

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

5. RESTRICTED CASH

The restricted cash balance subject to the restrictions may only be used for dealing with specific expenses as per contract with certain vendors (i.e. maintenance purpose) and is unavailable to the Corporation for general use elsewhere in its business. These expenses are expected to be incurred within the next 12 months of the reporting period.

6. AMOUNTS OWING TO PARENT

Amounts totaling $4,860 (2023 - $5,184) 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”).

The borrowings are secured by the assets of the CUP with a net book value of $8,480 (2023 - $8,533) with a cross-company guarantee provided by a corporation under common control.

Interest expense for the amounts owing to parent was $159 (2023 - $174). Principal payments on the amounts owing to parent are due as follows:

2025	$ 324
2026	324
2027	324
2028	324
2029	324
Thereafter	3,240
	$ 4,860

(stated in thousands of Canadian dollars)

7. LONG-TERM BORROWINGS

	2024	2023
Bank loans	$ 5,442	$ 5,835
Term Loan – Tranche A	4,270	4,541
Term Loan – Tranche B	2,063	2,186
	11,775	12,562
Less: current portion	824	807
	$ 10,951	$ 11,755

The Corporation holds two bank loans. The first bank loan bears interest at 2.39% per annum and is repayable in monthly instalments of $26 principal and interest paid on the declining principal balance. The principal amount outstanding at December 31, 2024 is $2,923 (2023 - $3,196). The loan held by Hamover Power LP (the "Partnership") is due January 12, 2037 and is secured by guarantees of Hamilton Enterprises Holding Corporation, 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 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 was 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. In February 2023, the Company and the lender modified the swap agreement to change the repayment terms from a fixed monthly payment of blended principal and interest to a monthly fixed principal payment (of $26 per month) with interest paid on the declining principal balance. The effect of the change is to accelerate the repayment of principal. This change also reduced the swap rate to 2.39% from 2.46%. When combined with the stamping fee of 1.77%, the effective interest rate is 4.16% per year. With the change effective February 2023, the annual repayment of interest will be a fixed amount of $320. Effective April 2024, the Corporation's interest was converted from the existing variable rate equivalent to one-month Canadian Dollar Offer Rate to daily compounded Canadian Overnight Repo Rate Average due to a change in bank policy. No changes were made to the fixed rate. In December 2024, the Corporation refinanced the existing loan to extend the term by 36 months. The interest rate swap agreement is recorded at fair value and is in a net favorable position of $121 (2023 - favorable $192). The unrealized loss of $(71) (2023 - $(96)) recognized during the year is included in Finance charges. The loan is subject to 2-year cash settlement payment due dates throughout the term of the loan, with the next due date being December 2025. The Corporation is required to comply with certain financial covenants, all of which have been met as at December 31, 2024.

(stated in thousands of Canadian dollars)

7. LONG-TERM BORROWINGS (continued)

The second bank loan was entered in 2020 and bears interest at 5.69% per annum and is repayable in monthly instalments of principal and interest of $22 and matures August 2029. The principal amount outstanding is $2,519 (2023 - $2,639). The loan is secured by the related equipment for which the loan was issued.

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

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

2025	$	824
2026		812
2027		845
2028		879
2029		753
Thereafter		7,662
	$	11,775

Notes to the Consolidated Financial Statements

Year ended December 31, 2024
(stated in thousands of Canadian dollars)

8. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Heating and Electricity Generation infrastructure	Fibre & Data network	Other PP&E	WIP	2024 Total	2023 Total
Cost or deemed cost							
Balance at January 1	$ 1,704	$ 54,274	$ 10,527	$ 2,808	$ 335	$ 69,648	$ 68,308
Additions	–	1,495	163	130	746	2,534	1,877
Transfers	–	–	–	(9)	(694)	(703)	(537)
Disposals	–	–	–	–	–	–	–
Balance at December 31	$ 1,704	$ 55,769	$ 10,690	$ 2,929	$ 387	$ 71,479	$ 69,648

	Buildings	Heating and Electricity Generation infrastructure	Fibre & Data network	Other PP&E	WIP	2024 Total	2023 Total
Accumulated depreciation							
Balance at January 1	$ 1,286	$ 18,815	$ 5,037	$ 2,043	$ –	$ 27,181	$ 23,725
Depreciation charge	97	2,635	439	178	–	3,349	3,456
Balance at December 31	$ 1,383	$ 21,450	$ 5,476	$ 2,221	$ –	$ 30,530	$ 27,181
Carrying amounts							
December 31, 2024							$ 40,949
December 31, 2023							$ 42,467

Rooftop solar assets owned by a subsidiary of the Corporation with a net book value of $3,273 (2023 - $3,543) are subject to a registered security interest with respect to long term issued to the Corporation (note 7). Assets with a net book value of $5,029 (2023 - $5,332) are subject to a security interest for one of the Corporation’s subsidiary’s long-term debt (note 7). Assets with a net book value of $8,450 (2023 - $8,533) are subject to a security interest for one of the Corporation’s subsidiary’s long-term debt with the Parent (note 6). Assets with a net book value of $6,109 (2023 - $6,461) are subject to a security interest for one of the Corporation’s subsidiary’s long-term debt (note 7).

(stated in thousands of Canadian dollars)

9. INTANGIBLE ASSETS

	Customer Contracts and Licenses	Computer software	Feed-in Tariff	2024 Total	2023 Total
Cost or deemed cost					
Balance at January 1	$ 2,240	$ 642	$ 661	$ 3,543	$ 3,543
Additions	–	27	–	27	–
Balance at December 31	$ 2,240	$ 669	$ 661	$ 3,570	$ 3,543

	Customer Contracts and Licenses	Computer software	Feed-in Tariff	2024 Total	2023 Total
Accumulated depreciation					
Balance at January 1	$ 1,938	$ 614	$ 193	$ 2,745	$ 2,606
Depreciation charge	76	34	30	140	139
Balance at December 31	$ 2,014	$ 648	$ 223	$ 2,885	$ 2,745

Carrying amounts	
December 31, 2024	$ 685
December 31, 2023	$ 798

10. RIGHT OF USE ASSETS AND FINANCE LEASES

	Land and buildings	Rooftops	Total
Right-of-use assets			
Cost			
Balance at January 1, 2024	$ 2,335	$ 1,944	$ 4,279
Balance at December 31, 2024	$ 2,335	$ 1,944	$ 4,279
Accumulated depreciation			
Balance at January 1, 2024	$ 707	$ 548	$ 1,255
Additions	141	110	251
Balance at December 31, 2024	$ 848	$ 658	$ 1,506
Carrying amounts			
At December 31, 2024	$ 1,487	$ 1,286	$ 2,773
At December 31, 2023	$ 1,628	$ 1,396	$ 3,024

(stated in thousands of Canadian dollars)

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

	Land and buildings	Rooftops	Total
Finance lease liability			
Balance at January 1, 2024	$ 1,821	$ 1,560	$ 3,381
Interest	93	76	169
Repayments	(212)	(164)	(376)
Balance at December 31, 2024	$ 1,702	$ 1,472	$ 3,174
At December 31, 2023	$ 1,821	$ 1,560	$ 3,381

Total cash outflows with respect to leasing arrangements during the year was $376 (2023 - $376) consisting of principal and interest of $207 and $169, respectively (2023 - $198 and $178).

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 $30 (2023 - $32) in income statement 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.

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 $30 (2023 - $32) as an expense in income statement relating to variable lease payments.

Repayment of finance lease liabilities for the principal portion are as follows:

2025	$ 232
2026	244
2027	256
2028	264
2029	273
Thereafter	1,905
	$ 3,174

(stated in thousands of Canadian dollars)

11. PAYMENTS IN LIEU OF INCOME TAXES

Current and deferred payments in lieu of income taxes

	2024	2023
Current payments in lieu of income taxes:		
Current year	$ –	$ –
Deferred payments in lieu of income taxes:		
Adjustments to prior provision	220	–
Origination and reversal of temporary differences and other	(15)	(79)
	205	(79)
Payments in lieu of income expense (recovery)	$ 205	$ (79)

Reconciliation of effective tax rate

	2024	2023
Loss before taxes	$ (924)	$ (1,187)
Canada and Ontario statutory Income tax rates	26.5%	26.5%
Expected tax recovery on income at statutory rates	(241)	(304)
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses	3	3
Deferred PILS asset not recognized	209	210
Adjustments to prior provision	229	(31)
Other	5	43
Income tax expense (recovery)	$ 205	$ (79)

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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:

	2024	2023
Deferred payments in lieu of income taxes - liabilities:		
Property, plant, and equipment	$ (6,620)	$ (7,123)
Other	(30)	(50)
	(6,650)	(7,173)
Deferred payments in lieu of income taxes – assets:		
Non-capital losses	$ 7,871	$ 7,905
Right-of-use assets	322	519
Property, plant and equipment	319	590
Other	62	65
CMT carry forward	170	170
	8,744	9,249
Unrecognised deferred tax assets:		
Deductible temporary differences	409	348
Tax losses	2,801	2,639
Total unrecognised deferred tax assets	3,210	2,987
Net recognized deferred tax assets	$ 5,534	$ 6,262

(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, 2024 was based on the most recent results and assumptions determined by an actuarial valuation as at December 31, 2023 and extrapolated to December 31, 2024. The next required valuation is required by December 31, 2026.

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:

	2024	2023
Defined benefit obligation, beginning of year	$ 216	$ 216
Current service cost	15	14
Interest cost	10	11
Benefits paid during the year	(10)	(10)
Actuarial gain (loss) recognized in other comprehensive income	2	(15)
Defined benefit obligation, end of year	$ 233	$ 216

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 4.20% in 2024, fluctuating between 4.40% to 4.60% from 2025 to 2026. Other medical and dental expenses are assumed to increase at 4.0% per year.

(b) Discount rate

The obligation at the period end and the present value of future liabilities were determined using a discount rate of 4.65% (2023 - 5.05%) 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 $33 or increase of $43 to the defined benefit obligation respectively.

(c) Salary levels

Future general salary and wage levels were assumed to increase at 3.30% (2023 - 3.30%) per year.

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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 2024, the Corporation made employer contributions of $443 to OMERS (2023 - $409) which are recognized in profit or loss during the year.

The Corporation expects to make a contribution of $443 to OMERS during the next fiscal year.

As at December 31, 2024, OMERS had approximately 640,000 members, of whom 31 are current employees of the Corporation. The most recently available OMERS annual report is for the year ended December 31, 2024, which reported that the plan was 98% funded.

14. SHARE CAPITAL

	2024	2023
Unlimited number of common shares 50,955 (2023 - 37,986) issued and outstanding	$ 50,955	$ 37,986

During 2024, the holders of the common shares subscribed for an additional 12,969,000 common shares at $1 per share.

Dividends

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

The Corporation did not declare or pay a dividend in 2024 or 2023.

15. FINANCE INCOME AND CHARGES

	2024	2023
Interest income on bank deposits	$ 167	$ 141
Finance income	167	141
Lease liabilities	(169)	(178)
Unrealized loss on derivative liability (note 7)	(71)	(96)
Interest expense – Amounts owing to Parent (note 6)	(159)	(174)
Interest expense – long-term borrowings	(640)	(683)
Finance charges	(1,039)	(1,131)
Net finance costs recognized in income	$ (872)	$ (990)

Notes to the Consolidated Financial Statements

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16. CASH FLOW INFORMATION

Net change in other assets and liabilities:

		2024		2023
Accounts receivable	$	(930)	$	1,533
Prepaid assets		(41)		(89)
Inventory		(257)		(202)
Long-term receivable		10		(152)
Accounts payable and accrued liabilities		(392)		(716)
Deferred revenue		420		550
	$	(1,190)	$	924

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:

		2024		2023
Hamilton Utilities Corporation	$	–	$	2,496
Port Dover Farms Inc.		158		197
Other related parties		25		34
		183		2,727
Port Dover Farms Inc.		(135)		(173)
Other related parties		(16)		(25)
Hamilton Utilities Corporation		–		(15,465)
		(151)		(15,663)
	$	32	$	(12,936)

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 (2023 - $156).

During 2024, the Corporation paid out all balances outstanding with Hamilton Utilities Corporation with the proceeds received from the issuance of shares.

17. RELATED PARTY TRANSACTIONS (continued)

(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 2024 consisted of salaries and other short-term benefits as well as bonuses and amounted to $1,646 (2023 - $1,589).

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value disclosure

The carrying values of cash and cash equivalents, accounts receivable, accounts receivable from and amounts owing to related parties under common control, 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 $11,730.

The fair value of amounts owing to Parent is $4,714.

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, 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 expected 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 expected credit losses at December 31, 2024 is $82 (2023 - $107).

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(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 largest commodity contract, which is an executory contract, is in relation to the purchase of natural gas in the ordinary course of business. These are fixed price contracts to hedge against any fluctuations in the market price. The Corporation currently does not have any material foreign exchange or interest rate risk.

The Corporation is exposed to certain market risks as a result of global economic conditions with the imposition of U.S. tariffs and reciprocal Canadian tariffs. These conditions are dynamic and the ultimate magnitude of the impact on the economies to which the Corporation operates in and the financial effect on the Corporation are not known at this time. These conditions may lead to adverse changes in cash flows and/or working capital levels which may also have a direct impact on the operating results and financial position of the Corporation in the future. The Corporation has determined that they are not significantly exposed to the impact of these conditions based on their supply chain requirements and revenues being concentrated within Canada.

(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, 2024, the amount of share capital is $50,955 (2023 - $37,986) and long-term borrowings amount to $11,775 (2023 - $12,562).

Notes to the Consolidated Financial Statements

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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.