CONSOLIDATED
FINANCIAL STATEMENTS OF

NEWMARKET HYDRO HOLDINGS INC.

December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Newmarket Hydro Holdings Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Newmarket Hydro Holdings Inc.(the Company), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of changes in equity and accumulated other comprehensive loss, income, comprehensive income and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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 Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT, continued

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 these consolidated 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:

INDEPENDENT AUDITOR'S REPORT, continued

- Identify and assess the risks of material misstatement of the consolidated 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 Company'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 Company'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 consolidated 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

Baker Tilly KDW LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Ontario
May 13, 2022

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NEWMARKET HYDRO HOLDINGS INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2021

	2021 $	2020 $
ASSETS		
Current assets		
Cash (note 5)	6,241,410	2,799,412
Short term investment (note 6)	3,125,839	25,755
Accounts receivable (note 7)	15,890,884	19,673,371
Unbilled revenue	9,005,868	11,582,543
Inventories	1,155,564	1,164,918
Prepaid expenses and sundry assets	516,533	653,173
Income taxes receivable	47,659	838,028
	35,983,757	36,737,200
Other assets		
Prepaid and sundry assets	-	25,501
Investments (note 8)	252,474	146,128
Property, plant and equipment (note 9)	121,989,513	113,914,549
Right-of-use assets (note 23)	2,785,376	1,798,055
Intangible assets (note 10)	8,367,031	7,930,217
Goodwill (note 11)	6,864,284	6,864,284
Deferred income taxes (note 12)	2,136,335	2,326,267
	142,395,013	133,005,001
	178,378,770	169,742,201
Regulatory deferral account debit balances (note 13)	4,943,071	3,234,974
	183,321,841	172,977,175

The accompanying notes are an integral part of these financial statements

NEWMARKET HYDRO HOLDINGS INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION, continued
As at December 31, 2021

	2021 $	2020 $
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 14)	21,892,318	22,320,872
Bank loan (note 15)	3,050,000	2,750,000
Due to related party (note 16)	40,896	24,388
Current portion of lease liability (note 23)	362,010	357,634
Current portion of long-term debt (note 17)	659,406	2,609,758
Current portion of deposits held (note 21)	688,586	856,811
Current portion of subordinate debt (note 19)	22,000,000	-
	48,693,216	28,919,463
Long-term liabilities		
Long-term debt (note 17)	32,225,390	20,516,378
Interest rate swaps (note 18)	1,995,157	3,762,123
Subordinate debt (note 19)	1,742,821	23,742,821
Contributed capital (note 20)	38,441,617	37,887,603
Deferred income taxes (note 12)	229,328	-
Deposits held (note 21)	2,455,871	2,668,949
Employee future benefits (note 22)	1,600,364	1,697,623
Lease liability (note 23)	2,542,211	1,473,414
	81,232,759	91,748,911
	129,925,975	120,668,374
Equity		
Equity of the owners of the parent		
Share capital (note 24)	29,609,342	29,609,342
Retained earnings	18,590,992	16,519,607
Accumulated other comprehensive loss	(63,519)	(130,519)
	48,136,815	45,998,430
Non-controlling interest (note 25)	3,330,308	3,180,956
	51,467,123	49,179,386
	181,393,098	169,847,760
Regulatory deferral account credit balances (note 13)	1,928,743	3,129,415
	183,321,841	172,977,175

Approved on behalf of the Board

____________________ Director ____________________ Director

The accompanying notes are an integral part of these financial statements

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NEWMARKET HYDRO HOLDINGS INC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND ACCUMULATED OTHER COMPREHENSIVE LOSS
For the year ended December 31, 2021

	Share capital $	Retained earnings $	Accumulated other comprehensive income $	Total equity before non-controlling interest $	Non-controlling interest $	Total equity $
Balance, December 31, 2019	29,609,342	16,350,083	(48,808)	45,910,617	3,193,391	49,104,008
Net income for the year	-	1,505,524	-	1,505,524	94,715	1,600,239
Other comprehensive loss	-	-	(81,711)	(81,711)	(6,150)	(87,861)
Dividends paid	-	(1,336,000)	-	(1,336,000)	(101,000)	(1,437,000)
Balance, December 31, 2020	29,609,342	16,519,607	(130,519)	45,998,430	3,180,956	49,179,386
Net income for the year	-	3,407,385	-	3,407,385	245,310	3,652,695
Other comprehensive income	-	-	67,000	67,000	5,043	72,043
Dividends paid	-	(1,336,000)	-	(1,336,000)	(101,000)	(1,437,000)
Balance, December 31, 2021	29,609,342	18,590,992	(63,519)	48,136,815	3,330,308	51,467,123

The accompanying notes are an integral part of these financial statements

NEWMARKET HYDRO HOLDINGS INC.
CONSOLIDATED STATEMENT OF INCOME
For the year ended December 31, 2021

	2021 $	2020 $
Revenue		
Distribution revenue	23,377,303	20,990,368
Cost of power revenue	102,605,247	118,150,153
Internet revenue	780,110	450,817
	126,762,660	139,591,338
Cost of power purchased		
Cost of power purchased	105,555,634	118,492,236
Internet direct costs	374,357	246,753
	105,929,991	118,738,989
Gross profit	20,832,669	20,852,349
Other income (note 26)	1,526,680	1,712,986
Gross income from operations	22,359,349	22,565,335
Expenses		
Amortization	5,789,133	5,199,989
Operating expenses (note 27)	13,474,081	13,298,593
Loss on disposal of property, plant and equipment	277,416	457,627
(Gain) loss on interest rate swap (note 18)	(1,766,967)	1,675,306
	17,773,663	20,631,515
Income before undernoted items and income taxes	4,585,686	1,933,820
Finance costs (income)		
Finance income (note 28)	(283,681)	(407,628)
Government grants	(10,838)	(74,845)
Finance costs (note 28)	2,523,077	2,601,165
	2,228,558	2,118,692
Income (loss) before income taxes and net movement on regulatory accounts, net of deferred tax	2,357,128	(184,872)
Provision for (recovery of) income taxes (note 12)		
Current	10,153	13,056
Deferred	393,286	(2,638,249)
	403,439	(2,625,193)
Income before net movement on regulatory accounts, net of deferred tax	1,953,689	2,440,321
Net movement on regulatory accounts, net of deferred tax	1,699,006	(840,082)
Net income for the year	3,652,695	1,600,239
Attributable to:		
Owners of the parent	3,407,385	1,505,524
Non-controlling interests	245,310	94,715
	3,652,695	1,600,239

The accompanying notes are an integral part of these financial statements

NEWMARKET HYDRO HOLDINGS INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2021

	2021 $	2020 $
Net income for the year	3,652,695	1,600,239
Comprehensive income (loss)		
Actuarial gain (loss), not reclassified to net income	98,018	(119,539)
Actuarial gain (loss) related deferred income tax not reclassified to net income	(25,975)	31,678
Net income and comprehensive income for the year	3,724,738	1,512,378
Attributable to:		
Owners of the parent	3,474,385	1,423,813
Non-controlling interests	250,353	88,565
	3,724,738	1,512,378

The accompanying notes are an integral part of these financial statements

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NEWMARKET HYDRO HOLDINGS INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2021

	2021 $	2020 $
CASH PROVIDED FROM (USED FOR)		
Operating activities		
Net income for the year	3,652,695	1,600,239
Items not affecting cash		
Amortization of property, plant and equipment	5,462,073	4,996,466
Amortization of intangible asset	147,399	81,448
Amortization of right-of-use assets	464,002	407,912
Change in deferred income taxes	393,286	(2,638,249)
Loss on disposal of property, plant and equipment	277,416	457,627
Change in employee future benefits	759	12,190
Current income tax	10,153	13,056
Net finance costs	2,239,395	2,193,537
Recognition of contributed capital	(1,009,765)	(994,358)
(Gain) Loss on interest rate swap	(1,766,967)	1,675,306
Ecobility Inc. equity investment	(106,346)	(204,977)
	9,764,100	7,600,197
Change in non-cash working capital items (note 29)	6,801,204	3,716,678
	16,565,304	11,316,875
Investing activities		
Purchase of short-term investments	(3,100,084)	-
Purchase of property, plant and equipment	(13,828,395)	(7,589,703)
Proceeds on disposal of property, plant and equipment	15,125	19,857
Change in regulatory deferral accounts	(2,908,769)	2,093,818
Proceeds of contributed capital	1,563,779	1,154,732
Purchase of intangible assets	(585,395)	(103,721)
	(18,843,739)	(4,425,017)
Financing activities		
Repayment of long-term debt	(2,632,390)	(4,986,702)
Proceeds of long-term debt	12,391,050	40,000
Repayment of lease liability	(378,151)	(370,088)
Interest paid	(2,523,076)	(2,601,165)
Increase in bank loan	300,000	700,000
Dividend received	-	231,396
Dividends paid	(1,437,000)	(1,437,000)
	5,720,433	(8,423,559)
Increase (decrease) in cash	3,441,998	(1,531,701)
Cash - beginning of year	2,799,412	4,331,113
Cash - end of year	6,241,410	2,799,412

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS

Newmarket Hydro Holdings Inc. ("the Company") was incorporated April 10, 2000 under the Business Corporations Act of the Province of Ontario. The Company commenced operations on November 1, 2000. Newmarket Hydro Holdings Inc. is wholly-owned by the Town of Newmarket. The address of its registered office and its principal place of business is 590 Steven Ct, Newmarket, ON L3Y 6Z2.

The principal activity of the Company is to distribute electricity to the residents and businesses in the Town of Newmarket, the Town of Midland and the Township of Tay under licence issued by the Ontario Energy Board (OEB). The Company is regulated by the OEB and adjustments to its distribution rates require OEB approval.

The Company also offers high speed internet to the Newmarket community by providing its customers with the necessary infrastructure and equipment to utilize the service. The Company is looking to expand its operations into other surrounding local areas. The Company is regulated by the Canadian Radio-television Telecommunications Commission ("CRTC") and American Registry for Internet Numbers ("ARIN").

2. STATEMENT OF COMPLIANCE

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements for the year ended December 31, 2021 were approved and authorized for issue by the board of directors on May 13, 2022.

3. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of its subsidiaries Newmarket-Tay Power Distribution Ltd. and Envi Networks Ltd. (Envi) Tay-Hydro Inc. has a 7% interest in Newmarket-Tay Power Distribution Ltd. and Envi Networks Ltd. All significant intercompany transactions and balances have been eliminated on consolidation.

Envi Networks Ltd. has a material uncertainty related to going concern. Envi incurred a net loss of $582,016 during the year ended December 31, 2021 and, as of that date, Envi's current liabilities exceeded its total assets by $3,173,188. These events or conditions, indicate that a material uncertainty exists that may cast significant doubt on Envi's ability to continue as a going concern. Although this material uncertainty related to going concern exists with Envi, it does not create a going concern uncertainty for Newmarket Hydro Holdings Inc.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards. The significant accounting policies are detailed as follows:

(a) Basis of measurement

The financial statements are prepared on the historical cost basis except for certain financial instruments which are measured at their fair values, as explained in the relevant accounting policies.

The consolidated financial statements are presented in Canadian dollars which is also the Company's functional currency.

(b) Electricity regulation

The Company is licensed and regulated by the Ontario Energy Board (OEB). The OEB is charged with the responsibility of approving rates for the transmission and distribution of electricity and the responsibility for ensuring that distribution companies fulfil obligations to connect and service customers.

The following regulatory policy is practiced in a rate regulated environment:

Regulatory accounts

Regulatory accounts represent future revenue or expenses incurred in the current or prior periods that are expected to be recovered (repaid) through the rate setting process.

These assets and liabilities include various rate and retail variance accounts which arise from differences in amounts billed to customers (based on regulated rates) and the actual cost of electricity services to the Company. These amounts are accumulated for accounting purposes because it is probable that they will be recovered (repaid) in future rates. The Company continually assesses the likelihood of the recovery of regulatory assets and likelihood or repayment of regulatory liabilities. If recovery or repayment is no longer considered probable, the amounts are charged to operations in the year the assessment is made.

Regulatory accounts recognized at December 31, 2021 and December 31, 2020 are disclosed in note 13.

(c) Revenue recognition

The Company recognizes revenue when it transfers control over a promised good or service, a performance obligation under the contract, to a customer and where the company is entitled to consideration as a result of completion or the performance obligation.

4. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) Revenue recognition, continued

Distribution Revenue
Distribution revenue is measured based on the OEB approved rate and the meter readings for customer usage, net of sales tax and debt retirement charge. Distribution revenue also includes unbilled revenue accrued in respect of electricity delivered but not yet billed. Revenue is recognized as electricity is delivered and consumed by customers and measured.

Cost of Power Revenue
Cost of power revenue is recorded on the basis of the power billed by the Independent Electricity System Operator ("IESO").

Internet Revenue
Revenue is recognized when a performance obligation is satisfied and the Company will recognize as revenue the amount of the transaction price that is allocated to that performance obligation. Amounts received for future services are deferred until the service is provided.

Contributed Capital
Contributed capital represents certain items of property, plant and equipment which are acquired or constructed with financial assistance in the form of contributions from developers. Contributed capital in-kind were valued at their fair value at the date of their contribution.

On implementation of IFRS 15, contributions received from customers where the Company has an ongoing performance obligation to the customer are within the scope of IFRS 15. These contributions will be initially recorded at fair value recognized on a straight-line basis over the estimated life of the contract with the customers. Where contracts are perpetual, the contributed asset will be used to provide ongoing goods or services to customers and as such the estimated life of the contract with the customers is estimated to be equivalent to the economical useful life of the asset to which the contribution relates.

Contributions from developers are not within the scope of IFRS 15 as they do not give rise to a contract with a customer. Currently, there is no specific IFRS guidance on accounting for contributions received from developers. The Company has an accounting policy for the initial recognition of such contributions and subsequent recognition of the related revenue, as described in note 4(j).

Conservation and Demand Management Revenue
Revenues related to Conservation and Demand Management ("CDM") agreements with the Independent Electricity System Operator ("IESO") are recognized on a net basis. Performance fees are recognized as CDM programs are delivered.

Other Income
Other operating revenue is recorded when services are provided.

4. **SIGNIFICANT ACCOUNTING POLICIES, continued**

(d) Cash

Cash consists of balances with financial institutions.

(e) Foreign exchange

Monetary assets and liabilities of the Company which are denominated in foreign currencies are translated at year end exchange rates. Other assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenue and expenses are translated at the rates of exchange in effect at their transaction dates. The resulting gains or losses are included in operations.

(f) Inventories

Inventories, which consist of parts and supplies acquired for internal construction or consumption, are valued at the lower of cost and net realizable value. Cost is determined on a weighted-moving average basis and includes expenditures incurred in acquiring the inventories and other costs to bring the inventories to their existing location and condition.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset or its development when those costs are necessarily incurred for the asset to function in the manner intended by management. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

All assets having limited useful lives are depreciated using the straight-line or declining balance method over their estimated useful lives. Assets are depreciated from the date of acquisition. Internally constructed assets are depreciated from the time an asset is capable of operating in the manner intended by management.

In the year of acquisition, depreciation is taken at one-half of the above rates on furniture and fixtures, leasehold improvements, and mobile camp equipment.

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

The methods of depreciation and depreciation rates applicable for each class of asset are as follows:

4. **SIGNIFICANT ACCOUNTING POLICIES, continued**

(g) Property, plant and equipment, continued

Land and buildings	
-Buildings	25 - 30 years
-Shelters	10 years
Distribution equipment	10 - 50 years
Transportation and fibre equipment	
-Transportation equipment	5 - 10 years
-Fibre cable and network equipment	5 - 25 years
Office and other	5 - 10 years

An impairment loss is recognized when the carrying amount of these assets is not recoverable and exceeds their fair value.

(h) Goodwill and intangible assets

Intangible assets include computer software, land rights, licensed customer lists and goodwill. They are accounted for using the cost model whereby capitalized costs are amortized on a straight-line basis over their estimated useful lives, if applicable. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing. The useful lives of the intangibles are as follows:

Computer software	3-5 years
Land rights	30 years
Licensed customer list	not amortized
Goodwill	not amortized

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software, (expenditure relating to patches and other minor updates as well as their installation), are expensed as incurred.

Land rights are capitalized based on the payments made for easements, right of access and right of use over land for which the Company does not hold title. Land rights are measured at cost less accumulated amortization and accumulated impairment losses.

The licensed customer list is measured at cost and not amortized but assessed for impairment annually.

Goodwill represents the cost of acquired local distribution companies in Midland in excess of fair value of the net identifiable assets purchased. Goodwill is measured at cost and is not amortized but assessed for impairment annually.

4. **SIGNIFICANT ACCOUNTING POLICIES, continued**

(i) Right-of-use assets and lease liabilities

The Company implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard. The Company is a party to two lease contracts for office space in use as well as electrical substation property in Midland.

Based on the accounting policy applied, the Company recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right-of-use assets and lease liability are initially measured at the present value of the future lease payments, which comprises:

(a) the amount of the initial measurement of the lease liability,
(b) any lease payments made at or before the commencement date, less any lease incentives,
(c) any initial direct costs incurred by the lessee,
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located.

The initial measurement of the lease liability is based on the lease payments excluding variable elements which are dependent on external factors such as e.g. sale volume in the point of sale leased. Variable lease payments not included in the initial measurement of the lease liability are recognized directly in the profit and loss. The lease payments are discounted using the OEB approved rate per the Company's most recent cost of service application. The lease term as determined by the Company comprises of the non-cancelable period of the lease contracts, periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

After the commencement date the right-of-use assets are measured at the present value of the future lease payments, less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability. The Company depreciates the right-of-use asset 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 lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and re-measuring the carrying amount to reflect any reassessment or lease modifications.

4. **SIGNIFICANT ACCOUNTING POLICIES, continued**

(j) Contributed capital

Contributions for capital construction consist of contributions from customers and developers toward the cost of constructing distribution assets. The contributions are calculated through an economic evaluation as per the OEB Distribution Service Code (represents fair value) and are recorded as received. Contributed capital is amortized over the same period as the asset to which it relates, 10 to 50 years.

(k) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(l) Related parties

Related party transactions are in the normal course of operations and have been measured at the exchange amount which is the amount of consideration established and agreed to by the related parties. Details of related party transactions and balances are disclosed in note 16.

4. **SIGNIFICANT ACCOUNTING POLICIES, continued**

(m) Employee future benefits

The Company accounts for its participation in the Ontario Municipal Employee Retirement System ("OMERS"), a multi employer public sector pension fund, as a defined contribution plan. Both participating employers and employees are required to make plan contributions based on the participating employees' contributory earnings. The Company recognizes the expense related to this plan as contributions are made. No liability has been established for this plan.

The Company pays certain medical and life insurance benefits on behalf of its retired employees. These plans are not funded and accordingly have no plan assets. The Company's net obligation is calculated by estimating the amount of future benefits that are expected to be paid out discounted to determine its present value. This calculation is actuarially performed using the projected unit credit method. The last full valuation performed was as at December 31, 2019, with an update to December 31, 2021 for adjustments to the discount rate. Service costs are recognized in the Statement of Income in operating expenses, and include current and past service costs as well as gains and losses on curtailment. Net interest expense is included in finance costs.

Details related to the employee future benefits are detailed in note 22.

(n) Income taxes

Under the Electricity Act, 1998, the Company is required to make payments in lieu of income taxes (PILS) to the Ontario Electricity Financial Corporation (OEFC). Deferred income taxes are calculated using the liability method of tax accounting. In providing for income taxes, temporary differences between the tax basis of assets or liabilities and their carrying amounts are reflected as deferred income taxes. The tax rates anticipated to be in effect when these temporary differences reverse are used to calculate deferred income taxes. Additional details related to the calculation and method of accounting for PILS is included in note 12.

4. **SIGNIFICANT ACCOUNTING POLICIES, continued**

(o) Significant accounting estimates and judgements

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The significant accounting estimates, judgements and assumptions include the following:

Useful lives of depreciable assets - Depreciation and amortization expense is based on estimates of the useful lives of property, plant and equipment and intangible assets. The Company estimates the useful lives of its property, plant and equipment and intangible assets based on management's judgment, historical experience and an asset study conducted by an independent consulting firm.

Payment in lieu of taxes payable - The Company is required to make payments in lieu of taxes calculated on the same basis as income taxes on taxable income earned. Significant judgement is required in determining the provision and liability or asset for income taxes. Changes in deferred taxes may be required due to changes in future tax rates.

Employee future benefits - The cost of providing certain health, dental and life insurance benefits on behalf of its retired employees are determined using actuarial valuations. The actuarial valuation uses managements assumptions which have been outlined in note 22.

Accounts receivable impairment - In determining the allowance for doubtful accounts, the Company considers the life-time expected credit losses that result from all possible default events over the expected life of the account balance.

Leases - Management uses its judgment to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

COVID-19 - On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. Although this pandemic has not had a material impact on the financial statements, it may still have a material adverse effect on the Company's future operations, financial position and liquidity in fiscal year 2021. Refer to note 35 for additional disclosure related to COVID-19.

4. **SIGNIFICANT ACCOUNTING POLICIES, continued**

(p) Provisions

A provision is recognized in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, 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, where appropriate, the risks specific to the liability.

Some of the Company's assets may have provision obligations. As the Company expects to use the majority of its fixed assets for an indefinite period, no removal costs can be determined and, consequently, a reasonable estimate of the fair value of any asset retirement obligations has not been made at this time.

(q) Financial instruments

Financial assets are identified and classified based on the business model used by the Company for managing those financial assets, as one of the following: at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss. Financial liabilities continue to be classified as measured at fair value through profit or loss or at amortized cost.

Financial assets and financial liabilities are presented on a net basis when the Company has a legally enforceable right to offset the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

At amortized cost
Cash, accounts receivable and unbilled revenue are classified as financial assets at amortized cost. These financial assets are recognized initially at fair value plus directly attributable transaction costs, if any. After initial recognition, they are measured at amortized cost when they are held for collection of cash flows, where those cash flows solely represent payments of principal and interest using the effective interest rate. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial asset, or a shorter period when appropriate, to the gross carrying amount of the financial asset.

The Company's accounts payable and accrued liabilities, deposits held, subordinate debt, bank loan and long term debt are classified as financial liabilities at amortized cost and recognized on the date at which the Company becomes a party to the contractual arrangement. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire. Financial liabilities are initially recognized at fair value including discounts and premiums, plus directly attributable transaction costs, such as issue expenses, if any. Subsequently, these liabilities are measured at amortized cost using the effective interest rate method.

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4. **SIGNIFICANT ACCOUNTING POLICIES, continued**

(q) Financial instruments, continued

At fair value through other comprehensive income
Financial assets that are held for collection of contractual cash flows and for selling, where the assets' cash flows solely represent payments of principal and interest, are classified as financial assets at fair value through other comprehensive income. These financial assets are initially recognized at fair value plus directly attributable transaction costs. Subsequent to initial recognition, these financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income, except for the recognition of impairment losses, reversal of impairment losses, interest income and foreign exchange gains and losses, gain or loss previously recognized in net income. On de-recognition of the financial asset, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to net income. Interest income from these financial assets is recognized as other income using the effective interest rate method. As at December 31, 2021, the Company does not have any financial assets, classified at fair value through other comprehensive income.

At fair value through profit or loss
Financial instruments at fair value through profit or loss include instruments that are designated as financial instruments at fair value through profit or loss or those financial instruments that do not meet the criteria for classification under any other category. Upon initial recognition, directly attributable transaction costs are recognized in net income as incurred. Changes in fair value of financial instruments measured at fair value through profit or loss are recognized in net income.

Impairment of financial assets at amortized cost
The policy for accounts receivable and unbilled revenue allowances is to measure at an amount equal to the life-time expected credit losses that result from all possible default events over the expected life of a financial instrument. The policy for other financial assets is at life-time expected credit loss if credit risk increased significantly, if not, then at 12-month expected loss.

4. **SIGNIFICANT ACCOUNTING POLICIES, continued**

(r) Change in accounting policies

There were no changes in accounting policies in 2021 that impacted the Company.

(s) New Standards and interpretations not yet effective or adopted

Effective for annual periods beginning on or after January 1, 2022.

IFRS 3 Business Combinations was amended by the IASB in May 2020. The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Earlier adoption is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued March 2018.

IFRS 9 Financial Instruments was amended by the IASB in May 2020. The amendment provides further explanation in determining fees in the 10 percent test for derecognition of financial liabilities.

IAS 16 Property, Plant and Equipment was amended by the IASB in May 2020. The amendment prohibits a company from deducting from the cost of the property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets was amended by the IASB in May 2020. The amendments specify which costs a company includes when assessing whether a contract will be loss-making.

The Company is currently assessing the impact that these standards will have on the financial statements.

5. CASH

The Company has a $14,500,000 operating facility from a major chartered bank. The facility is a 365 day committed revolving operating loan, bearing interest at prime plus 0%, to be repaid in full upon maturity unless extended by the bank at the bank's sole discretion. A commitment fee of 0.125% per annum, payable quarterly applies to any unused portion of the facility. As at December 31, 2021 the Company has $nil (2020 - $nil) drawn on this facility.

The Company has provided prudential support in the amount of $3,861,670 to the Independent Electricity System Operator. The prudential support is secured by a letter of credit with a major chartered bank for $3,861,670, contains restrictive clauses with respect to debt repayments, is due on demand in the event of cancellation or draw and bears interest at 0.5% per annum.

A general security agreement representing a first charge on all assets of the Company, a second charge on all assets of Tay Hydro Inc. prior to amalgamation and supported by a priorities agreement with the Township of Tay giving the bank priority over all the assets. There is also an assignment of business/liability insurance from the Company.

The Company is required to meet certain financial covenants related to the credit facility and long-term debt described in note 17. At December 31, 2021, the Company was in compliance with all covenants.

Included in the Company's bank balance is restricted cash in the amount of $nil (2020 - $521,020), which consists of monies received by the Company from the Ontario provincial government to administer the Affordability Fund Trust (AFT) program.

The AFT was established as part of the Fair Hydro Act, to serve house-holds not eligible for income qualified electricity support services. The AFT exists as a legal trust and the Company is only able to offer disbursements to qualified beneficiaries. The AFT program was discontinued during the year and the balance has been repaid.

6. SHORT TERM INVESTMENT

	2021 $	2020 $
a) Term deposit held with TD Canada Trust at an interest rate of 0.3% per annum with a maturity date of March 31, 2022.	25,739	25,755
b) Term deposit held with TD Canada Trust at an interest rate of 0.4% per annum with a maturity date of January 10, 2022	3,100,000	-
c) Utility Collaborative Services Inc. (UCS), recorded using the cost method, 100 common shares, 16.7% interest	100	-
	3,125,839	25,755

a) This short-term investment is related to a stand-by letter of guarantee in the amount of $25,000.

b) Upon maturity this investment was renewed for a 3 month term at an interest rate of 0.48% per annum.

c) Utility Collaborative Services Inc. (UCS) provides billing, mailing, call centre and IT infrastructure services for Midland PUC customers. The Company has given formal notice of retraction of the shares in UCS on January 16, 2019 effective May 16, 2019. The notice period is 3 years or a penalty equal to the previous 3 years of service fees will be levied.

7. ACCOUNTS RECEIVABLE

	2021 $	2020 $
Accounts receivable	17,276,034	19,963,178
Dividend receivable from Ecobility Inc.	-	235,826
	17,276,034	20,199,004
Less: Allowance for doubtful accounts	1,385,150	525,633
	15,890,884	19,673,371

8. INVESTMENTS

	2021 $	2020 $
Investment in Ecobility Inc.	252,474	146,128

Ecobility Inc. provides program design and management, incentive application management and consulting services for commercial and residential energy efficiency programs. One class A common share and 33,883 class B special shares of Ecobility Inc. are owned by the company, resulting in a 20% ownership. A bare trust agreement has been signed between the company and Tay Hydro Inc. giving Tay Hydro Inc. the right to 7% of the investment, and its return. The investment in Ecobility Inc. is accounted for using the equity method. During the year, dividends of $Nil (2020 - $231,396) were received and the Company's proportionate share of income Ecobility Inc. income was $106,346 (2020 - $204,977).

9. PROPERTY, PLANT AND EQUIPMENT

	Land and building $	Equipment $	Transportation and fibre equipment $	Office equipment $	Total $
Cost					
At December 31, 2020	6,118,506	131,029,690	4,764,583	3,669,697	145,582,476
Additions	-	12,437,787	638,779	751,829	13,828,395
Disposals	-	(734,701)	(89,205)	(124,819)	(948,725)
At December 31, 2021	6,118,506	142,732,776	5,314,157	4,296,707	158,462,146
Amortization					
At December 31, 2020	90,845	27,778,225	1,950,068	1,848,789	31,667,927
Additions	34,509	4,715,367	407,528	304,697	5,462,101
Disposals	-	(467,392)	(69,291)	(120,712)	(657,395)
At December 31, 2021	125,354	32,026,200	2,288,305	2,032,774	36,472,633
Net book amount at December 31, 2021	5,993,152	110,706,576	3,025,852	2,263,933	121,989,513

9. **PROPERTY, PLANT AND EQUIPMENT, continued**

	Land and building $	Equipment $	Transportation and fibre equipment $	Office equipment $	Total $
Cost					
At December 31, 2019	6,115,556	125,369,320	3,906,821	3,404,779	138,796,476
Additions	2,950	6,390,283	881,441	315,029	7,589,703
Disposals	-	(729,913)	(23,679)	(50,111)	(803,703)
At December 31, 2020	6,118,506	131,029,690	4,764,583	3,669,697	145,582,476
Amortization					
At December 31, 2019	56,329	23,843,836	1,596,549	1,500,966	26,997,680
Additions	34,516	4,191,346	377,198	393,387	4,996,447
Disposals	-	(256,957)	(23,679)	(45,564)	(326,200)
At December 31, 2020	90,845	27,778,225	1,950,068	1,848,789	31,667,927
Net book amount at December 31, 2020	6,027,661	103,251,465	2,814,515	1,820,908	113,914,549

Included in distribution equipment additions is amortization expense of $284,177 (2020 - $285,820) and work in progress of $6,724,911 (2020 - $8,005,418). Included in land and building is land with a value of $5,576,475 (2020 - $5,576,475).

10. INTANGIBLE ASSETS

	Cost $	Accumulated amortization $	2021 Net book value $	2020 Net book value $
Computer software	1,527,556	478,463	1,049,093	597,578
Land rights	420,157	117,586	302,571	317,272
Licensed customer list	7,015,367	-	7,015,367	7,015,367
	8,963,080	596,049	8,367,031	7,930,217

During the year, the Company had additions of $585,395 (2020 - $103,721), disposals of $710,016 (2020 - $2,993) with $nil proceeds resulting in a loss of $1,182, and amortization of $147,399 (2020 - $81,448).

Included in intangible assets is work in progress of $434,548 (2020 - $446,284).

Based on the results of the annual licensed customer list impairment test, the Company determined that the recoverable amount of the cash generating unit is more than its carrying value. No impairment has been recorded in the period ended December 31, 2021.

11. GOODWILL

	Cost $	Accumulated amortization $	2021 Net book value $	2020 Net book value $
Goodwill	6,864,284	-	6,864,284	6,864,284

Goodwill, representing 4% of the Company's total assets, is allocated to the entire subsidiary Newmarket - Tay Power Distribution Ltd. as a cash generating unit. The goodwill at December 31, 2021 of $6,864,334 (2020 - $6,864,334) represents the cost of acquired local distribution companies in excess of fair value of the net identifiable assets purchased and is not amortized.

Based on the results of the annual goodwill impairment test, the Company determined the recoverable amount of the cash generating unit is more than its carrying value. No impairment has been recorded in the period ended December 31, 2021.

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12. INCOME TAXES

(a) The provision for income taxes recorded in the consolidated financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 39.5% (2020 - 39.5%) to the income (loss) for the years as follows:

	2021 $	2020 $
Income (loss) for the year before income taxes	2,357,128	(184,872)
Temporary taxable differences	(6,422,546)	2,333,765
	(4,065,418)	2,148,893
Anticipated income tax (recovery of)	(1,605,840)	848,813
Tax effect of the following:		
Benefit of income tax losses not recognized	197,174	823,028
Permanent expense differences	1,242	1,749
Non-taxable Ecobility Inc. equity investment	(42,007)	(76,342)
Loss carryforward	939,329	(1,035,462)
General rate reduction	520,255	81,291
Impact of deferred taxes and other	393,286	(3,268,270)
	403,439	(2,625,193)

(b) Deferred income tax assets are calculated using the liability method of tax accounting. In providing for income taxes, temporary differences between the tax basis of the underlying assets and their carrying amounts as per the financial statements are reflected as deferred income taxes. When the tax basis is greater than the carrying amount, a deferred tax asset is created. When the tax basis is less than the carrying amount, a deferred tax liability is created. The tax rates anticipated to be in effect when these temporary differences reverse are used to calculate deferred income taxes.

	Opening balance at January 1, 2021 $	Recognize in net income $	Closing balance at December 31, 2021 $
Deferred tax assets			
Property, plant and equipment	700,019	(700,019)	-
Reserves deductible when paid	1,475,710	(429,242)	1,046,468
Loss carryforward	150,538	939,329	1,089,867
	2,326,267	(189,932)	2,136,335

12. **INCOME TAXES, continued**

	Opening balance at January 1, 2020 $	Recognize in net income $	Closing balance at December 31, 2020 $
Deferred tax assets			
Property, plant and equipment and cumulative eligible capital	-	700,019	700,019
Reserves deductible when paid	967,968	507,742	1,475,710
Loss carryforward	630,216	(479,678)	150,538
	1,598,184	728,083	2,326,267

Deferred income tax liabilities are calculated using the liability method of tax accounting. In providing for income taxes, temporary differences between the tax basis of the underlying liabilities and their carrying amounts as per the financial statements are reflected as deferred income taxes. When the tax basis is less than the carrying amount, a deferred tax liability is created. The tax rates anticipated to be in effect when these temporary differences reverse are used to calculate deferred income taxes.

	Opening balance at January 1, 2021 $	Recognize in net income $	Closing balance at December 31, 2021 $
Deferred tax liabilities			
Property, plant and equipment	-	229,328	229,328

	Opening balance at January 1, 2020 $	Recognize in net income $	Closing balance at December 31, 2020 $
Deferred tax liabilities			
Property, plant and equipment	2,092,382	(2,092,382)	-

The deferred tax assets are expected to be recovered after more than 12 months.

A full allowance has been applied against the non-capital loss carry-forwards in Envi Networks Inc. There is $1,020,202 of loss carry-forwards available which begin to expire in 2038.

Included in reserves deductible when paid are right-of-use assets and lease liability, post-employment benefits and net unrealized losses. Included in tax basis of property, plant and equipment are goodwill and intangible assets.

13. REGULATORY DEFERRAL ACCOUNTS

All amounts deferred as regulatory deferral account balances are subject to approval by the OEB. As such, amounts subject to deferral could be altered by the regulators. Remaining recovery periods are those expected and the actual recovery or settlement periods could differ based on OEB approval. Due to previous, existing or expected future regulatory articles or decisions, the Company has the following amounts expected to be recovered or repaid in future periods which are comprised of the following:

	Note	Remaining recovery/ reversal period (years)	December 31, 2020 $	Net balances arising/ recovered in the period $	Recovery/ reversal $	December 31, 2021 $
Regulatory deferral account debit						
Retail settlement variance account	i		(251,689)	2,215,209	279,664	2,243,184
Other	ii		2,514,247	359,601	(350,337)	2,523,511
Regulatory Deferred Tax Asset	iii		972,416	(796,040)	-	176,376
			3,234,974	1,778,770	(70,673)	4,943,071

	Note	Remaining recovery/ reversal period (years)	December 31, 2020 $	Balances arising in the period $	Recovery/ reversal $	December 31, 2021 $
Regulatory deferral account credit						
Recovery account	iv		202,494	2,645,714	(2,182,639)	665,569
IFRS conversion	v		2,111,966	-	(2,111,966)	-
Deferred tax credit balance	iii		814,955	448,219	-	1,263,174
			3,129,415	3,093,933	(4,294,605)	1,928,743

(A) These amounts are expected to reverse when the company submits their next cost of service filing.

13. REGULATORY DEFERRAL ACCOUNTS, continued

(i) Retail Settlement Variance Account variances represent the difference between the amounts charged by the company to its customers, and the amounts paid by the company to the Independent Electricity System Operator ("IESO") and Hydro One for the cost of energy. The settlement variances include Smart Metering Entity Charge, network and connection service charges, energy sales and the global adjustment. The balance for settlement variances and carrying charges are calculated and recorded on a monthly basis.

(ii) Other Deferral Accounts include debit and credit balances in other regulatory assets, including Lost Revenue Adjustment Mechanism variances, Retail Cost variances, IFRS transition expenditures, payments in lieu of taxes and Smart Meter expenditures. The costs incurred in these deferral accounts have been captured for future recovery or settlement. Carrying charges are recorded monthly on the opening balances.

(iii) Deferred tax on the regulatory balances that will ultimately be recovered from/paid back to its customers.

(iv) Recovery Accounts are used to record the disposition of deferral and variance account balances that have been approved by the OEB. The variances are to be recovered or settled when the company submits their next Cost of Service filing.

(v) In 2012, the Company adjusted the estimated useful life related to the amortization period for certain capital assets, based upon the Ontario Energy Board's regulatory accounting direction as contained in the revised 2012 Accounting Procedures Handbook for Electricity Distributors. During 2021 the OEB approved the disposition of this balance, which is to be refunded to customers over the period of May 1, 2021 to April 30, 2022.

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021 $	2020 $
Accounts payable - purchased power	8,705,283	7,861,373
Other trade accounts payable and accrued liabilities	4,545,979	4,211,847
Water and sewer billings payable (note 16)	6,821,371	6,954,873
Credits on customer accounts	1,205,826	1,136,569
Conservation demand management programs	438,532	616,671
HST payable (recoverable)	175,327	1,539,539
	21,892,318	22,320,872

15. BANK LOAN

	2021 $	2020 $
Interim construction facility loan	3,050,000	2,750,000

The Company has an interim construction facility loan with total credit available of $3,500,000. The loan is payable on demand with interest to be paid monthly bearing a rate of prime plus 0.25% per annum. The loan will be fully repaid in five years with the proceeds of a committed reducing term facility loan. The contract term starts five years from the date of drawdown of the interim construction facility loan.

A general security agreement covering all assets of Envi Networks Ltd. and assignment of business/liability insurance has been pledged as security for the interim construction facility.

Envi Networks Ltd. has provided a letter of credit in the amount of $25,000.

Newmarket-Tay Distribution Ltd. is a limited guarantor of advances in the amount of the $3,500,000 credit available to Envi Networks Ltd.

16. RELATED PARTY TRANSACTIONS AND ADVANCES FROM PARENT COMPANY

(a) The Company entered into transactions with its parent, the Town of Newmarket which is the sole shareholder of Newmarket Hydro Holdings Inc. Revenue charged during the year included energy, street light capital and street light maintenance charged at commercial rates to the Town of Newmarket.

Included in accounts payable (note 14) are water and sewer amounts collected which are due to the Town. These amounts are collected and remitted in accordance with a contract with URB Olameter and remitted on their behalf.

Included in subordinate debt (note 19) are notes payable to related parties.

(b) Transactions

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

	2021 $	2020 $
Revenue		
Energy sales	2,220,733	2,492,803
Services - street light maintenance	2,364	4,095
	2,223,097	2,496,898

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16. **RELATED PARTY TRANSACTIONS, continued**

(b) Transactions, continued

	2021 $	2020 $
Expenses		
Interest	1,205,600	1,205,600
Rent and property tax	335,965	399,533
Property tax	151,879	153,615
	1,693,444	1,758,748

(c) Due to related party

	2021 $	2020 $
Due to Tay Hydro Inc.	40,896	24,388

(d) The following amount is due from the Town of Newmarket and included in the accounts receivable balance

	2021 $	2020 $
Due from Town of Newmarket	201,213	245,579

The key management personnel of the company has been defined as members of its board of directors, executives, and other management personnel. Total wages and benefits to these individuals total $3,082,565 (2020 - $3,265,911).

17. LONG-TERM DEBT

	2021 $	2020 $
(a) Bank loan payable, 4.077% fixed rate, payable in blended monthly payments of $49,003	9,605,337	9,798,828
(b) Bank loan payable, 4.059% fixed rate, payable in blended monthly payments of $41,064	7,163,852	7,363,153
(c) Bank loan payable, 3.922% fixed rate, payable in blended monthly payments of $32,374	3,684,557	3,924,155
(d) Bank loan payable, 30 day bankers acceptances, interest only, repaid during 2021	-	2,000,000
(e) Canadian Emergency Business Account "CEBA" loan	40,000	40,000
(f) Bank loan payable, 1.772% fixed rate, interest only monthly payments of $8,522	5,771,150	-
(g) Bank loan payable, 2.191% fixed rate, interest only monthly payments of $12,087	6,619,900	-
	32,884,796	23,126,136
Less principal payments due within one year	659,406	2,609,758
Due beyond one year	32,225,390	20,516,378

17. **LONG-TERM DEBT, continued**

(a) The bank loan payable is a 30 year term loan due October 9, 2048 with a payment due at maturity of $48,949. There is an early termination option with an exercise date of October 9, 2023 subject to adjustment in accordance with the Modified Following Business Day Convention. Refer to note 13 and 28 for details on interest rate swap agreements.

(b) The bank loan payable is a 10 year term loan due October 10, 2028 with a payment due at maturity of $5,579,359. There is an early termination option with an exercise date of October 9, 2023 subject to adjustment in accordance with the Modified Following Business Day Convention. Refer to note 13 and 28 for details on interest rate swap agreements.

(c) The bank loan payable is a 15 year term loan due October 11, 2033 with a payment due at maturity of $32,374. There is an early termination option with an exercise date of October 9, 2023 subject to adjustment in accordance with the Modified Following Business Day Convention. Refer to note 13 and 28 for details on interest rate swap agreements.

(d) The bank loan payable was fully repaid during 2021.

(e) The Canadian Emergency Business Account "CEBA" loan in the amount of $40,000 represents the unforgivable balance of the $60,000 interest-free loan received under the Government of Canada COVID response programs. 25% of the loan will be eligible for loan forgiveness, up to $20,000, if the loan is fully repaid on or before December 31, 2023. As at the year end date, $20,000 has been included in other income in 2020 and represents the maximum forgivable portion of the loan. If the unforgiven balance of the loan is not fully repaid by December 31, 2023 the remaining principal balance will be repayable and will bear interest at a rate of 5% per annum beginning on January 1, 2024. The loan is due in full December 31, 2025.

(f) The bank loan payable is a 5 year interest payment only loan due January 12, 2026 with a payment due at maturity of $5,771,150.

(g) The bank loan payable is a 5 year interest payment only loan due September 10, 2026 with a payment due at maturity of $6,619,900.

17. **LONG-TERM DEBT, continued**

Estimated principal repayments are as follows:

	$
2022	659,406
2023	686,357
2024	714,408
2025	783,611
2026	13,165,056
Subsequent years	16,875,958
	32,884,796

On February 2, 2022, the Company entered into a swap agreement for an additional $22,000,000 interest payment only loan to reimburse the subordinate debt held with the Town of Newmarket (note 16 and 19). The funding was drawn on February 3, 2022. The loan requires 120 monthly interest-only payments at a rate of 3.149% from the draw down date, after which the entire balance becomes immediately payable on February 3, 2032.

18. **INTEREST RATE SWAPS**

To reduce exposure to interest rate fluctuations, the Company has five (2020 - four) interest rate swaps where the Company pays a fixed interest rate over the term of the loan. As at December 31, 2021, the mark-to-market loss related to the swap agreement is $1,995,157 (2020 - $3,762,123). The current year gain was $1,766,967 (2020 loss - $1,675,306).

19. SUBORDINATE DEBT

	2021 $	2020 $
Promissory note payable, 5.48% - Town of Newmarket	22,000,000	22,000,000
Promissory note payable, 5.48% - Township of Tay	1,742,821	1,742,821
	23,742,821	23,742,821
Less principal payments due within one year	22,000,000	-
Due beyond one year	1,742,821	23,742,821

Estimated principal repayments are as follows:

	$
2022	22,000,000
Subsequent years	1,742,821
	23,742,821

Subsequent to year end, the debt with the Town of Newmarket was repaid. The Company entered into a interest payment only loan to fund this repayment, as described in note 17.

No repayment of the Township of Tay subordinated debt is permissible until all payment obligations of the bank loans payable listed in Note 17 are fulfilled, or the bank waives the subordination requirement.

20. CONTRIBUTED CAPITAL

	2021 $	2020 $
Deferred contributions, net, beginning of year	37,887,603	37,727,229
Contributed capital received	1,563,779	1,154,732
Contributed capital recognized as revenue (note 26)	(1,009,765)	(994,358)
Deferred contributions, net, end of year	38,441,617	37,887,603

Included in contributed capital is WIP amounts of $4,000,500 (2020 - $3,180,669).

21. DEPOSITS HELD

Deposits held represent cash deposits from electricity distribution customers and retailers, as well as construction deposits.

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

Construction Deposits represent cash payments from developers in order to secure the performance of the developer's obligations under the Construction Agreement for Expansion Facilities and Connection Assets Supplied by Developer - Residential Subdivision (The Construction Agreement).

	2021 $	2020 $
Current portion of customer deposits	448,564	620,160
Current portion of construction deposits	240,022	236,651
	688,586	856,811

	2021 $	2020 $
Long-term portion of customer deposits	2,284,182	2,223,647
Long-term portion of construction deposits	171,689	445,302
	2,455,871	2,668,949

22. EMPLOYEE FUTURE BENEFITS

The Company provides certain health, dental and life insurance benefits for retired employees pursuant to the Company's policy. The accrued benefit obligation and net periodic expense for the year were determined by an actuarial valuation. The last full valuation performed was as at December 31, 2019, with an update to December 31, 2021 for adjustments to the discount rate.

Information about the Company's defined benefit plan is as follows:

	2021 $	2020 $
Accrued benefit obligation, beginning of year	1,697,623	1,565,894
Current service cost	66,341	58,706
Interest expense	42,730	47,092
Benefits paid	(108,312)	(93,608)
Actuarial loss	(98,018)	119,539
Accrued benefit obligation, end of year	1,600,364	1,697,623

Current service costs and interest on accrued benefit obligation are recognized in the statement of income. Actuarial losses arising from changes in financial assumptions are accounted for in other comprehensive income. The total benefit costs for the year is $11,053 (2020 - $225,337).

The actuarial assumptions used in the valuation of the Company's staff are a discount rate of 3.0% (2020 - 2.6%), salary increase rate of 2.8% (2020 - 2.8%), cost trend including health benefits of 4.40% (2020 - 4.20%) and dental benefits 4.7% (2020 - 4.5%) and retirement age of 61 (2020 - 61). The health benefits are expected to increase to 4.60% in 2022, and dental benefits are expected to decrease to 4.90% in 2022.

The impact of a change in the actuarial assumptions would have the following impact on the obligation:

	Reasonable possible change %	Defined benefit obligation $	Difference $	Difference %
Discount rate	1	1,394,400	(206,000)	(13)
Discount rate	(1)	1,862,300	261,900	16
Cost trends	1	1,680,800	80,400	5
Cost trends	(1)	1,528,200	(72,200)	(5)

23. LEASES

The Company has leases for two office buildings, one rental space, a lease for fibre optic cable and a lease in place for electrical substations. Each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability.

Estimates on lease terms and lease extensions on lease contracts were measured based on circumstances at date of initial application. Lease payments are fixed, with leases of office buildings generally limited to a lease term of 5 to 10 years and leases of substations having a lease term of 5 years.

When measuring the lease liabilities, the Company determined the appropriate rate to discount lease payments as the long term debt rate from their most recent OEB board approved cost of service rate application. When measuring the lease liabilities pertaining to Envi Networks Ltd. the Company determined the appropriate rate to discount lease payments as the incremental borrowing rate from their most recent banking agreement.

The right-of-use asset and lease liability related to 590 Steven Court was modified on March 3, 2021 requiring a revaluation of $1,356,040 based on the circumstances at date of modification. New leases were recorded in fibre cable during the year due to an increase in the underlying asset of the lease.

Right-of-use assets
Additional information on right-of-use assets by class is as follows:

	Cost	Additions	Accumulated amortization	Carrying amount
Office buildings	1,968,204	1,356,040	(987,574)	2,336,670
Electrical substations	214,405	-	(76,573)	91,888
Fibre cable	343,610	95,283	(109,343)	329,550
Rental space	38,954	-	(11,686)	27,268
	2,565,173	1,451,323	(1,185,176)	2,785,376

Lease liabilities
Lease liabilities are presented in the statement of financial position as follows:

	Opening Liability	Additions	Repayments	Carrying amount	Interest
Office buildings	1,390,137	1,356,040	(297,855)	2,448,323	132,862
Electrical substations	126,937	-	(46,156)	80,781	3,823
Fibre cable	281,486	95,283	(30,504)	346,265	10,173
Rental space	32,488	-	(3,636)	28,852	1,364
	1,831,048	1,451,323	(378,151)	2,904,221	148,222

The current portion of lease liabilities as at December 31, 2021 is $362,010 (2020 - $357,634).

24. SHARE CAPITAL

Authorized

Unlimited number of common shares

Issued

	2021 $	2020 $
10,000 Common shares	29,609,342	29,609,342

25. NON-CONTROLLING INTEREST

The changes in non-controlling interest consist of:

	2021 $	2020 $
Non controlling interest, beginning of year	3,180,956	3,193,391
Income	245,309	94,715
Dividends paid	(101,000)	(101,000)
Other comprehensive income	5,043	(6,150)
Non-controlling interest, end of year	3,330,308	3,180,956

26. OTHER INCOME

Other income consists of the following:

	2021 $	2020 $
Account set up fees	134,504	134,845
Pole rentals	206,456	147,025
Collection charges	4,044	738
Non rate-regulated utility operations, net	(89,568)	132,581
Recognition of contributed capital (note 20)	1,009,765	994,358
Ecobility Inc. equity investment	106,346	168,511
Other	155,133	134,928
	1,526,680	1,712,986

27. OPERATING EXPENSES

Operating expenses consist of the following:

	2021 $	2020 $
Wage and benefits	5,663,690	5,605,198
Materials, equipment and other operating expenses	2,723,140	2,466,797
Administration and overhead	5,087,251	5,226,598
	13,474,081	13,298,593

The prior year amounts have been restated to conform to current year classifications.

28. FINANCE INCOME AND FINANCE COSTS

Finance income recognized in net income consists of the following:

	2021 $	2020 $
Interest income on accounts receivable	252,073	275,833
Income on cash balance	21,764	74,291
Interest income on regulatory balances	9,844	57,504
	283,681	407,628

Finance costs recognized in net income consists of the following:

	2021 $	2020 $
Interest on long-term debt	1,061,265	1,158,278
Interest on subordinated debt	1,301,107	1,301,107
Interest on lease liabilities	148,222	96,210
Interest on customer deposits	12,483	45,570
	2,523,077	2,601,165

29. CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	2021 $	2020 $
Decrease (increase) in accounts receivable	3,782,487	(2,604,300)
Decrease in unbilled revenue	2,576,675	107,891
Decrease (increase) in inventories	9,354	(105,230)
Decrease (increase) in prepaid expenses and sundry assets	162,142	(37,439)
Increase (decrease) in accounts payable and accrued liabilities	(428,554)	2,910,866
Increase (decrease) in deposits held	(381,303)	273,294
Interest received	283,681	407,448
Taxes paid	(59,975)	(903,045)
Taxes received	840,189	3,642,805
Advances (to) from related parties	16,508	24,388
	6,801,204	3,716,678

30. PENSION AGREEMENT

The Company makes contributions to the Ontario Municipal Employees' Retirement System (O.M.E.R.S.), which is a multi-employer plan, on behalf of its employees. The plan is a defined benefit plan which specifies the amount of retirement benefits to be received by the employees based on the length of service and rates of pay.

The Actuarial Opinion contained in the 2021 Annual Report disclosed actuarial liabilities of $120,796 million in respect of benefits accrued for service with actuarial assets of $117,655 million indicating an actuarial deficit of $3,131 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the organization does not recognize any share of the OMERS pension surplus or deficit.

The amount the Company contributed to O.M.E.R.S. for the year was $703,651 (2020 - $678,739).

31. CAPITAL DISCLOSURES

The Company’s primary objective when managing capital is to address the expectations as provided in the Shareholder Agreement between the Company’s parent company, Newmarket Hydro Holdings Inc. and its shareholder, the Town of Newmarket. The expectation is that the Company will maintain a prudent financial structure in order to safeguard the Company's assets and to provide adequate returns for its shareholders and benefits to the stakeholders.

Changes to the Company’s capital structure are constrained by existing covenants contained in the banking agreement. The Company must maintain a maximum debt to capitalization ratio of 0.60 to 1 and maintain a debt service coverage ratio of 1.2. As at year end the Company is compliant with these covenants.

32. FINANCIAL INSTRUMENTS

Financial instruments consist of recorded amounts of cash, accounts receivable and unbilled revenue which will result in future cash receipts, as well as accounts payable and accrued liabilities, deposits held, advances from parent company and long-term debt which will result in future cash outflows.

The Company does not believe that it is exposed to significant foreign exchange risk or market risk.

There has been no significant change in the risk exposure of the Company in the year as a result of the COVID-19 pandemic. Refer to note 35 for additional disclosure related to COVID-19.

The Company is exposed to the following risks in respect of certain financial instruments held:

(a) Fair value

The fair value of financial instruments is the amount of consideration that would be agreed upon in an arms' length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable, unbilled revenue, accounts payable and accrued liabilities, operating loan and customer deposits, approximate their carrying values due to the relatively short-term nature of the instruments and/or floating interest rates on the instruments.

Financial instruments which are disclosed at fair value are to be classified using a three-level
hierarchy. Each level reflects the inputs used to measure the fair values disclosed of the financial liabilities, and are as follows:

i. Level 1: Inputs are unadjusted quoted prices of identical instruments in active markets;
ii. Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
iii. Level 3: Inputs for the liabilities that are not based on observable market data (unobservable inputs).

The estimated fair values of long-term debt using level 2 inputs approximate carrying values due to the fact that effective interest rates are not significantly different from market rates.

The company has entered into interest rate swap arrangements for a portion of its bank loans payable. As at December 31st, 2021 the fair market value of the swap has been recognized as a liability in the statement of financial position.

32. **FINANCIAL INSTRUMENTS, continued**

(b) *Interest rate risk*

The Company manages exposure to interest rate risk through a combination of fixed and floating rate borrowings. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate cash flow risk to the extent that the floating rate credit facility bears interest at a floating rate. The Company is also exposed to interest rate price risk to the extent that loans bear interest at fixed rates and has entered into an interest rate swap arrangement to manage the impact of fluctuating interest rates on bank loan payable. The swaps require the periodic exchange of interest payments without the exchange of the notional principal amount on which the payments are based (notes 5, 15, 17 and 19).

(c) *Credit risk*

Financial assets carry credit risk that a counter-party will fail to discharge an obligation which would result in a financial loss. Financial assets held by the Company, such as accounts receivable, expose it to credit risk. The Company earns its revenue from a broad base of customers located in the service area. No single customer accounts for revenue in excess of 10% of total revenue.

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of related impairment loss is recognized in the statement of income. Subsequent recoveries of receivables previously provisioned are credited to the income statement. The balance of the allowance for impairment at December 31, 2021 is $1,385,150 (2020 - $525,633). The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. The Company has approximately 52,000 customers, the majority of which are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2021, the Company holds security deposits in the amount of $3,144,457 (2020 - $3,525,760). The Company's activities provide for a variety of financial risks, particularly credit risk, market risk and liquidity risk. The accounts receivable balance is expected to be fully repaid within 90 days excluding the allowance for doubtful accounts portion of the balance.

32. **FINANCIAL INSTRUMENTS, continued**

(d) Liquidity risk

The Company does have a liquidity risk in accounts payable and accrued liabilities of $21,892,318 (2020 - $22,320,872). Liquidity risk is the risk that the Company cannot repay its obligations when they become due to its creditors. The Company reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due; maintains an adequate line of credit to repay trade creditors and repays long-term debt interest and principal as they become due. In the opinion of management the liquidity risk exposure to the Company is low and is not material.

The following are contractual maturities of financial liabilities, including estimated interest payments:

	Between 0-3 months $	Between 4-12 months $	Over 1 year $
Accounts payable and accrued liabilities	21,892,318	-	-
Deposits held	172,147	516,439	2,455,871
Long-term debt	2,157,540	497,023	32,225,390
Employee future benefits	-	-	1,600,364
Bank loan	-	-	3,050,000
Leases	88,595	273,415	2,167,094
Subordinated debt	22,000,000	-	1,742,821
	46,310,600	1,286,877	43,241,540

33. CONTINGENT LIABILITIES

(a) In the normal course of business, the Company enters into agreements that meet the definition of a guarantee. The guarantees include indemnities under lease agreements, purchase and sale agreements, confidentiality agreements, outsourcing, service and information agreements. The nature of these indemnification agreements prevents the Company from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability related to the likelihood and predictability of future events. Historically, the Company has not made any significant payments under similar indemnification agreements and therefore no amount has been accrued in the statement of financial position with respect to these agreements.

(b) Indemnity has been provided to all directors and/or officers of the Company for various items including, but not limited to, all costs to settle suits or actions due to association with the Company, subject to certain restrictions. The Company has purchased directors' and officers' liability insurance to mitigate the cost of any potential suits or actions. The amount of any potential future liability which exceeds the amount of insurance coverage cannot reasonably be determined.

(c) The Company participates with other municipal utilities in Ontario in an agreement to exchange reciprocal contracts of indemnity through the Municipal Electric Association Reciprocal Insurance Exchange. Under this agreement, the Company is contingently liable for additional assessments to the extent that premiums collected are not sufficient to cover actual losses, claims and costs experienced.

34. COMPARATIVE FIGURES

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year.

Prior year reclassification include:
A reclassification to current portion of lease liability from long-term.
A reclassification to deferred taxes from regulatory deferral and variance accounts related to a non-capital loss carryforward.
A reclassification to trade accounts receivable from unbilled revenues related to the Ontario Electricity Rebate.

The changes do not affect prior year earnings.

35. **COVID-19**

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Company's environment and in the global markets due to the possible disruption in supply chains, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) could have a material impact on the Company's operations.

The extent of the effect of the COVID-19 pandemic on the Company is uncertain however thus far business has not been significantly impacted.

RESOLUTIONS OF THE SOLE SHAREHOLDER OF NEWMARKET HYDRO HOLDINGS INC.

WHEREAS the Corporation of the Town of Newmarket (the “Sole Shareholder”) is the sole shareholder of Newmarket Hydro Holdings Inc. (the “Corporation”;)

AND WHEREAS the Sole Shareholder by a Shareholder Declaration dated November 1, 2000 appointed the Mayor as its legal representative for the purpose of communicating any shareholder consent or approval required by either the terms of the Shareholder Declaration or the *Business Corporations Act* (Ontario) (the “*OBCA*”);

AND WHEREAS the Corporation owns a majority of the common shares of Newmarket-Tay Power Distribution Ltd. (“NT Power”) and Envi Networks Ltd. (“Envi”); and pursuant to s.102(2) of the *OBCA* where a body corporate is the shareholder of a corporation the corporation shall recognize any individual properly authorized by the body corporate to represent it at meetings of shareholders of the corporation;

AND WHEREAS pursuant to s.104 of the *OBCA* a written resolution dealing with all the matters required to be dealt with at a shareholders meeting and signed by the shareholders entitled to vote at that meeting satisfies all requirements of the *OBCA* relating to that meeting of shareholders;

NOW THEREFORE BE IT RESOLVED by the Municipal Council of the Corporation of the Town of Newmarket as follows:

1. THAT the Mayor, as the Sole Shareholder’s legal representative, is directed to sign the following Corporation Shareholder resolutions:

a. THAT the Corporation’s financial statements for the financial year ended December 31, 2021 together with the report of the Corporation’s auditors, Baker Tilly KDN LLP (“Baker Tilly”), Chartered Accountants, thereon dated May 13, 2022 be approved and adopted; and

b. THAT KPMG, Chartered Accountants, be appointed auditors of the Corporation to hold office until the next annual meeting of shareholders at such remuneration as may be fixed by the sole director and the sole director is authorized to fix such remuneration; and

c. THAT Ian McDougall, be appointed as the sole director of the Corporation to hold office until the next annual meeting of shareholders or until his successor is elected or appointed; and

d. THAT Ian McDougall, so long as he is the sole director of the Corporation, shall represent the Corporation at meetings of shareholders of NT Power and Envi; and

e. AND THAT all acts, contracts, bylaws, proceedings, appointments elections and payments, enacted, made, done and taken by the sole director and sole officer of the Corporation to December 31, 2021, as the same are set out or referred to in the resolutions of the sole director, or in the financial statements of the corporation, are approved, sanctioned and confirmed.

2. AND THAT the Mayor, as the Sole Shareholder's legal representative, direct Ian McDougall, the sole director and legal representative of the Corporation, to sign the following NT Power shareholder resolutions in lieu of an annual meeting:

a. THAT the financial statements of NT Power for the financial year ended December 31, 2021 together with the report of NT Power's auditors, Baker Tilly, thereon dated April 29, 2022 be approved and adopted.

b. THAT KPMG, Chartered Accountants, be appointed auditors of NT Power to hold office until the next annual meeting of shareholders at such remuneration as may be fixed by the directors and the directors are authorized to fix such remuneration.

c. THAT J. Taylor, T. Walker, D. Charleson, B. Gabel, C. Prattas, D. Priore, and D. Wattling are elected directors of NT Power to hold office until the next annual meeting of shareholders or until their successors are elected or appointed.

d. AND THAT all acts, contracts, bylaws, proceedings, appointments elections and payments, enacted, made, done and taken by the directors and officers of NT Power to December 31, 2021, as the same are set out or referred to in the resolutions of the board of directors, the minutes of the meetings of the board of directors or in the financial statements of NT Power, are approved, sanctioned and confirmed.

3. AND THAT the Mayor, as the Sole Shareholder's legal representative, direct Ian McDougall, the sole director and legal representative of the Corporation, to sign the following Envi shareholder resolutions in lieu of an annual meeting:

a. THAT the financial statements of Envi for the financial year ended December 31, 2021 together with the report of Envi's auditors, Baker Tilly, thereon dated April 12, 2022 be approved and adopted; and

b. THAT KPMG, Chartered Accountants, be appointed auditors of Envi to hold office until the next annual meeting of shareholders at such remuneration as may be fixed by the directors and the directors are authorized to fix such remuneration; and

c. THAT I. Collins, J. Piercy, and B. Kwapis are elected directors of Envi to hold office until the next annual meeting of shareholders or until their successors are elected or appointed; and

d. AND THAT all acts, contracts, bylaws, proceedings, appointments elections and payments, enacted, made, done and taken by the directors and officers of Envi to December 31, 2021, as the same are set out or referred to in the resolutions of the board of directors, the minutes of the meetings of the board of directors or in the financial statements of Envi, are approved, sanctioned and confirmed.

Dated as of the 20th day of June, 2022.

CORPORATION OF THE TOWN OF NEWMARKET

____
John Taylor, Mayor