FINANCIAL STATEMENTS OF

PETERBOROUGH DISTRIBUTION INC.

December 31, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of
Peterborough Distribution Inc.

We have audited the accompanying financial statements of Peterborough Distribution Inc., which comprise the statement of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the company's preparation and fair presentation of the financial statements 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Peterborough Distribution Inc. as at December 31, 2014, December 31, 2013 and January 1, 2013 and its financial performance and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

Collins Barrow Kawarthas LLP

Chartered Professional Accountants
Peterborough, Ontario
April 10, 2015

PETERBOROUGH DISTRIBUTION INC.
STATEMENT OF FINANCIAL POSITION

As at December 31, 2014, December 31, 2013 and January 1, 2013
($s in thousands)

	2014 $	2013 $	Jan 1, 2013 $
		(note 22)	(note 22)
ASSETS			
Current assets			
Cash	4,035	1,228	4,227
Accounts receivable	7,069	6,821	6,783
Unbilled revenue on customer accounts	9,426	10,756	9,143
Income taxes recoverable	235	727	-
Inventories	988	1,258	1,378
Prepaid expenses	190	141	91
	21,943	20,931	21,622
Other assets			
Property, plant and equipment (note 4)	70,308	66,950	65,016
Deferred tax assets (note 11)	2,453	2,193	2,575
	72,761	69,143	67,591
Regulatory assets (note 5)	5,388	2,801	1,457
	100,092	92,875	90,670

The accompanying notes are an integral part of these financial statements

PETERBOROUGH DISTRIBUTION INC.
STATEMENT OF FINANCIAL POSITION

As at December 31, 2014, December 31, 2013 and January 1, 2013
($s in thousands)

	2014 $	2013 $ (note 22)	Jan 1, 2013 $ (note 22)
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	13,305	9,699	10,369
Income taxes payable	-	-	498
Customer deposits refundable within one year	697	691	773
Current portion of long-term debt (note 8)	1,378	1,313	901
	15,380	11,703	12,541
Long-term liabilities			
Customer deposits	1,229	1,027	926
Employee future liabilities (note 7)	98	97	97
Deferred contributions (note 6)	12,409	11,436	10,337
Derivative financial instruments (note 18)	2,534	981	1,056
Long-term debt (note 8)	37,545	35,424	30,938
Due to related parties (note 9)	1,500	1,500	5,158
	55,315	50,465	48,512
Shareholder's equity			
Share capital (note 10)	21,658	21,658	21,658
Accumulated other comprehensive loss	(1,853)	(713)	(768)
Retained earnings	9,274	8,649	7,073
	29,079	29,594	27,963
Regulatory liabilities (note 5)	318	1,113	1,654
	100,092	92,875	90,670

Approved on behalf of the Board

_______________ Director _______________ Director

The accompanying notes are an integral part of these financial statements

PETERBOROUGH DISTRIBUTION INC.
STATEMENT OF INCOME

For the year ended December 31, 2014
($s in thousands)

	2014 $	2013 $ (note 22)
Revenue		
Power recovery	88,576	84,537
Distribution	14,254	15,096
Other (note 12)	1,595	1,165
	104,425	100,798
Expenses		
Purchased power	91,958	86,422
Operations and administration (note 13)	8,719	8,408
Depreciation	3,039	2,975
	103,716	97,805
Income before the undernoted items and corporate taxes	709	2,993
Net finance costs (note 14)	1,594	1,405
Income (loss) before income taxes and regulatory items	(885)	1,588
Net movement on regulatory deferral accounts	3,382	1,885
Income before income taxes	2,497	3,473
Provision for income taxes (note 11)		
Current	422	544
Deferred	150	353
	572	897
Net income for the year	1,925	2,576

The accompanying notes are an integral part of these financial statements

PETERBOROUGH DISTRIBUTION INC.
STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2014
($s in thousands)

	2014 $	2013 $ (note 22)
Net income for the year	1,925	2,576
Other comprehensive income		
Employee benefit plan actuarial gains	1	-
Related deferred tax	-	-
Change in fair value of derivative instruments	(1,553)	75
Related deferred tax	412	(20)
Other comprehensive loss for the year	(1,140)	55
Total comprehensive income for the year	785	2,631

The accompanying notes are an integral part of these financial statements

PETERBOROUGH DISTRIBUTION INC.
STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2014
($s in thousands)

	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
Balance at January 1, 2013 (note 22)	21,658	7,073	(768)	27,963
Net income for the year		2,576	-	2,576
Change in fair value of derivative instruments, net of tax	-	-	55	55
Dividends paid	-	(1,000)	-	(1,000)
Balance at December 31, 2013 (note 22)	21,658	8,649	(713)	29,594
Balance at January 1, 2014	21,658	8,649	(713)	29,594
Net income for the year		1,925	-	1,925
Actuarial gain on accrued employee benefit liabilities, net of tax	-	-	1	1
Change in fair value of hedging instruments, net of tax	-	-	(1,141)	(1,141)
Dividends paid	-	(1,300)	-	(1,300)
Balance at December 31, 2014	21,658	9,274	(1,853)	29,079

The accompanying notes are an integral part of these financial statements

PETERBOROUGH DISTRIBUTION INC.
STATEMENT OF CASH FLOWS

For the year ended December 31, 2014
($s in thousands)

	2014 $	2013 $
		(note 22)
CASH PROVIDED FROM (USED FOR)		
Operating activities		
Net income for the year	1,925	2,576
Charges to operations not requiring a current cash payment:		
Depreciation	3,039	2,975
Increase in employee future liabilities	1	-
Net finance costs	1,594	1,405
Recognition of contributed capital	(340)	(317)
Current income tax	422	544
Deferred income tax	150	353
	6,791	7,536
Change in non-cash working capital items (note 15)	4,909	(2,251)
Interest received	106	105
Taxes paid	70	(1,769)
Receipt of deferred contributions	1,313	1,416
Increase in customer deposits	208	19
	13,397	5,056
Investing activities		
Purchase of property, plant and equipment	(6,395)	(4,900)
Increase in regulatory assets and liabilities	(3,382)	(1,885)
	(9,777)	(6,785)
Financing activities		
Proceeds from long-term debt	3,500	6,158
Repayment to related party	-	(3,658)
Repayment of long-term debt	(1,313)	(1,260)
Interest paid	(1,700)	(1,510)
Dividends paid	(1,300)	(1,000)
	(813)	(1,270)
Net increase (decrease) in cash	2,807	(2,999)
Cash - beginning of year	1,228	4,227
Cash - end of year	4,035	1,228

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS

Peterborough Distribution Inc. (the "Company") is an electricity distribution company, wholly owned by the City of Peterborough Holdings Inc. which, in turn, is wholly owned by the Corporation of the City of Peterborough. The Company is incorporated and domiciled in Canada with its head and registered office located at 1867 Ashburnham Drive, Peterborough, ON K9J 6Z5. The Company's distribution rates and conditions for providing services are regulated by the Ontario Energy Board (the "OEB").

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements were authorized for issue by the Board of Directors on March 26, 2015.

(b) Adoption of IFRS

These are the Company's first financial statements prepared in accordance with IFRS. In prior years, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The Company has restated its opening Statement of Financial Position as at January 1, 2013, its IFRS transition date, by applying IFRS retrospectively, except with regard to specific items, in respect of which IFRS 1: First-Time Adoption of IFRS either prohibits or modifies the retrospective application of IFRS.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 22.

(c) Basis of measurement

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

(d) Presentation currency

The financial statements are presented in Canadian dollars, which is also the Company's functional currency. All financial information has been rounded to the nearest thousand, except when otherwise noted.

(e) Use of significant estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2. BASIS OF PREPARATION, continued

Information about critical judgments in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements and about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are as follows:

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

- Unbilled revenue – The measurement of unbilled revenue is based on an estimate of the amount of electricity delivered to customers between the date of the last bill and the end of the year.

- Measurement of fair value of financial instruments – As described in note 18, the Corporation uses the discounted cash flow model to estimate the fair value of certain financial instruments.

(f) Accounting for Electricity Regulation

The Company is regulated by the OEB and accounts for the impact of rate regulation by the OEB as follows:

(i) Regulatory Decisions to Adjust Distribution Rates

In the event that a regulatory decision is rendered, providing regulatory approval and certainty to the recognition of an asset, or creation of a liability, and culminating in an adjustment to Company distribution rates, such occurrences are immediately reflected in the Company's accounts.

(ii) Regulatory Accounting Practice

In the absence of a regulatory decision impacting rates, and where the Company is required by regulatory accounting practice or direction to accumulate balances for future rate recovery or create liabilities for future discharge, those amounts are recorded in accordance with that regulatory direction. Management assesses the future uncertainty with respect to the final regulatory disposition of those amounts, and to the extent required, makes accounting provisions to reduce the deferred balances accumulated or to increase the recorded liabilities.

Upon rendering of the final regulatory decision adjusting distribution rates, the provisions are adjusted to reflect the final impact of the decision and such adjustments are reflected in net income for the period.

Amounts currently confirmed by regulatory decision, and amounts currently accounted for in the absence of regulatory decision together with related provisions are more fully described in note 5.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Revenue Recognition

a. Electricity Distribution

Revenue attributable to the delivery of electricity is based upon OEB-approved distribution tariff rates and includes the amounts billed to customers for electricity, including the cost of electricity supplied, distribution charges and any other regulatory charges. Revenue is recognized as electricity is delivered and consumed by customers. Revenue is measured at the fair value of the consideration received or receivable, net of sales tax and debt retirement charges.

b. Deferred Contributions

Certain items of property, plant and equipment are acquired or constructed with financial assistance in the form of contributions from developers ("deferred contributions"). Such contributions, whether in cash or in-kind, are recognized as deferred contributions and amortized into income over the life of the related assets. Deferred contributions in-kind are valued at their fair value at the date of their contribution.

c. Conservation and Demand Management ("CDM")

Performance incentive payments under CDM programs are recognized by the Company when there is reasonable assurance that the program conditions have been satisfied and the incentive payments will be received.

d. Other

Other revenues are recognized when the services are rendered.

(b) Financial Instruments

- Non-derivative financial assets

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the settlement date of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

The Company has the following non-derivative financial assets which it has classified as follows:

• Cash	Loans and receivables
• Accounts receivable	Loans and receivables
• Unbilled revenue	Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

- Non-derivative financial liabilities

The Company initially recognizes debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the settlement date of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities which it has classified as follows:

• Accounts payable and accrued liabilities	Financial liabilities at amortized cost
• Customer deposits	Financial liabilities at amortized cost
• Due to related parties	Financial liabilities at amortized cost
• Long-term debt	Financial liabilities at amortized cost

Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

- Derivative financial instruments and hedge accounting

Derivative financial instruments in the form of interest rate swap contracts are used to manage exposure to fluctuations in interest rates on the Company's long-term debt. The contracts are designated as hedges, and therefore any gain or loss, net of tax, is included in other comprehensive income.

(c) Cash

Cash consists of balances with financial institutions.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

(d) Inventories

Inventory consists of distribution system maintenance and construction materials and is valued at the lower of moving average cost and replacement cost. Major spare parts and stand-by equipment are recorded in property, plant and equipment.

(e) Property, plant and equipment

- *Recognition and measurement*

Items of property, plant and equipment ("PP&E") are measured at cost less accumulated depreciation, and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the asset.

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

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

The cost and related accumulated depreciation for identifiable PP&E, such as substations, remain in the accounts until the assets are retired or disposed of at which time any gain or loss is reflected in operations. PP&E which are recorded on a group basis, such as meters, are removed from the accounts only at the end of their estimated service lives.

- *Subsequent costs*

The cost of replacing a part of an item of property, plant and equipment 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 Company, 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 property, plant and equipment are recognized in income as incurred.

(in thousands of dollars)

3. SIGNIFICANT ACCOUNTING POLICIES, continued

- *Depreciation*

Depreciation of PP&E is recognized on a straight-line basis designed to amortize the assets over their estimated useful lives as follows:

Buildings	34 – 50 years
Substations	25 – 45 years
Distribution lines	30 – 60 years
Transformers	35 – 60 years
Meters	15 – 25 years
Other	4 – 5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Work in process assets are not depreciated until the project is complete and ready for use.

Gains and losses on disposal of an item of PP&E are recognized in income and determined by the difference between proceeds from disposal and the carrying amount of the item.

(f) Employee benefits

i. O.M.E.R.S.

The Company participates in an industry-wide multi-employer post-employment defined benefit pension plan, the Ontario Municipal Employees Retirement Systems (O.M.E.R.S). Both participating employers and employees are required to make plan contributions based on the employees' contributory earnings. The Company recognizes its employee benefit expense related to this plan as the contributions are made.

ii. Vested sick leave benefits

After five years of service upon retirement or termination, the Company has agreed to pay at the employee's then current pay rate; the lesser of one-half of the employee's accumulated sick leave benefits or 130 days. For those employees who commenced employment on or after April 1, 1982, the amount will not exceed 130 days or the number of years of service prior to April 1, 2007, times six days.

For financial statement purposes the liability is valued at the total of each employee's current vested sick leave hours at current pay rates in accordance with the above formula.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

iii. Employee benefits plans

The Company provides certain health care, dental care, life insurance and other benefits for certain retired employees. These defined benefit plans are not funded. Accordingly, there are no plan assets.

The Company's net obligation in respect of these is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs are deducted. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Company's obligations. The calculation is performed annually by an independent qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

The Company recognizes all actuarial gains and losses arising from these plans in other income during the period in which they occur and all expenses related to defined benefit plans in profit or loss. The actuarial gains and losses are not reclassified to profit or loss in subsequent periods.

iv. Short-term employee benefits

Short-term employee benefit obligations, including accumulating vested sick leave and vacation, are measured on an undiscounted basis using management's best estimates and are expensed as the related service is provided.

(g) Customer deposits

Customers may be required to post security to obtain electricity or other services, which are refundable. Where the security posted is in the form of cash or cash equivalents, these amounts are recorded in the accounts as deposits, which are reported separately from the Company's own cash and cash equivalents. Interest rates paid on customer deposits are based on the Bank of Canada's prime business rate less 2.0%.

(h) Finance income and finance costs

Finance income comprises interest income on funds invested and gains on the disposal of financial assets. Interest income is recognized as it accrues in income, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in comprehensive income using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other finance charges that the Company incurs in borrowing funds.

(i) Corporate income taxes

Under the Electricity Act, 1998, the Company is required to make payments in lieu of corporate income taxes (“PIL’s”) to Ontario Electricity Financial Corporation (“OEFC”). The payments in lieu of taxes are calculated on a basis as if the Company was a taxable company under the Income Tax Act (Canada).

Corporate income taxes are calculated using the deferred income tax liability and asset method of tax accounting. Temporary differences arising from the difference between the tax basis of an asset and its carrying amount on the statement of financial position are used to calculate deferred tax liabilities or assets. Deferred tax liabilities or assets are measured using tax rates anticipated to apply in the periods that the temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in income in the year in which the change occurs.

(j) Impairment

- *Financial assets (including receivables)*

A financial asset not carried at fair value through income is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management’s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognized in income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

- *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in income. Impairment losses recognized in respect of CGUs reduce the carrying amounts of the assets in the unit (group of units) on a pro rata basis

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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

i. Effective for annual periods beginning on or after July 1, 2016
   - IFRS 14 Regulatory Deferral Accounts: Interim standard permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with previous GAAP upon adoption of IFRS.

ii. Effective for annual periods beginning on or after January 1, 2018
   - IFRS 9 Financial Instruments: Recognition and Measurement (new) – modifies IAS 39 eliminating categories and redefines gain and loss re-measurement.

The Company has early adopted IFRS 14 and as such continues to recognize rate regulated activities.

The Company has not early adopted IFRS 9 and is currently assessing the impact that the standard will have on the statements.

(in thousands of dollars)

4. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $	Distribution Lines $	Trans-formers $	Meters & other $	Work in progress $	Total $
Cost or deemed cost						
Balance, Jan 1, 2013	585	35,793	11,185	15,410	2,043	65,016
Additions	-	2,957	990	840	5,169	9,956
Transfers	-	-	-	-	(5,047)	(5,047)
Disposals	-	-	-	-	-	-
Balance, Dec 31, 2013	585	38,750	12,175	16,250	2,165	69,925
Additions	118	2,985	1,785	727	5,938	11,553
Transfers	-	-	-	-	(5,156)	(5,156)
Disposals	-	-	-	-	-	-
Balance, Dec 31, 2014	703	41,735	13,960	16,977	2,947	76,322

	Land and buildings $	Distribution Lines $	Trans-formers $	Meters & other $	Work in progress $	Total $
Accumulated depreciation						
Balance, Jan 1, 2013	-	-	-	-	-	-
Depreciation expense	10	1,506	448	1,011	-	2,975
Disposals	-	-	-	-	-	-
Balance, Dec 31, 2013	10	1,506	448	1,011	-	2,975
Depreciation expense	12	1,569	491	967	-	3,039
Disposals	-	-	-	-	-	-
Balance, Dec 31, 2014	22	3,075	939	1,978	-	6,014
Net Book Value						
At Jan 1, 2013	585	35,793	11,185	15,410	2,043	65,016
At Dec 31, 2013	575	37,244	11,727	15,239	2,165	66,950
At Dec 31, 2014	681	38,660	13,021	14,999	2,947	70,308

(in thousands of dollars)

5. REGULATORY ASSETS AND LIABILITIES

The Company has recorded the following regulatory assets and liabilities:

	Retail settlement variance (i) $	Smart meter variance (ii) $	Lost revenue adjustment variance (iii) $	Other $	Total $
Regulatory Assets					
Balance, Jan 1, 2013	-	1,412	29	16	1,457
Recovery/reversal	1,298	(140)	22	164	1,344
Balance, Dec 31, 2013	1,298	1,272	51	180	2,801
Recovery/reversal	3,114	(540)	22	(9)	2,587
Balance, Dec 31, 2014	4,412	732	73	171	5,388
Remaining recovery/ reversal period (years)		4	2-4	2-4	

	Retail settlement variance (i) $	Regulatory items approved for settlement (iv) $	Total $
Regulatory Liabilities			
Balance, Jan 1, 2013	575	1,079	1,654
Recovery/reversal	(575)	34	(541)
Balance, Dec 31, 2013	-	1,113	1,113
Recovery/reversal	-	(795)	(795)
Balance, Dec 31, 2014	-	318	318
Remaining recovery/ reversal period (years)		3	

(i) Retail settlement variances represent the difference between the amount paid by the Company to the Independent Electricity System Operator ("IESO") for the cost of energy and the amount billed by the Company to its customers as energy sales, and related carrying costs. These amounts are recorded on the statement of financial position as retail settlement variances until their final disposition is decided by the OEB. The Company recognizes retail settlement variances as a regulatory deferral account debit or credit based on the expectation that these amounts will be approved by the OEB for future collection from, or refund to, customers through the rate setting and approval process, the timing of which has yet to be determined.

(in thousands of dollars)

5. REGULATORY ASSETS AND LIABILITIES, continued

(ii) In 2012, the OEB approved disposition of the Smart Meter variance account, excluding the portion related to the meters replaced ("stranded meters"). As prescribed by the regulator, the smart meter disposition resulted in the transfer of approximately $5,200 to property, plant and equipment and $1.2 million in additional amortization expense in 2012. The remaining balance in the Smart Meter variance account of $732 (2013 - $1,272) represents the estimated net recoverable value of stranded meter assets to be recovered in future rates.

(iii) The lost revenue adjustment ("LRAM") variance is a retrospective adjustment designed to recover revenues lost from distributor supported CDM activities in a prior year. The Company expects future collection of these amounts through the rate setting and approval process, the timing of which has yet to be determined.

(iv) Regulatory items approved for settlement consists of various deferred amounts in connection with Canadian GAAP changes, global adjustment dispositions, and other amounts approved by the OEB. Costs incurred with respect to these various activities are included in rate recoveries effective until 2017.

6. DEFERRED CONTRIBUTIONS

The continuity of deferred customer contributions in aid of construction of PP&E is as follows:

	2014 $	2013 $
Balance, beginning of year	11,436	10,337
Add : Customer contributions during the year	1,313	1,416
	12,749	11,753
Less: Amount recognized as other revenue	(340)	(317)
Balance, end of year	12,409	11,436

(in thousands of dollars)

7. EMPLOYEE FUTURE LIABILITIES

(a) Employee Future Liabilities

Employee future liabilities are comprised of vested sick leave and accrued benefit liabilities related to the Company's post employment medical and life insurance plan. Amounts accrued in these financial statements are summarized as follows:

	2014 $	2013 $	January 1, 2013 $
Vested sick leave liability	53	53	53
Accrued employee benefit liability	45	44	44
Employee future liabilities	98	97	97

(b) Post Employment Medical and Life Insurance Plan

Under the plan, the Company provides certain health care, dental care, life insurance and other benefits for certain retired employees. The present value of the employee benefit liability is actuarially determined and fully reflected as an obligation. Actuarial gains and losses arising from these plans are recognized in other comprehensive income during the period in which they occur. The accrued employee benefit liability is based on an actuarial valuation as at December 31, 2014.

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligation are as follows:

	2014 %	2013 %
Discount rate	4.00	4.65
Rate of compensation increase	2.50	2.60
Medical benefits costs escalation	7.00	7.25
Dental benefits cost escalation	4.60	5.00

The Company recognizes all actuarial gains and losses arising from these plans in income during the period in which they occur and all expenses related to defined benefit plans in income from operations. The actuarial gains and losses are not reclassified to income from operations in subsequent periods. The plan is not funded and accordingly there are no plan assets.

(in thousands of dollars)

8. LONG-TERM DEBT

A summary of outstanding long-term debt is provided in the table below:

	2014 $	2013 $	January 1 2013 $
Bank debt, bearing interest at prime less 0.25% due October 23, 2017 (a)(i)	6,000	2,500	-
Bank debt, bearing interest at 2.1% due January 31, 2014 (a)(i)	-	-	18,000
Bank debt, bearing interest at 4.25% per annum payable in blended monthly payments of principal and interest of $105 due August 21, 2023 (a)(ii)	20,932	21,298	-
Bank debt, bearing interest at 4.55% per annum payable in blended monthly payments of principal and interest of $51 due December 24, 2018 (a)(ii)	4,482	4,877	5,253
Bank debt, bearing interest at 5.36% per annum payable in blended monthly payments of principal and interest of $81 due December 22, 2019 (a)(ii)	7,509	8,062	8,586
	38,923	36,737	31,839
Less: principal payments due within one year	1,378	1,313	901
	37,545	35,424	30,938

(a) Bank Borrowings

(i) Floating Rate Committed Term Facility

At December 31, 2014 the Company had drawn $6,000 on its $16,000 operating facility (2013 - $2,500). Floating rate advances drawn in 2012 of $18,000, together with additional borrowings of $3,500 during 2013 were converted to fixed rate debt during 2013, as described below.

(ii) Fixed Rate Committed Reducing Term Facility

The Company has receive-variable/pay-fixed interest rate swap agreements whereby the Company cash flow hedged the variable interest rate loan commitment for three committed bank term loans totaling $32,923.

Bank debt is secured by a general security agreement covering the assets of the Company, and a subordination of the general security agreement previously provided to the Corporation of the City of Peterborough, now held and subordinated by the Company's shareholder.

(in thousands of dollars)

8. LONG-TERM DEBT, continued

(b) Financial Ratios

The bank agreements require the Company to maintain certain financial ratios which must be met on a quarterly or annual basis. Through the 12 month period ended December 31, 2014 the Company was in compliance with the financial ratio requirements.

(c) Letters of Credit

The Company has posted $7,064 (2013 - $7,064) in stand-by letters of credit with the Independent Electricity System Operator, as required by regulation.

(d) The aggregate amount of principal payments required is as follows:

	$
2015	1,378
2016	1,446
2017	7,517
2018	4,305
2019	5,428
Thereafter	18,849
	38,923

9. DUE TO RELATED PARTIES

	2014 $	2013 $	January 1, 2013 $
Demand loan from the City of Peterborough Holdings Inc., bearing interest at bank Prime less 1.25%	1,500	-	-
Demand loan from the Corporation of the City of Peterborough, bearing interest at bank Prime less 1.25%	-	1,500	5,158
	1,500	1,500	5,158

The demand loan is without specified maturity dates or repayment terms, and is secured by a general security agreement in favour of the City of Peterborough Holdings Inc. The security has been subordinated to the security for the Company’s long-term debt (note 8).

The Shareholder has confirmed that it does not plan to require repayment in fiscal 2015.

Included in interest expense is interest on the demand loans for the year ended December 31, 2014 in the amount of $26 (2013 - $26).

(in thousands of dollars)

10. SHARE CAPITAL

Authorized
Unlimited number of common shares
Unlimited number of preferred shares

Issued

	2014 $	2013 $	January 1, 2013 $
1,000 common shares	21,658	21,658	21,658

11. INCOME TAXES

a. Reconciliation of effective tax rate

The PILS income tax expense differs from the amount that would have been recorded using the combined Canadian federal and provincial statutory income tax rate of 26.5% (2013 – 26.5%). The reconciliation between the statutory and effective tax rates is as follows:

	2014 $	2013 $
Income for the year before income taxes	2,497	3,473
Anticipated income tax expense	662	920
Increase (decrease) in income taxes resulting from:		
Impact of tax rate changes and other	(90)	(23)
Income tax expense	572	897

b. Deferred tax assets

The effects of the temporary differences that give rise to the deferred income tax assets are as follows:

	2014 $	2013 $	January 1, 2013 $
Tax basis of equipment in excess of carrying amount	1,755	1,907	2,269
Employee future benefits	26	26	26
Derivative financial instruments	672	260	280
	2,453	2,193	2,575

(in thousands of dollars)

12. OTHER REVENUE

Other revenue is comprised of:

	2014 $	2013 $
Customer fees	244	224
Occupancy charges	173	185
Building and pole rentals	249	212
Recognition of deferred contributions	340	317
Miscellaneous	589	227
	1,595	1,165

13. OPERATING AND ADMINISTRATION EXPENSES

Operating and administration expenses are comprised of:

	2014 $	2013 $
Wages and benefits	224	215
Materials, equipment and other operating expenses	3,327	3,172
Administration	5,168	5,021
	8,719	8,408

14. FINANCE INCOME AND CHARGES

	2014 $	2013 $
Interest on bank balances and accounts receivable	61	105
Interest income on regulatory assets	45	-
Finance income	106	105
Interest expense on bank debt	1,674	1,432
Interest expense on shareholder debt	26	26
Interest expense on regulatory assets	-	52
Finance charges	1,700	1,510
Net finance charges recognized in earnings	1,594	1,405

(in thousands of dollars)

15. NET CHANGE IN NON-CASH WORKING CAPITAL

	2014 $	2013 $
Accounts receivable	(248)	(38)
Unbilled revenue	1,330	(1,613)
Inventories	270	120
Prepaid expenses	(49)	(50)
Accounts payable and accrued liabilities	3,606	(670)
	4,909	(2,251)

16. RELATED PARTY TRANSACTIONS

The Company provides electricity and services to the shareholder of its parent, the City of Peterborough and to affiliate companies. Electrical energy is sold to these parties at the same prices and terms as other electricity customers.

The Company is also engaged in transactions in the normal course of operations with affiliated companies and the Peterborough Utilities Commission. The parties are related by virtue of common control.

Details of related party transactions are as follows:

	2014 $	2013 $
Revenue		
Rental revenue	14	13
Expenses		
Professional services	3,602	3,533
Operating costs	2,321	2,136
Building rent	518	473
	6,441	6,142
Other – Capital expenditures	2,211	2,411

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director. Compensation applicable to management and directors directly or indirectly through allocations from affiliated companies during the year amounted to approximately $523 (2013 - $501).

(in thousands of dollars)

17. CAPITAL DISCLOSURES

The Company's primary objective when managing capital is to address the expectations as outlined in the Unanimous Shareholder Declaration between the Company's parent company, the City of Peterborough Holdings Inc., and its shareholder, the Corporation of the City of Peterborough. The expectation is that the Company will maintain a prudent financial and capitalization structure consistent with industry norms and on the basis that it is intended to be a self-financed entity.

The industry norm for capital structure, as supported by the Ontario Energy Board as regulator, suggests that companies operating in the distribution industry would have capital comprised of 60% debt and 40% equity. The Company is targeting to attain that structure, to the extent possible, in future years. The Company's current capital structure is defined as follows:

	2014 $	2013 $	January 1, 2013 $
Long-term debt	38,923	36,737	31,839
Due to related parties	1,500	1,500	5,158
	40,423	38,237	36,997

	2014 $	2013 $	January 1, 2013 $
Share capital	21,658	21,658	21,658
Accumulated other comprehensive income	(1,853)	(713)	(768)
Retained earnings	9,274	8,649	7,073
	29,079	29,594	27,963

Changes to the Company's capital structure are constrained by an existing lending agreement provision that limits the amount of dividend distributions and the repayment of related party debt subject to certain cash flow tests. Additionally the agreements provide for a restriction on the incurrence of new debt or the posting of security without prior lender consent. The Company has complied with these requirements during the year.

(in thousands of dollars)

18. FINANCIAL INSTRUMENTS

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

The fair values of cash and cash equivalents, accounts receivables, unbilled revenue on customer accounts, accounts payable and accrued liabilities and customer deposits approximates their carry amounts due to their short-term maturities.

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:

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

The Company's fair value hierarchy is classified as Level 2 for bank debt and derivative financial instruments. The classification has been calculated using the discounted cash flow model based on the contractual terms of the instrument discounted using an appropriate market rate of interest. The carrying and fair value of these financial instruments are as follows:

	2014 Carrying value $	2014 Fair value $	2013 Carrying value $	2013 Fair value $	Jan, 1 2013 Carrying value $	Jan, 1 2013 Fair value $
Due to related parties	1,500	1,500	1,500	1,500	5,158	5,158
Bank debt	38,923	41,457	36,737	37,718	31,839	32,895
	40,423	42,957	38,237	39,218	36,997	38,053

The company has entered into interest rate swap agreements for its bank debt. These swaps qualify as hedges, and as a result the unrealized loss on the debt is included in other comprehensive income for the period incurred. As of December 31, 2014, the Company has an unrealized loss on its derivative financial instruments of $2,534 (December 31, 2013 - $981, January 1, 2013 - $1,056).

(in thousands of dollars)

19. FINANCIAL RISK MANAGEMENT

In the course of its business the Company may be exposed to various financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. An assessment of these risks as they apply to the Company is provided below:

(a) Credit risk

By regulation, in addition to the distribution service charges that the Company earns, the customers' electricity bills include, transmission charges, non competitive energy charges, debt retirement and electricity commodity charges. The Company acts as an agent for billing and collecting these charges on behalf of other market participants and under regulation the Company bears the risk of non-collection of these amounts.

To mitigate credit risk the Company is permitted to request certain customers to provide deposits for a prescribed period. Furthermore, relief from substantial or catastrophic collection loss relief may be afforded by applying for recovery for those losses through distribution rate adjustments in future years, if approved by the regulator.

The Company is not exposed to a significant concentration of credit risk within any customer segment or individual customer. The allowance for collection of doubtful accounts included in accounts receivable is in the amount of $376 (2013 - $413).

Pursuant to their respective terms, accounts receivable are aged as follows at December 31:

	2014		2013		Jan. 1, 2013	
	$	%	$	%	$	%
Less than 30 days	6,587	88	6,421	89	6,407	89
30-60 days	348	5	256	3	257	4
61-90 days	94	1	76	1	34	1
Greater than 91 days	416	6	481	7	463	6
Total outstanding	7,445	100	7,234	100	7,161	100
Less: allowance for doubtful accounts	(376)	(5)	(413)	(6)	(378)	(6)
	7,069	95	6,821	94	6,783	94

(b) Interest rate risk

As described in note 8 to the financial statements, the Company has entered into interest rate swap arrangements which are being used to manage the impact of fluctuating interest rates on the majority of its existing bank debt. The swaps require the periodic exchange of interest payments without the exchange of the notional principal amount on which the payments are based. The swap instruments are recognized on the statement of financial position as a derivative financial instrument.

(in thousands of dollars)

19. FINANCIAL RISK MANAGEMENT, continued

(c) Foreign currency risk

The Company conducts the majority of its business without significant exposure to foreign currency.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet is financial obligations as they occur. The Company's approach to managing liquidity is to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Company's reputation.

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

2014		Undiscounted cash flows (principal and interest)				
	Carrying amount $	Under 1 year $	From 1 to 2 years $	From 2 to 5 years $	Over 5 Years $	Total $
Long-term debt	38,923	2,844	2,844	10,557	27,650	43,895
Loans from related parties	1,500	1,500	-	-	-	1,500
Accounts payable and accruals	13,361	13,361	-	-	-	13,361
	53,784	17,705	2,844	10,557	27,650	58,756

2013		Undiscounted cash flows (principal and interest)				
	Carrying amount $	Under 1 year $	From 1 to 2 years $	From 2 to 5 years $	Over 5 years $	Total $
Long-term debt	36,737	2,844	5,343	11,245	23,805	43,237
Loans from related parties	1,500	1,500	-	-	-	1,500
Accounts payable and accruals	9,699	9,699	-	-	-	9,699
	47,936	14,043	5,343	11,245	23,805	54,436

At the present time the liquidity risk of the Company is low as it has unutilized existing debt capacity, additional room within its capital structure to attain additional financing as required, and sufficient cash flow to address existing debt obligations.

20. CONTINGENCIES

a) 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 loses, claims and costs experienced.

(b) The Company assets are pledged as security and the Company has provided a guarantee to its shareholder, the Corporation of the City of Peterborough in support of debts owning to the shareholder by the company and its affiliates.

21. COMPARATIVE AMOUNTS

The prior year figures have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

22. FIRST-TIME ADOPTION OF IFRS

As stated in note 2, these are the Company's first financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended December 31, 2014, the comparative information presented for the year ended December 31, 2013, and the opening IFRS Statement of Financial Position as at January 1, 2013 (the Company's date of transition).

IFRS 1 sets out the procedures that the Company must follow when it adopts IFRS for the first time as the basis for preparing its financial statements. The Company is, in general, required to apply these policies retrospectively to determine the IFRS opening Statement of Financial Position as at its date of transition, January 1, 2013.

In preparing its opening IFRS Statement of Financial Position, the Company has adjusted amounts reported previously in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position and performance is set out in the following tables and notes.

IFRS 1 also provides a number of exemptions to the retrospective restatement of the opening Statement of Financial Position. The Company has applied the following exemptions in its transition from Canadian GAAP to IFRS:

i. Deemed cost

IFRS provides an optional exemption for a first-time adopter with rate-regulated activities to use the carrying amount of PP&E as deemed cost on transition date when the carrying amount includes costs that do no qualify for capitalization in accordance with IFRS. The Corporation elected this exemption and used the carrying amount of the PP&E under Canadian GAAP as deemed cost on transition date.

22. FIRST-TIME ADOPTION OF IFRS, continued

ii. Business combinations

IFRS 1 provides an optional exemption whereby a first-time adopter may elect not to apply IFRS retrospectively to business combinations that occurred prior to the date of transition. The Corporation elected this exemption and did not restate business combinations that occurred prior to the date of transition.

iii. Employee benefits

The Company has elected, under IFRS 1, to recognize all cumulative actuarial gains and losses that were previously deferred under Canadian GAAP through opening retained earnings at the date of transition for all of its employee benefit plans. Additionally the Company has elected not to provide additional disclosures regarding employee benefits, including information in respect of defined benefit plans for the current period and four previous periods. Under this election the Company is only required to provide two periods of disclosures.

Differences between the Company's previous Canadian GAAP and its IFRS statements are outlined in the following sections:

A. Reconciliation of the statement of financial position at January 1, 2013;
B. Reconciliation of the statement of financial position at December 31, 2013;
C. Reconciliation of total comprehensive income for the year ended December 31, 2013;

(in thousands of dollars)

A. *Reconciliation of the statement of financial position reported under Canadian GAAP to IFRS on January 1, 2013, the date of transition to IFRS*

	Note [1]	Canadian GAAP January 1, 2013 $	IFRS Adjustment $	IFRS January 1, 2013 $
ASSETS				
Current assets				
Cash		4,227	-	4,227
Accounts receivable		6,783	-	6,783
Unbilled revenue on customer accounts		9,143	-	9,143
Income taxes recoverable		-	-	-
Inventories		1,378	-	1,378
Prepaid expenses		91	-	91
		21,622	-	21,622
Other assets				
Property, plant and equipment	a	54,679	10,337	65,016
Deferred tax assets	e,f	2,540	35	2,575
		57,219	10,372	67,591
Regulatory assets	b	1,457	-	1,457
		80,298	10,372	90,670
LIABILITIES AND SHAREHOLDERS EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		10,369	-	10,369
Income taxes payable		498	-	498
Customer deposits refundable within one year		773	-	773
Current portion of long-term debt		901	-	901
		12,541	-	12,541
Other liabilities				
Customer deposits		926	-	926
Employee future liabilities	c	70	27	97
Deferred contributions	a	-	10,337	10,337
Derivative financial instruments	e	1,056	-	1,056
Long-term debt		30,938	-	30,938
Due to related parties		5,158	-	5,158
		38,148	10,364	48,512
Shareholder's equity				
Share capital		21,658	-	21,658
Accumulated other comprehensive income	c,e	(776)	8	(768)
Retained earnings		7,073	-	7,073
		27,955	8	27,963
Regulatory liabilities	b	1,654	-	1,654
		80,298	10,372	90,670

(in thousands of dollars)

B. *Reconciliation of the Statement of Financial Position reported under Canadian GAAP to IFRS on December 31, 2013.*

	Note [1]	Canadian GAAP December 31, 2013 $	IFRS Adjustment $	IFRS December 31, 2013 $
ASSETS				
Current assets				
Cash		1,228	-	1,228
Accounts receivable		6,821	-	6,821
Unbilled revenue on customer accounts		10,756	-	10,756
Income taxes recoverable		727	-	727
Inventories		1,258	-	1,258
Prepaid expenses		141	-	141
		20,931	-	20,931
Other assets				
Property, plant and equipment	a,d	55,811	11,139	66,950
Deferred tax assets	e,f	2,087	106	2,193
		57,898	11,245	69,143
Regulatory assets	b	2,801	-	2,801
		81,630	11,245	92,875
LIABILITIES AND SHAREHOLDERS EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		9,699	-	9,699
Income taxes payable		-	-	-
Customer deposits refundable within one year		691	-	691
Current portion of long-term debt		1,313	-	1,313
		11,703	-	11,703
Other liabilities				
Customer deposits		1,027	-	1,027
Employee future liabilities	c	79	18	97
Deferred contributions	a	-	11,436	11,436
Derivative financial instruments	e	981		981
Long-term debt		35,424	-	35,424
Due to related parties		1,500	-	1,500
		39,011	11,454	50,465
Shareholder's equity				
Share capital		21,658	-	21,658
Accumulated other comprehensive income	c,e	(721)	8	(713)
Retained earnings	d	8,866	(217)	8,649
		29,803	(209)	29,594
Regulatory liabilities	b	1,113	-	1,113
		81,630	11,245	92,875

(in thousands of dollars)

C. *Reconciliation of total comprehensive income for the year ended December 31, 2013, the comparative period.*

	Note [1]	Canadian GAAP December 31, 2013 $	IFRS Adjustment $	IFRS December 31, 2013 $
Revenue				
Power recovery	b	83,858	679	84,537
Distribution		15,096	-	15,096
Other	a	848	317	1,165
		99,802	996	100,798
Expenses				
Purchased power	b	83,858	2,564	86,422
Operations and administration	d	8,108	300	8,408
Amortization	a, d	2,662	313	2,975
		94,628	3,177	97,805
Income before the undernoted items		5,174	(2,181)	2,993
Net finance costs		1,405	-	1,405
Income before income taxes and regulatory items	b	3,769	(2,181)	1,588
Net movement on regulatory items		-	1,885	1,885
Income before income taxes		3,769	(296)	3,473
Provision for income taxes				
Current		544	-	544
Deferred	f	433	(80)	353
		977	(80)	897
Net income for the year		2,792	(216)	2,576
Other comprehensive income				
Change in fair value of derivative instruments	e	75	-	75
Related deferred tax	e	(20)	-	(20)
Other comprehensive income (loss) for the year		55	-	55
Total comprehensive income for the year		2,847	(216)	2,631

Notes to the reconciliations

(a) Customer Contributions

Under Canadian GAAP, customer contributions were netted against the cost of PP&E and amortized to income, as an offset to depreciation expense, on the same basis as the assets for which the customer contributions were received. Customer contributions were presented as construction deposits until the time that the related assets were put into service, at which point the contributions were reclassified as an offset to PP&E.

Under IFRIC 18 Transfers of Assets from Customers, customer contributions are recognized initially as deferred revenue, not as construction deposits, and are amortized into income over the life of the related assets.

The effect of the above is to increase deferred revenue by $10,337 at January 1, 2013 and by $11,436 at December 31, 2013; to increase property, plant and equipment by $10,337 at January 1, 2013 and by $11,436 at December 31, 2013; and to increase revenue and depreciation expense by $317 for the year ended December 31, 2013.

(b) Regulatory deferral account debit/credit balances

IFRS 14 permits a first-time adoptor of IFRS to retrospectively account for regulatory deferral account balances in accordance with its previous GAAP. The impact of this standard on the company is that the account balances must be presented separately from all other account debit and credit balances on the statement of financial position, and any profit or loss related to these accounts most be reported below continuing operations.

The effect of the above is to increase power recovery revenue by $679 and purchased power expense by a $2,564, for a net movement on regulatory deferral accounts of $1,885.

(c) Employee future benefits

The Corporation adopted IAS 19, *Employee Benefits* on January 1, 2013 and now accounts for its employee benefits as described in its accounting policies.

The effect was to increase the post-employee benefit obligation by $27 at January 1, 2013 and by $18 at December 31, 2013; and to decrease the accumulated other comprehensive income by $27 at January 1, 2013 and by $18 at December 31, 2013.

(d) Capitalized Administration

In accordance with IAS 16, *Property, plant and equipment* the Company has revised its accounting policy to remove the administrative overheads that were capitalized under Canadian GAAP. The effect of this change was a decrease in PP&E of $297 in 2013 as at December 31, 2013, and an increase in operating expenditures of $300 and decrease in amortization of $3 for the year ended December 31, 2013.

Notes to the reconciliations, continued

(e) Derivative financial instruments

On transition to IFRS, the Company has adopted IAS 39, *Financial instruments*. The Company has swap agreements relating to its long-term debt, which meet the standard to apply hedge accounting. As such, the company has recorded the fair value of the hedge in its statement of financial position, and any relating gain or loss in other comprehensive income.

Although these hedges were declared as such when they were entered into, the Company did not record these hedges on its balance sheet under Canadian GAAP. The effect of recording the hedge is an increase in the derivative financial instrument liability of $1,056 as at January 1, 2013 and $981 as at December 31, 2013; an increase in the deferred tax asset of $280 as at January 1, 2013 and $260 as at December 31, 2013; and a decrease in other comprehensive income of $776 as at January 1, 2013 and $721 for the year ended December 31, 2013. These adjustments have been made in the Canadian GAAP January 1, 2013 and December 31, 2013 columns.

(f) Deferred taxes

The above changes to employee future benefits, capitalized administration and derivative accounting increase the deferred tax asset based on a tax rate of 26.5%.