Greater Sudbury Utilities Inc./ Services Publics du Grand Sudbury Inc.

Consolidated Financial Statements
December 31, 2015
(expressed in Canadian dollars)

May 11, 2016

Independent Auditor's Report

To the Directors of
Greater Sudbury Utilities Inc./Services Publics du Grand Sudbury Inc.

We have audited the accompanying consolidated financial statements of Greater Sudbury Utilities Inc./Services Publics du Grand Sudbury Inc., which comprise the consolidated balance sheet as at December 31, 2015 and December 31, 2014 and January 1, 2014 and the consolidated statements of profit and comprehensive profit, cash flows and changes in equity for the years ended December 31, 2015 and December 31, 2014, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity's internal control. 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 consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Greater Sudbury Utilities Inc./Services Publics du Grand Sudbury Inc. and its subsidiaries as at December 31, 2015, December 31, 2014 and January 1, 2014 and their financial performance and its cash flows for the year ended December 31, 2015 and December 31, 2014 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Greater Sudbury Utilities Inc./
Services Publics du Grand Sudbury Inc.

Consolidated Balance Sheet

(expressed in Canadian dollars)

	December 31, 2015 $	December 31, 2014 $	January 1, 2014 $
Assets			
Current assets			
Cash and cash equivalents (note 4)	3,875,796	-	-
Accounts receivable (note 5)	11,305,834	12,873,694	11,754,120
Unbilled revenue			
Distribution	2,950,235	2,999,866	3,117,759
Energy sales	15,150,670	14,735,593	15,332,127
Payment in lieu of taxes (note 8)	-	906,925	516,487
Inventory	193,370	258,412	273,152
Prepaid expenses	663,905	604,107	480,461
	34,139,810	32,378,597	31,474,106
Restricted cash (note 14)	317,295	315,079	311,643
Capital assets (note 6)	101,808,483	98,136,459	94,258,924
Intangible assets (note 7)	2,154,233	2,375,205	2,716,945
Payment in lieu of future taxes (note 8)	9,598,146	9,880,073	9,483,437
Other assets	5,468	5,468	-
Total assets	148,023,435	143,090,882	138,245,055
Regulatory assets (note 9)	840,237	1,123,667	1,351,180
Total assets and regulatory balances	148,863,672	144,214,549	139,596,235

Approved by the Board of Directors

_________________ Director _________________ Director

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

Greater Sudbury Utilities Inc./
Services Publics du Grand Sudbury Inc.
Consolidated Balance Sheet ...*continued*

(expressed in Canadian dollars)

	December 31, 2015 $	December 31, 2014 $	January 1, 2014 $
Liabilities			
Current liabilities			
Bank indebtedness (note 4)	-	1,129,383	216,673
Accounts payable and accrued liabilities	5,803,206	5,984,302	7,159,021
Payment in lieu of taxes (note 8)	589,014	-	-
Payable for energy purchases	13,038,954	12,488,704	11,192,421
Promissory note payable (note 18)	52,340,819	52,340,819	52,340,819
Deferred revenue (note 20)	85,567	84,607	85,087
Long-term obligations (note 10)	1,693,293	1,377,207	1,276,089
Capital lease obligations (note 21)	183,001	176,259	98,590
	73,733,854	73,581,281	72,368,700
Deferred revenue (note 20)	3,528,668	1,939,927	946,634
Payment in lieu of future taxes (note 8)	716,675	759,246	727,873
Long-term obligations (note 10)	28,780,694	28,003,946	24,808,792
Capital lease obligations (note 21)	128,408	311,499	207,842
Total liabilities	106,888,299	104,595,899	99,059,841
Regulatory liabilities (note 9)	11,603,586	11,019,007	12,398,775
Total liabilities and regulatory balances	118,491,885	115,614,906	111,458,616
Shareholder's Equity			
Share capital (note 12)	22,431,779	22,431,779	22,431,779
Retained earnings	7,940,008	6,167,864	5,705,840
	30,371,787	28,599,643	28,137,619
	148,863,672	144,214,549	139,596,235

Commitments and contingencies (note 14)

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

Greater Sudbury Utilities Inc./
Services Publics du Grand Sudbury Inc.

Consolidated Statement of Earnings, Comprehensive Income and Retained Earnings

For the year ended December 31, 2015

(expressed in Canadian dollars)

	2015 $	2014 $
Revenue		
Energy sales	110,610,975	107,520,833
Distribution	22,510,863	22,636,158
Other (note 13)	12,096,437	11,120,797
	145,218,275	141,277,788
Expenses		
Cost of energy	109,307,909	109,089,817
Operating and administration	20,189,298	18,807,937
Amortization		
Capital assets	6,548,623	6,246,720
Intangible assets	29,834	29,834
Interest on promissory note payable (note 18)	3,794,709	3,794,709
Interest on long-term obligations	1,261,465	1,361,258
Loss on disposal of capital assets	538,014	289,758
Loss on swap contract (note 10)	56,522	142,857
	141,726,374	139,762,890
Profit before payment in lieu of taxes and regulatory items	3,491,901	1,514,898
Payment in lieu of taxes (note 8)	1,317,610	(114,957)
Net profit	2,174,291	1,629,855
Net movement on regulatory deferral accounts related to profit or loss - net of tax	(868,009)	1,188,558
Profit for the year after net movements in regulatory balances - net of tax	1,306,282	2,818,413
Other comprehensive income - item that will not be reclassified to profit or loss		
Remeasurement of future benefit obligation (note 11)	465,862	(2,356,389)
Total comprehensive income	1,772,144	462,024
Retained earnings - Beginning of year	6,167,864	5,705,840
Retained earnings - End of year	7,940,008	6,167,864

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

Greater Sudbury Utilities Inc./
Services Publics du Grand Sudbury Inc.

Consolidated Statement of Cash Flows

For the year ended December 31, 2015

(expressed in Canadian dollars)

	2015 $	2014 $
Cash flows from operating activities		
Net earnings	1,306,282	2,818,413
Adjustments for		
Amortization - capital assets	6,548,222	6,246,720
Amortization of intangibles	29,834	29,834
Payment in lieu of future taxes	40,740	15,132
Non-cash employee future benefit obligation expense, net	1,317,725	1,260,898
Loss on swap contract	56,522	142,857
Other amortization	366,306	244,181
Amortization on deferred revenue	(62,237)	(14,629)
Non-cash expenses	995	378,225
Non-cash revenue	455,383	(65,635)
Loss on disposal of capital assets	538,014	289,758
	10,597,786	11,345,754
Change in non-cash operating working capital	5,571,100	(1,893,445)
	16,168,886	9,452,309
Cash flows from investing activities		
Purchase of capital assets (note 21)	(11,258,756)	(10,372,368)
Purchase of investment	-	(5,469)
Proceeds on disposal of capital assets	-	26,005
Contributions to restricted cash	(2,216)	(3,436)
	(11,260,972)	(10,355,268)
Cash flows from financing activities		
Repayment of term loans - net	(828,144)	(217,844)
Developer contributions received	130,158	26,774
Bank loan	971,607	
Capital lease repayments	(176,357)	(120,663)
Increase in capital leases	-	301,982
	97,264	(9,751)
Increase (decrease) in cash and cash equivalents	5,005,178	(912,710)
Cash and cash equivalents - Beginning of year	(1,129,383)	(216,673)
Cash and cash equivalents - End of year	3,875,795	1,129,383
Other information		
Interest paid	(5,056,174)	(5,143,762)
Payment in lieu of taxes paid	(1,121,659)	(1,121,659)

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

(expressed in Canadian dollars)

1 Reporting entity

Greater Sudbury Utilities Inc./Services Publics du Grand Sudbury Inc. (the Corporation) was incorporated under the Business Corporations Act (Ontario) on October 1, 2000. The incorporation was required in accordance with the Electricity Act, 1998 Ontario (the EA). The Corporation is located in the Greater City of Sudbury. The address of the Corporation's registered office is 500 Regent Street, P.O Box 250/500, rue Regent, CP 250, Sudbury ON P3E 3Y2.

The Corporation is an investment holding company with its wholly owned subsidiaries involved in the distribution of electricity, provision of broadband telecommunications services and competitive rental and customer support services.

The consolidated financial statements comprise the Corporation and its subsidiaries as at and for the year ended December 31, 2015.

2 Basis of presentation

Statement of compliance

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

Subject to certain transition elections and exceptions disclosed in note 22, the Corporation has consistently applied the accounting policies used in the preparation of its opening IFRS balance sheet at January 1, 2014 throughout all periods presented, as if these policies had always been in effect. Note 22 discloses the impact of the transition to IFRS on the Corporation's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Corporation's consolidated financial statements for the year ended December 31, 2014 prepared under Part V – Pre-changeover Accounting Standards of the Chartered Professional Accountants of Canada (CPA Canada) Handbook (Canadian GAAP or Part V).

Adoption of IFRS

These are the Corporation's first consolidated financial statements prepared in accordance with IFRS and IFRS 1, First-time Adoption of International Financial Reporting Standards has been applied.

The consolidated financial statements were approved by the Board of Directors on April 25, 2016.

(expressed in Canadian dollars)

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Where held, financial instruments at fair value through profit or loss, including those held for trading are measured at fair value.

- Non-cash contributed assets are initially measured at fair value.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest dollar.

Use of estimates and judgments

The preparation of consolidated 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 and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements is included in the following notes:

- Note 6 - Capital assets

- Note 11 - Employee future benefits

- Note 14 - Commitments and contingencies

Rate regulation

The Corporation is regulated by the Ontario Energy Board (OEB), under the authority granted by the Ontario Energy Board Act, 1998. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe licence requirements and conditions of service to local distribution companies (LDCs), such as the Corporation, which may include, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

(expressed in Canadian dollars)

The Corporation is required to bill customers for the debt retirement charge set by the province. The Corporation may file to recover uncollected debt retirement charges from Ontario Electricity Financial Corporation (OEFC) once each year.

Rate setting

- Distribution revenue

  For the distribution revenue included in electricity sales, the Corporation files a Cost of Service (COS) rate application with the OEB every four years where rates are determined through a review of the forecasted annual amount of operating and capital expenses, debt and shareholder's equity required to support the Corporation's business. The Corporation estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and intervenors and rates are approved based upon this review, including any revisions resulting from that review.

  In the intervening years an Incentive Rate Mechanism application (IRM) is filed. An IRM application results in a formulaic adjustment to distribution rates that were set under the last COS application. The previous year's rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflator for Final Domestic Demand (GDP IPI-FDD) net of a productivity factor and a "stretch factor" determined by the relative efficiency of an electricity distributor.

  As a licensed distributor, the Corporation is responsible for billing customers for electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties. The Corporation is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether the Corporation ultimately collects these amounts from customers.

  The Corporation last filed an IRM application in 2015 for rates effective May 1, 2015 to April 30, 2016. The GDP IPI-FDD for 2015 is 1.60%, the Corporation's productivity factor is 0.00% and the stretch factor is 0.45%, resulting in a net adjustment of 1.15% to the previous year's rates.

- Electricity rates

  The OEB sets electricity prices for low-volume consumers twice each year based on an estimate of how much it will cost to supply the province with electricity for the next year. All remaining consumers pay the market price for electricity. The Corporation is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a mark-up.

3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently in all years presented in these consolidated financial statements and in preparing the opening IFRS consolidated statement of financial position at January 1, 2014 for the purpose of the transition to IFRS unless otherwise indicated.

(expressed in Canadian dollars)

Regulation

The following regulatory treatments have resulted in accounting treatments which differ from those prescribed by IFRS for enterprises operating in an unregulated environment and regulated entities that did not adopt IFRS 14, Regulatory Deferral Accounts (IFRS 14).

Regulatory balances

In January 2014, the IASB issued IFRS 14 as an interim standard giving entities conducting rate-regulated activities the option of continuing to recognize regulatory balances according to their previous GAAP. Regulatory balances provide useful information about the Corporation's financial position, financial performance and cash flows. IFRS 14 is restricted to first-time adopters of IFRS and remains in force until either repealed or replaced by permanent guidance on rate-regulated accounting from the IASB. The standard is effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. The Corporation has elected to early adopt IFRS 14.

The Corporation has determined that certain debit and credit balances arising from rate-regulated activities qualify for the application of regulatory accounting treatment in accordance with IFRS 14 and the accounting principles prescribed by the OEB in the "Accounting Procedures Handbook for Electricity Distributors". Under rate-regulated accounting, the timing and recognition of certain expenses and revenues may differ from those otherwise expected under other IFRS in order to appropriately reflect the economic impact of regulatory decisions regarding the Corporation's regulated revenues and expenditures. These amounts arising from timing differences are recorded as regulatory debit and credit balances on the Corporation's consolidated balance sheets, and represent existing rights and obligations regarding cash flows expected to be recovered from or refunded to customers, based on decisions and approvals by the OEB.

Regulatory deferral account asset balances represent costs incurred in excess of amounts billed to the customer at OEB approved rates. These amounts have been accumulated and deferred in anticipation of their future recovery in electricity distribution rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB approved rates in excess of costs incurred by the Corporation.

Regulatory deferral account asset balances are recognized if it is probable that future billings in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in profit and loss. The debit balance is reduced by the amount of customer billings as electricity is delivered to the customer and the customer is billed at rates approved by the OEB for the recovery of the capitalized costs.

Regulatory deferral account liability balances are recognized if it is probable that future billings in an amount at least equal to the credit balance will be reduced as a result of rate-making activities. The offsetting amount is recognized in profit and loss. The credit balance is reduced by the amounts returned to customers as electricity is delivered to the customer at rates approved by the OEB for the return of the regulatory account liability balance.

(expressed in Canadian dollars)

The probability of recovery or repayment of the regulatory account balances is assessed annually based upon the likelihood that the OEB will approve the change in rates to recover or repay the balance. Any resulting impairment loss is recognized in profit and loss in the year incurred.

Regulatory deferral accounts attract interest at OEB prescribed rates. In 2015 the quarterly interest rates were 1.47%, 1.10%, 1.10%, and 1.10% respectively. Regulatory balances can be recognized for rate-setting and financial reporting purposes only if the OEB directs the relevant regulatory treatment or if future OEB direction is determined by management to be probable. In the event that the disposition of these balances are assessed to no longer be probable based on management's judgment, the balances are recorded in the Corporation's consolidated statements of income in the period when the assessment is made. Regulatory balances that do not meet the definition of an asset or liability under any other IFRS are segregated on the consolidated balance sheets, on the consolidated statements of income as net movements in regulatory balances, net of tax, and on the consolidated statements of comprehensive income as net movements in regulatory balances related to OCI, net of tax. The netting of regulatory debit and credit balances is not permitted.

The measurement of regulatory balances is subject to certain estimates and assumptions, including assumptions made in the interpretation of the OEB's regulations and decisions.

Basis of consolidation

These consolidated financial statements include the accounts of the following Corporations:

- Greater Sudbury Hydro Inc./Hydro du Grand Sudbury Inc.;
- Greater Sudbury Hydro Plus Inc./Hydro Plus du Grand Sudbury Inc.;
- Greater Sudbury Telecommunications Inc./Telecommunications du Grand Sudbury Inc.;
- 1627596 Ontario Inc.; and
- ConverGen Inc.

Subsidiaries are entities controlled by the Corporation. The financial statements of the subsidiaries are included in these consolidated financial statements from the date on which control commences until the date on which control ceases.

All significant inter-company accounts and transactions have been eliminated.

Financial instruments

All financial assets are classified as loans and receivables and all financial liabilities are classified as other liabilities. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method less any impairment for the financial assets as described in note 3.

Hedge accounting has not been used in the preparation of these consolidated financial statements.

(expressed in Canadian dollars)

Cash and cash equivalents

Cash and restricted cash consist of cash on hand and in banks. Cash equivalents are short-term investments with maturities of three months or less when purchased.

Revenue recognition

- Energy sales

  Energy sales are recognized as the electricity is delivered to customers and include the amounts billed to customers for electricity, including the cost of electricity supplied, distribution, and any other regulatory charges. Energy revenue is recorded on the basis of regular meter readings and estimated customer usage since the last meter reading date to the end of the year. The related cost of energy is recorded on the basis of power used.

  For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Corporation has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

  Customer billings for debt retirement charges are recorded on a net basis as the Corporation is acting as an agent for this revenue stream.

- Revenue from contracts with customers

  Certain customers and developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. Cash contributions are initially recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the economic useful life of the constructed or contributed asset, which represents the period of ongoing service to the customer.

- Rendering of services

  Revenue earned from the provision of services is recognized as the service is rendered.

- Conservation programs

  Incentive payments to which the Corporation is entitled from the Independent Electricity System Operator (IESO) are recognized as revenue in the period when they are determined by the IESO and the amount is communicated to the Corporation.

(expressed in Canadian dollars)

- Dividends

  Dividends are recognized as revenue when the Corporation has a right to receive the dividend.

Inventory

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

Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

Property, plant and equipment

Items of property, plant and equipment (PP&E) used in rate-regulated activities and acquired prior to January 1, 2014 are measured at deemed cost established on the transition date, less accumulated depreciation. All other items of PP&E are measured at cost, or, where the item is transferred from customers, its fair value, less accumulated depreciation. Consistent with IFRS 1, the Corporation elected to use the carrying amount as previously determined under Canadian GAAP as the deemed cost at January 1, 2014, the transition date to IFRS.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

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

Gains and losses on the disposal of an item of PP&E are determined by comparing the proceeds from disposal, if any, with the carrying amount of the item of PP&E and are recognized net within other income in profit or loss.

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

The cost of replacing a part of an item of PP&E is recognized in the net book value of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. In this event, the replaced part of PP&E is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of PP&E are recognized in profit or loss as incurred.

Depreciation is calculated over the depreciable amount and is recognized in profit or loss on a straight-line basis over the estimated useful life of each part or component of an item of PP&E. The depreciable amount is

(expressed in Canadian dollars)

cost. Land is not depreciated. Construction-in-progress assets are not amortized until the project is complete and in service.

The estimated useful lives are as follows:

Buildings	15 - 50 years
Distribution systems	20 - 50 years
Automotive	8 - 12 years
Office and other equipment	5 - 10 years
System supervisory equipment	20 years
Computer equipment	5 years
Fibre optics	25 years
Water heaters	10 - 15 years
Wireless towers	20 years
Generation	20 years

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

Intangible assets

- Computer software

  Computer software that is acquired or developed by the Corporation, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization and accumulated impairment losses.

- Tenant relationships

  Characteristics considered by management in valuing tenant relationships include the nature and extent of the Company's existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals. These tenant relationships are amortized over the anticipated life of the relationship, which at the time of acquisition was four years.

- Land rights

  Payments to obtain rights to access land (land rights) are classified as intangible assets. These include payments made for easements, right of access and right of use over land for which the Corporation does not hold title.

(expressed in Canadian dollars)

- Amortization

  Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives are:

Computer software	5 years
Tenant relationships	4 years
Land rights	not amortized
Goodwill	not amortized

  Amortization methods and useful lives of all intangible assets are reviewed at each reporting date and adjusted prospectively if appropriate.

Impairment

- Financial assets

  A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

  An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its current carrying amount (using prevailing interest rates), and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount.

  All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

- Non-financial assets

  The carrying amounts of the Corporation's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

  For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit). The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(expressed in Canadian dollars)

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

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss in respect of goodwill is not reversed. For assets other than goodwill, impairment recognized in prior periods is 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.

Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Employee future benefits

- Pension plan

  The Corporation provides a pension plan for all its full-time employees through the Ontario Municipal Employees Retirement System (OMERS). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employees Retirement Fund (the Fund), and provides pensions for employees of Ontario municipalities, local boards and public utilities. The Fund is a contributory defined benefit pension plan, which is financed by equal contributions from participating employers and employees, and by the investment earnings of the Fund. To the extent that the Fund finds itself in an under-funded position, additional contribution rates may be assessed to participating employers and members.

  OMERS is a defined benefit plan. However, as OMERS does not segregate its pension asset and liability information by individual employers, there is insufficient information available to enable the Corporation to directly account for the plan. Consequently, the plan has been accounted for as a defined contribution plan. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net income when they are due.

- Post-employment benefits, other than pension

  The Corporation provides some of its retired employees with life insurance and medical benefits beyond those provided by government sponsored plans.

(expressed in Canadian dollars)

The cost of these benefits is expensed as earned by employees through employment service. The accrued benefit obligations and the current service costs are actuarially determined by applying the projected unit credit method and reflect management's best estimate of certain underlying assumptions. Actuarial gains and losses arising from defined benefit plans are recognized immediately in other comprehensive income and reported in retained earnings.

Deferred revenue and assets transferred from customers

Certain customers and developers are required to contribute towards the capital cost of construction in order to provide ongoing service. When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as deferred revenue. Deferred revenue represents the Corporation's obligation to continue to provide customers access to the supply of electricity, and is amortized to income on a straight-line basis over the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

Leased assets

Leases, where the terms cause the Corporation to assume substantially all the risks and rewards of ownership, are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

All other leases are classified as operating leases and the leased assets are not recognized on the Corporation's consolidated balance sheet. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

Finance income and finance costs

Finance income comprises interest earned on cash and cash equivalents and on regulatory assets.

Finance charges comprise interest expense on borrowings and regulatory liabilities. Finance costs are recognized as an expense.

Income taxes

The income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity, in which case, the tax is also recognized directly in other comprehensive income or equity, respectively.

The Corporation is currently exempt from taxes under the Income Tax Act (Canada) and the Ontario Corporations Tax Act (collectively the Tax Acts). Under the EA, 1998, the Corporation makes payments in lieu of corporate taxes to the OEFC. These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Tax Acts as modified by the EA,

(expressed in Canadian dollars)

and related regulations. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes. Payments in lieu of taxes are referred to as income taxes.

Current tax is the tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method. Under this method, deferred income taxes reflect the net tax effects of temporary differences between the tax basis of assets and liabilities and their carrying amounts for accounting purposes as well as for tax losses available to be carried forward to future years that are likely to be realized. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

Accounting standards and amendments issued but not yet adopted

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective until financial years beginning January 1, 2016 or after and have not been early adopted. Pronouncements that are not applicable to the Corporation have been excluded from those described below.

Accounting standards effective on or after January 1, 2016

a) The International Accounting Standards Board (IASB) has issued a new standard for the recognition of revenue: IFRS 15, Revenue from Contracts with Customers. This standard will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities recognize transitional adjustments in retained earnings on the date of initial application (i.e. January 1, 2018), without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. The standard is effective for annual reporting periods beginning on or after January 1, 2018. Early adoption is permitted. The Corporation is currently evaluating the impact that the adoption will have on its results of operations, financial position and disclosures.

b) IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Corporation continues to monitor and assess the impact of this standard.

(expressed in Canadian dollars)

c) In January 2016, the IASB issued IFRS 16, Leases which establishes the principles that an entity should use to determine the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 replaces the previous leases standard, IAS 17, Leases, and related interpretations. IFRS 16 is effective from January 1, 2019 though a company can choose to apply IFRS 16 before that date but only in conjunction with IFRS 15, Revenue from Contracts with Customers. The Corporation is currently assessing the impact of this standard.

4 Cash (bank indebtedness)

	December 31, 2015 $	December 31, 2014 $	January 1, 2014 $
Bank balances	3,875,796	-	-
	3,875,796	-	-
Bank indebtedness	-	(1,129,383)	(216,673)
	3,875,796	(1,129,383)	(216,673)

5 Accounts receivable

	December 31, 2015 $	December 31, 2014 $	January 1, 2014 $
Electricity	7,566,393	8,703,976	8,175,907
Other	4,962,517	5,272,953	5,720,144
	12,528,910	13,976,929	13,896,051
Allowance for doubtful accounts			
Balance - Beginning of year	(1,103,236)	(2,141,931)	(1,812,182)
Increase in provision	(119,840)	(313,791)	(319,614)
Writeoff of old balances	-	1,352,487	-
Accounts receivable recoveries	-	-	(10,135)
Balance - End of year	(1,223,076)	(1,103,235)	(2,141,931)
	11,305,834	12,873,694	11,754,120

(expressed in Canadian dollars)

6 Capital assets

Cost or deemed cost

	Land and buildings $	Distribution equipment $	Other fixed assets $	Construction-in-progress $	Total $
Balance - January 1, 2015	10,349,146	68,557,759	22,974,514	2,003,214	103,884,633
Additions	1,392,580	6,371,355	2,989,988	670,872	11,424,795
Transfers	-	-	-	-	-
Disposal/retirements	-	(2,295,643)	-	(690,798)	(2,986,441)
Balance - December 31, 2015	11,741,726	72,633,471	25,964,502	1,983,288	112,322,987

	Land and buildings $	Distribution equipment $	Other fixed assets $	Construction-in-progress $	Total $
Balance - January 1, 2014	8,898,865	62,792,807	19,832,699	2,734,554	94,258,925
Additions	1,507,329	6,281,592	3,009,411	412,183	11,210,515
Transfers	-	42,117	(42,117)	-	-
Disposal/retirements	(57,047)	(558,757)	-	(1,143,523)	(1,759,327)
Contributions	-	-	174,521	-	174,521
Balance - December 31, 2014	10,349,147	68,557,759	22,974,514	2,003,214	103,884,634

Accumulated depreciation

	Land and buildings $	Distribution equipment $	Other fixed assets $	Construction-in-progress $	Total $
Balance - January 1, 2015	401,789	2,580,496	2,765,890	-	5,748,175
Depreciation charge	421,288	2,994,496	3,108,174	-	6,523,958
Disposal/retirements	-	(1,757,630)	-	-	(1,757,630)
Balance - December 31, 2015	823,077	3,817,362	5,874,064	-	10,514,503

(expressed in Canadian dollars)

	Land and buildings $	Distribution equipment $	Other fixed assets $	Construction-in-progress $	Total $
Balance - January 1, 2014	-	-	-	-	-
Depreciation charge	427,852	2,801,619	2,804,117	-	6,033,588
Transfers	-	42,117	(42,117)	-	-
Disposals	(26,063)	(273,979)	-	-	(300,042)
Capital contribution	-	10,738	3,890	-	14,628
Balance - December 31, 2014	401,789	2,580,495	2,765,890	-	5,748,174

Carrying amounts

	Land and buildings $	Distribution equipment $	Other fixed assets $	Construction-in-progress $	Total $
As at December 31, 2015	10,918,649	68,816,108	20,090,439	1,983,287	101,808,483
As at December 31, 2014	9,947,357	65,977,263	20,208,625	2,003,214	98,136,459
As at January 1, 2014	8,898,865	62,792,807	19,832,699	2,734,553	94,258,924

The Corporation leases equipment under a number of finance lease agreements. The leased equipment secures lease obligations (see note 21). As at December 31, 2015, the net carrying amount of leased plant and equipment was $260,755 (2014 - $419,884).

7 Intangible assets

Cost or deemed cost

	Computer software $	Goodwill and other $	Total $
Balance as at January 1, 2015	1,130,441	1,717,282	2,847,723
Additions	182,461	13,433	195,894
Balance as at December 31, 2015	1,312,902	1,730,715	3,043,617
Balance as at January 1, 2014	1,013,315	1,703,628	2,716,943
Additions	117,126	13,655	130,781
Balance as at December 31, 2014	1,130,441	1,717,283	2,847,724

(expressed in Canadian dollars)

Accumulated amortization

	Computer software $	Goodwill and other $	Total $
Balance as at January 1, 2015	442,684	29,834	472,518
Additions	387,035	29,834	416,869
Balance as at December 31, 2015	829,719	59,668	889,387
Balance as at January 1, 2014	-	-	-
Additions	442,684	29,834	472,517
Balance as at December 31, 2014	442,684	29,834	472,517

Carrying amounts

	Computer software $	Goodwill and other $	Total $
As at December 31, 2015	483,184	1,671,049	2,154,233
As at December 31, 2014	687,756	1,687,449	2,375,205
As at January 1, 2014	1,013,317	1,703,628	2,716,945

8 Payment in lieu of taxes (PILS)

	2015 $	2014 $
Current period	1,002,046	250,306
Adjustment for prior periods	76,208	-
Payment in lieu of future taxes	239,355	(365,263)
	1,317,609	(114,957)

(expressed in Canadian dollars)

Reconciliation of effective tax rate

	2015 $	2014 $
Rate reconciliation before net movements in regulatory balances		
Profit before PILS and regulatory items	3,491,903	1,514,898
Statutory Canadian federal and provincial income tax rate	26.50%	26.50%
PILS using the Corporation's statutory tax rate	925,354	401,448
Other	392,256	(516,405)
Payment in lieu of taxes	1,317,610	(114,957)
Effective tax rate	37.70%	7.60%

	2015 $	2014 $
Rate reconciliation after net movements in regulatory balances		
Profit before PILS and regulatory items (i)	2,343,797	2,323,061
Statutory Canadian federal and provincial income tax rate	26.50%	26.50%
PILS using the Corporation's statutory tax rate	621,106	615,611
Effect of rate regulated accounting	451,290	(663,491)
Other	(44,881)	313,318
Payment in lieu of taxes	1,027,515	265,438
Effective tax rate	43.80%	11.40%

i) The net income after net movements in regulatory balances, before PILS includes the payment in lieu of tax expense and the PILS recorded in net movements in regulatory balances.

(expressed in Canadian dollars)

The tax effect of temporary differences that give rise to deferred taxes and liabilities is as follows:

Deferred tax assets

	For the year ended December 31, 2015					
	Plant and equipment $	**Employee benefits $**	**Non-capital loss carried forward/CMT credit $**	**Regulatory adjustment $**	**Other $**	**Total $**
Balance - January 1	1,998,747	4,266,237	485,951	2,597,566	531,572	9,880,073
Change in deferred tax balance	(586,288)	220,828	31,953	(90,770)	142,350	(281,927)
Balance - December 31	1,412,459	4,487,065	517,904	2,506,796	673,922	9,598,146

Deferred tax liabilities

	For the year ended December 31, 2015					
	Plant and equipment $	**Employee benefits $**	**Non-capital loss carried forward/CMT credit $**	**Regulatory adjustment $**	**Other $**	**Total $**
Balance - January 1	1,007,890	(21,008)	(98,391)	-	(129,245)	759,246
Change in deferred tax balance	(85,401)	1,966	(6,312)	-	47,176	(42,571)
Balance - December 31	922,489	(19,042)	(104,703)	-	(82,069)	716,675

(expressed in Canadian dollars)

Deferred tax assets

	For the year ended December 31, 2014					
	Plant and equipment $	Employee benefits $	Non-capital loss carried forward/CMT credit $	Regulatory adjustment $	Other $	Total $
Balance - January 1	2,302,477	3,423,011	446,113	2,414,272	897,564	9,483,437
Change in deferred tax balance	(303,730)	843,226	39,838	183,294	(365,992)	396,636
Balance - December 31	1,998,747	4,266,237	485,951	2,597,566	531,572	9,880,073

Deferred tax liabilities

	For the year ended December 31, 2014					
	Plant and equipment $	Employee benefits $	Non-capital loss carried forward/CMT credit $	Regulatory adjustment $	Other $	Total $
Balance - January 1	947,808	(17,049)	(121,692)	-	(81,194)	727,873
Change in deferred tax balance	60,082	(3,959)	23,301	-	(48,051)	31,373
Balance - December 31	1,007,890	(21,008)	(98,391)	-	(129,245)	759,246

(expressed in Canadian dollars)

9 Regulatory balances

The following is a reconciliation of the carrying amount for each class of regulatory deferral account balances:

	January 1, 2014 $	December 31, 2014 $	Balances arising in the period $	Recovery/ reversal $	December 31, 2015 $
Smart grid/renewable connection (a)	190,920	288,922	82,780	(75,075)	296,626
IFRS deferral (b)	138,835	140,812	1,604	-	142,416
Energy East Pipeline deferral	-	-	8,383	-	8,383
Smart meters/stranded meters (c)	1,021,425	693,933	-	(301,122)	392,811
Regulatory assets	1,351,180	1,123,667	92,767	(376,197)	840,237
Demand side management costs (d)	597,043	577,723	-	(62,195)	515,528
Retail settlement variance deferral accounts (e)	2,429,457	688,614	926,869	-	1,615,483
Payment in lieu of future taxes (f)	9,372,275	9,752,670	-	(280,095)	9,472,574
Regulatory liabilities	12,398,775	11,019,007	926,869	(342,290)	11,603,586

The regulatory deferral account balances are recovered or settled through rates set by the OEB which are determined using estimates of future consumption of electricity by its customers. Future consumption is impacted by various factors including the economy and weather. The Corporation has received approval from the OEB to establish its regulatory deferral account balances.

Settlement of the deferral accounts is done on an annual basis through application to the OEB. An application has been made to the OEB to recover $1,014,690 of the deferral accounts. Approval was received March 28, 2016. The approved account balance is moved to the regulatory settlement account. The OEB requires the Corporation to estimate its income taxes when it files a COS application to set its rates. As a result, the Corporation has recognized a regulatory deferral account for the amount of deferred taxes that will ultimately be recovered from/paid back to its customers. This balance will fluctuate as the Corporation's deferred tax balance fluctuates.

(expressed in Canadian dollars)

The regulatory balances of the Corporation consist of the following:

a) Smart grid/renewable connection

The Ontario Government has established objectives for the implementation of a smart grid and renewable connection in Ontario. For the year ended December 31, 2015, the Corporation has incurred a net $7,704 (2014 - $82,465) of costs relating to smart grid and renewable connection. The Corporation intends to apply for disposition of the balance at a later date, for which timing is currently unknown.

In connection with smart grid and renewable connection activities, the Corporation has incurred net operating expenses amounting to $7,704 (2014 - $80,452) and capital expenditures of $nil (2014 - $2,013).

b) IFRS conversion

For the year ended December 31, 2015, the Corporation has incurred $1,604 (2014 - $1,977) of costs relating to the IFRS conversion project. These costs have been recorded to regulatory assets as the Corporation expects to obtain recovery of these costs in the future. The Corporation expects to file these costs for disposition at its next cost of service application for which timing of the recovery is currently unknown.

c) Smart meters/stranded meters

The smart meters and stranded meters regulatory asset account relates to Ontario's decision to install smart meter throughout Ontario. The Corporation substantially completed its smart meter project as at December 31, 2011. In connection with this initiative, the OEB ordered the Corporation to record all expenditures and related revenues from 2008-2012 to a regulatory asset account and allowed the Corporation to keep the net book value of the stranded meters in capital assets. Effective May 1, 2013, the OEB approved the Corporation's request for incremental revenue and disposition of the smart meter deferral account balances.

The net book value of the stranded meters related to the deployment of the smart meters has been reclassified to the regulatory asset account for recovery to the end of April 2017.

d) Demand side management costs

The Minister of Energy has granted approval to all distributors to apply to the OEB for an increase in their distribution rates, conditional on a commitment by the Corporation to spend an equivalent amount on conservation and demand management initiatives. In 2008, the OEB approved additional conservation and demand management initiatives to be collected and spent over a three-year period. The Corporation expects to dispose of these funds for repayment to the ratepayers in the next cost of service application for which timing of repayment is currently unknown.

(expressed in Canadian dollars)

e) Retail settlement variances

Retail settlement variances represent the difference between the amount paid by the Corporation to the IESO for the cost of energy and the amount billed by the Corporation to its customers as energy sales, and related carrying costs, which are recorded on the consolidated balance sheet as retail settlement variances until their final disposition is decided by the OEB. The Corporation recognizes retail settlement variances as an asset or liability based on the expectation these amounts will be approved by the OEB for future collection from, or refund to, customers through the rate setting and approval process. The retail settlement variance liability represents the deficiency of amounts billed by the IESO for the cost of energy compared to the amounts charged to customers as energy sales.

Settlement of the deferral accounts is done on an annual basis through application to the OEB. An application has been made to the OEB to recover $1,014,690 of the retail settlement accounts. Approval was received March 28, 2016. The approved account balance is moved to the regulatory settlement account.

f) Payment in lieu of future taxes

This regulatory liability account relates to the expected future electricity distribution rate reduction for customers arising from timing differences in the recognition of future tax assets. As at December 31, 2015 the Corporation has recorded a future tax asset and corresponding regulatory liability of $9,472,574 (2014 - $9,752,670) with respect to its rate-regulated activities. In the absence of rate regulation this regulatory balance and the related earnings impact would not be recorded.

For certain of the regulatory assets and liabilities identified above, the expected recovery or settlement period, or likelihood of recovery or settlement is affected by risks and uncertainties relating to the ultimate authority of the OEB in determining the item's treatment for rate-setting purposes. The Corporation continually assesses the likelihood of recovery of each of its regulatory assets and refund of each of its regulatory liabilities and continues to believe that the OEB will factor its regulatory assets and liabilities into the setting of future rates. If at some future date the Corporation determines that it is no longer probable that the OEB will include a regulatory asset or liability in future rates, the appropriate carrying amount will be charged to operations in the period the determination is made.

(expressed in Canadian dollars)

10 Long-term obligations

	2015 $	2014 $
Employee future benefit obligation (note 11)	22,777,764	22,452,535
Multiple draw term loan (b)	1,492,052	1,605,080
Swap contract interest (a) and (b)	672,885	612,298
Loan payable (a)	2,007,000	2,123,000
Customer deposits (d)	1,799,107	1,668,957
Developer deposits (e)	826,129	913,742
Bank loan (c)	899,050	-
Vested sick leave	-	5,540
	30,473,987	29,381,152
Less: Current portion	1,693,293	1,377,207
	28,780,694	28,003,945

a) ConverGen Inc. was advanced monies under a reducing term, floating rate facility at a face amount of $2,800,000 to finance the construction of a landfill gas generation plant. Concurrent with the entry into the loan facility, to mitigate the Corporation's exposure to interest rate risk, the Corporation entered into an International Swaps and Derivatives Association, 2000 Master Agreement. The interest rate swap is used for non-speculative purposes to convert floating rate debt into fixed rate debt bearing interest at 5.97% per annum. The debt facility has a termination date of July 12, 2027 with an optional exit strategy at five, ten and 15 years.

   The debt facilities are secured by a general security agreement (GSA) representing a first charge on all of the assets and undertakings of ConverGen Inc. The agreement contains covenants requiring a total debt to total capitalization ratio of less than 50% and an interest coverage ratio of not less than 1.2:1 be maintained by the Corporation and its affiliates: ConverGen Inc., Greater Sudbury Hydro Plus Inc., Greater Sudbury Telecommunications Inc., 1627596 Ontario Inc. and Greater Sudbury Hydro Inc. At year-end these covenants were met.

b) On January 14, 2011, Greater Sudbury Hydro Inc./Hydro du Grand Sudbury Inc. was advanced monies under a reducing term, floating rate facility at a face amount of $2,000,000 to finance the purchase of the smart meters. Concurrent with the entry into the loan facility, to mitigate the Corporation's exposure to interest rate risk, the Corporation entered into an International Swaps and Derivatives Association, 2002 Master Agreement. The interest rate swap is used for non-speculative purposes to convert floating rate debt into fixed rate debt bearing interest at 3.7%. The debt facility has a termination date of January 19, 2026.

   The facility loaned has a fixed/floating interest swap, 15 years, payable monthly, secured by a general security agreement representing a first charge on all the borrower's assets and undertakings, and an unlimited guarantee of advances executed by the borrower.

(expressed in Canadian dollars)

c) The Corporation entered into a financing agreement on January 12, 2015 in the amount of $971,604. The finance term is 120 months at a fixed interest rate of 4.33%.

d) Customer deposits represent cash deposits from electricity distribution customers and retailers.

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

e) Developer deposits represent cash prepayments for the estimated cost of capital projects recoverable from customers and developers. Upon completion of the capital project, these deposits are transferred to deferred revenue.

11 Employee future benefits

The Corporation pays certain medical and life insurance benefits on behalf of some of its retired employees. The Corporation recognizes these post-retirement costs in the period in which employees' services were rendered. The accrued benefit liability at December 31, 2015 of $22,777,764 was based on an actuarial valuation completed in 2015 using a discount rate of 4.10%.

The cost of providing benefits under the benefit plans is actuarially determined using the projected unit credit method, which incorporates management's best estimate of future salary levels, retirement ages of employees, health care costs, and other actuarial factors. Changes in actuarial assumptions and experience adjustments give rise to actuarial gains and losses. Actuarial gains and losses on medical, dental and life insurance benefits are recognized in OCI as they arise. Actuarial gains and losses related to rate-regulated activities are subsequently reclassified from OCI to a regulatory balance on the consolidated balance sheets. Actuarial gains and losses on accumulated sick leave credits are recognized in the consolidated statements of income in the period in which they arise.

Changes in the present value of the defined benefit unfunded obligation and the accrued benefit liability are as follows:

	2015 $	2014 $
Employee future benefit obligation - beginning of year	22,452,535	19,329,605
Current service cost	430,156	340,728
Interest costs	887,569	916,055
Benefits paid during the year	(526,634)	(490,242)
Actuarial (gains) losses recognized in other comprehensive income	(465,862)	2,356,389
Employee future benefit obligation - end of year	22,777,764	22,452,535

(expressed in Canadian dollars)

Components of net benefit expense recognized are as follows:

	2015 $	2014 $
Current service cost	430,156	344,843
Interest costs	887,569	916,055
Net benefit expense recognized	1,317,725	1,260,898

Actuarial gains and losses recognized in other comprehensive income are as follows:

	2015 $	2014 $
Cumulative amount at January 1	(2,356,389)	-
Recognized during the year	465,862	(2,356,389)
Cumulative amount at December 31	(1,890,527)	(2,356,389)
Net benefit (loss) expense recognized	465,862	(2,356,389)

The significant actuarial assumptions used in the valuation are as follows (weighted average):

	2015 %	2014 %
Accrued benefit obligation		
Discount rate	4.10	4.00
Benefit cost for the year		
Withdrawal rate	4.60	4.60
Assumed health care cost trend rates		
Initial health care cost trend rate	6.70	7.00
Cost trend rate declines to year that rate reaches the rate it is assumed to remain at	4.60	4.60

- The main actuarial assumptions utilized for the valuation are as follows:
  - General inflation - future general inflation levels, as measured by the changes in the Consumer Price Index, were assumed at 2.00% in 2015, and thereafter (2014 - 2.00%).
  - Discount (interest) rate - the discount rate used to determine the present value of future liabilities and the expense for the year ended December 31, 2015, was 4.10% (2014 - 4.00%).
  - Salary levels - future general salary and wage levels were assumed to increase at 2.00% (2014 - 2.00%) per annum.

(expressed in Canadian dollars)

- Medical costs - medical costs were assumed to be 7.00% for 2014, 6.70% for 2015, 6.40% for 2016, and 6.10% thereafter.
- Dental costs - dental costs were assumed to be 4.60% for 2014, 4.60% for 2015, 4.60% for 2016, and 4.60% thereafter.

12 Share capital

Authorized
Unlimited common shares

Issued

	2015 $	2014 $
1,001 common shares	22,431,779	22,431,779

13 Other operating revenue

Other income comprises:

	2015 $	2014 $
Independent Electricity System Operator recoveries	1,106,728	994,025
Pole rental	686,732	423,740
Other charges	1,256,969	838,721
Contracts and rentals	8,592,172	8,467,691
Electricity generation	453,836	396,620
	12,096,437	11,120,797

14 Commitments and contingencies

General

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. On an ongoing basis, the Corporation assesses the likelihood of any adverse judgments or outcomes as well as potential ranges of probable costs and losses. A determination of the provision required, if any, for these contingencies is made after an analysis of each individual issue. The provision may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy. The Corporation has no reason to believe that the disposition of any such current matter could reasonably be expected to have a materially adverse impact on the Corporation's financial position, results of operations or its ability to carry on any of its business activities.

(expressed in Canadian dollars)

General liability insurance

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the years in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2015, no assessments have been made.

15 Guarantees

The Corporation has issued a $9,048,386 letter of guarantee to the IESO. This was a requirement of the IESO for market opening on May 1, 2002. At December 31, 2015, no amounts have been drawn on this letter of guarantee.

At the consolidated balance sheet date the trust fund has not yet been established and correspondingly these payments have not been made by the Greater Sudbury Hydro Plus Inc. The amounts have been segregated from the Corporation's cash reserves and have been disclosed as restricted cash in the consolidated balance sheet.

16 Pension agreement

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. In 2015, the Corporation made employer contributions of $1,036,935 to OMERS (2014 - $1,027,928).

The Corporation estimates a contribution of $1,088,408 to OMERS during the next fiscal year.

17 Employee compensation

	2015 $	2014 $
Salaries, wages and benefits	13,334,758	12,580,541
Contributions to OMERS	1,036,935	1,027,928
	14,371,693	13,608,469

18 Related party transactions

Parent and ultimate controlling party

Greater Sudbury Utilities Inc./Services Publics du Grand Sudbury Inc. is a wholly-owned subsidiary of the City of Greater Sudbury. The City produces consolidated financial statements that are available for public use.

(expressed in Canadian dollars)

Transactions with shareholder

During the year, the Corporation paid the shareholder interest on a promissory note totalling $3,794,709 (2014 - $3,794,709).

Transactions with ultimate parent (the City)

The Corporation had the following significant transactions with its ultimate parent, a government entity:

- electricity sales;
- streetlight maintenance;
- telecommunications; and
- water and wastewater billing.

Transactions with the ultimate parent relating to the above transactions amounted to $9,972,752 in 2015.

The corporation provides electrical energy to the City at the same regulated rates and terms as other similar customers based on the amount of electricity consumed.

During the year, the Corporation sold the city water billing administration services and streetlight maintenance services totalling $1,331,466 (2014 - $1, 294,807) and $409,884 (2014 - $321,349), respectively. Included in accounts receivable is $223,032 (2014 - $1,076,245) on account of these sales.

Included in accounts payable and accrued liabilities is $941,337 (2014 - $889,725) relating to amounts collected by the corporation on behalf of the City for water billing. Correspondingly, included in accounts receivable is $63,802 (2014 - $56,960) relating to amounts collected by the City relating to electricity and water bill payments.

During the year, the corporation paid $272,579 (2014 - $269,654) to the City on account of municipal taxes.

Key management personnel

The key management personnel of the Corporation have been defined as members of its board of directors and executive management team members, and their compensation is summarized below.

	2015 $	2014 $
Directors' fees	36,733	32,033
Salaries and benefits	937,934	868,921
	974,667	900,954

(expressed in Canadian dollars)

19 Financial instruments and risk management

Fair value disclosure

Cash and cash equivalents are measured at fair value. The carrying values of receivables, and accounts payable and accrued charges approximate fair value because of the short maturity of these instruments. The carrying value of the customer deposits approximates fair value because the amounts are payable on demand.

Financial risks

The Corporation understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Corporation's exposure to a variety of risks such as credit risk, interest rate risk, and liquidity risk, as well as related mitigation strategies are discussed below.

- Credit risk

  Financial assets carry credit risk that a counterparty will fail to discharge an obligation which could result in a financial loss. Financial assets held by the Corporation, such as accounts receivable, expose it to credit risk. The Corporation earns its revenue from a broad base of customers located in the City of Greater Sudbury. No single customer accounts for a balance in excess of 8% of total accounts receivable.

  The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in net income. Subsequent recoveries of receivables previously provisioned are credited to net income. The balance of the allowance for impairment at December 31, 2015 is $1,223,076 (2014 - $1,103,235). An impairment loss of $nil (2014 - $1,352,487) was recognized during the year.

  The Corporation's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2015, approximately $1,205,264 (2014 - $794,559) is considered 60 days past due. The Corporation has over 47 thousand customers, the majority of whom 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, 2015, the Corporation holds security deposits in the amount of $1,799,107 (2014 - $1,668,957).

- Market risk

  Market risk primarily refers to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have any material commodity or foreign exchange risk. The Corporation is exposed to fluctuations in interest rates as the regulated rate of return for the Corporation's distribution business is derived using a complex formulaic approach which is in part based on the forecast for long-term Government of Canada bond yields. This rate of return is approved by the OEB as part of the approval of distribution rates.

(expressed in Canadian dollars)

- Liquidity risk

  The Corporation monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Corporation's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Corporation has access to a $5,000,000 credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they come due. As at December 31, 2015, no amounts had been drawn under the Greater Sudbury Utilities Inc. $5,000,000 credit facility (2014 - $1,129,383).

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

- Capital disclosures

  The main objectives of the Corporation, when managing capital, are to ensure ongoing access to funding to maintain and improve the electricity distribution system, compliance with covenants related to its credit facilities, prudent management of its capital structure with regard for recoveries of financing charges permitted by the OEB on its regulated electricity distribution business, and to deliver the appropriate financial returns.

  The Corporation's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2015, shareholder's equity amounts to $30,371,787 (2014 - $28,599,643) and long-term debt amounts to $30,473,987 (2014 - $29,381,153).

20 Deferred revenue

	2015 $	2014 $
Contributions in aid of capital (a)	2,692,616	1,058,448
HOTelecom (b)	224,061	268,874
Dark fibre capacity services (c)	273,624	308,931
Telus (d)	88,976	93,463
1627596 Ontario Inc. deferred revenue (e)	334,958	294,818
	3,614,235	2,024,534
Less: Current portion	85,567	84,607
	3,528,668	1,939,927

a) Under IFRS, contributions in aid of capital are to be classified as deferred revenue, and amortized into income over the life of the asset.

b) During the year 2006, Greater Sudbury Telecommunications Inc. entered into a Fibre Optic Cable IRU Agreement with Hydro One Telecom (HOTelecom) for a fourteen-year period ending December 31, 2020. This revenue is being recognized on a straight-line basis over the term of the agreement.

(expressed in Canadian dollars)

c) Greater Sudbury Telecommunications Inc. agreed to supply dark fibre capacity services to five public sector organizations commencing October 2003. Each of the five organizations agreed to make a lump sum payment of $120,000 as well as payments of $500 per month for a 20-year period or a further lump sum payment, in exchange for the provision of these services by the Corporation. The amounts received in advance will be recognized over the 20-year period that the service is delivered to the customers on a straight-line basis.

d) During the year 2009, Greater Sudbury Telecommunications Inc. entered into a Fibre Optic Cable IRU Agreement with Telus Corporation for a twenty-five year period ending December 31, 2034. This revenue is being recognized over the term of the agreement on a straight-line basis as the service is delivered to the customer.

e) 1627596 Ontario Inc. o/a @home Energy bills their customers on a quarterly basis. The deferred revenue represents the amount billed before year-end that pertains to the future.

21 Obligation under capital lease

	2015 $	2014 $
Capital lease, secured, fixed rate 6.56%, 3-year term	53,902	85,450
Capital lease, secured, fixed rate 4.229%, 5-year term	98,878	130,288
Capital lease, secured, fixed rate 1.852%, 5-year term	27,678	27,678
Capital lease, secured, fixed rate 6.951%, 3-year term	24,436	36,509
Capital lease, secured, fixed rate 2.732%, 5-year term	106,515	207,833
	311,409	487,758
Less: Current portion	183,001	176,259
Capital lease, secured, fixed rate 6.56%, 3-year term	128,408	311,499

	$
Repayment schedule	
2016	192,808
2017	69,084
2018	36,806
2019	12,961
	311,659

(expressed in Canadian dollars)

22 Explanation of transition to IFRS

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

The accounting policies set out in note 3 have been applied in preparing the consolidated financial statements for the year ended December 31, 2015, the comparative information presented in these consolidated financial statements for the year ended December 31, 2014, and in the preparation of an opening IFRS consolidated Statement of Financial Position as at January 1, 2014 (the Corporation's date of transition).

In preparing its opening IFRS consolidated Statement of Financial Position, the Corporation has adjusted the amounts reported previously in consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles (CGAAP). An explanation of how the transition from CGAAP to IFRS has affected the Corporation's consolidated financial position, financial performance and cash flows is set out in the following tables and the notes accompanying the tables.

IFRS 1, Exemptions

IFRS 1 sets out the procedures that the Corporation must follow when it adopts IFRS for the first time as the basis for preparing its financial statements. The Corporation is required to establish its IFRS accounting policies as at December 31, 2015 and, in general, apply these retrospectively to determine the IFRS opening consolidated Statement of Financial Position as its date of transition, January 1, 2014. This standard provides a number of mandatory and optional exemptions to this general principle. These are set out below, together with a description in each case of the exemption adopted by the Corporation.

Regulatory deferral accounts

IFRS 14, Regulatory Deferral Accounts, permits an entity to continue to account for regulatory deferral account balances in its financial statements in accordance with its previous GAAP when it adopts IFRS. An entity is permitted to apply the requirements of this standard in its first IFRS financial statements if and only if it:
a) conducts rate-regulated activities; and b) recognized amounts that qualify as regulatory deferral account balances in its financial statements in accordance with its previous GAAP. This standard exempts an entity from applying paragraph 11 of IAS 8, Accounting policies, changes in accounting estimates and errors, to its accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral account balances.

Business combinations

IFRS 1 provides an optional exemption whereby a first-time adopter may elect not to apply IFRS 3, Business Combinations retrospectively to business combinations that occurred prior to the date of transition. The Corporation has elected this exemption and did not restate business combinations that occurred prior to the date of transition.

(expressed in Canadian dollars)

Deemed cost

IFRS 1 provides an optional exemption for a first-time adopter with rate-regulated activities to use the carrying amount of PP&E and intangible assets as deemed cost on transition date when the carrying amount includes costs that do not quality for capitalization in accordance with IFRS. The carrying amount used as deemed cost is $95,742,072 for PP&E and $1,694,584 for intangible assets. The Corporation elected this exemption and used the carrying amount of the PP&E and intangible assets under CGAAP as deemed cost on transition date.

If an entity applies this exemption, at the date of transition to IFRS, it shall test for impairment each item for which this exemption is used. The assets were tested for impairment at the date of transition and it was determined that the assets were not impaired.

Leases

IFRIC 4, Determining Whether an Arrangement Contains a Lease (IFRIC 4) requires the assessment of whether an arrangement contains a lease to be based on the facts and circumstances existing at the date of the inception of the arrangement. Under an optional exemption in IFRS 1, an entity that made the same determination of whether an arrangement contains a lease under its previous GAAP as that required by IFRIC 4, but at a date other than that required by IFRIC 4, does not have to reassess that determination when it adopts IFRS. As the Corporation made the same determination of whether an arrangement contained a lease under US GAAP as that required by IFRIC 4, the Corporation elected this exemption and did not reassess its arrangements at the date of transition.

Transfer of assets from customers

A first-time adopter may apply the transitional provisions in IFRIC 18, Transfers of Assets from Customers and thereby apply the interpretation prospectively to transfers of assets from customers received on or after the date of transition or earlier date. The Corporation elected this exemption and applied the interpretation prospectively from the date of transition.

(expressed in Canadian dollars)

Reconciliation of consolidated statement of financial position and consolidated statement of changes in equity

	December 31, 2013			January 1, 2014
	CGAAP $	Presentation differences $	Measurement and recognition differences $	IFRS $
Cash and cash equivalents	-	-	-	-
Accounts receivable	11,754,120	-	-	11,754,120
Prepaid expenses	480,461	-	-	480,461
Payment in lieu of taxes	516,487	-	-	516,487
Inventory	273,152	-	-	273,152
Advances to related companies		-	-	-
Unbilled revenue - energy sales	15,332,127	-	-	15,332,127
Unbilled revenue - distribution	3,117,759	-	-	3,117,759
Restricted cash	311,643	-	-	311,643
Property, plant and equipment (note 6)	95,742,072	(1,022,361)	(460,787)	94,258,924
Intangible assets (note 7)	1,694,584	1,022,361		2,716,945
Payment in lieu of future taxes	9,484,904	-	(1,467)	9,483,437
Total assets	138,707,309	-	(462,254)	138,245,055
Regulatory assets	1,351,180	-	-	1,351,180
Total assets and regulatory balances	140,058,489	-	(462,254)	139,596,235
Bank indebtedness	216,673	-	-	216,673
Accounts payable and accrued liabilities	7,159,021	-	-	7,159,021
Payable for energy purchases	11,192,421	-	-	11,192,421
Promissory note payable	52,340,819	-	-	52,340,819
Current portion of deferred revenue	85,087	-	-	85,087
Current portion of long-term obligations	1,276,089	-	-	1,276,089
Current portion of capital lease obligations	98,590	-	-	98,590
Deferred revenue	946,634	-	-	946,634
Payment in lieu of future taxes	727,873	-	-	727,873
Capital lease obligations	207,842	-	-	207,842
Long-term obligations	25,251,305	-	(442,513)	24,808,792
Total liabilities	99,502,354	-	(442,513)	99,059,841
Regulatory liabilities	12,400,242		(1,467)	12,398,775
Total liabilities and regulatory balances	111,902,596		(443,980)	111,458,616
Share capital	22,431,779	-	-	22,431,779
Retained earnings	5,724,114		(18,274)	5,705,840
Total equity	28,155,893	-	(18,274)	28,137,619
Total liabilities, regulatory balances and equity	140,058,489	-	(462,254)	139,596,235

(expressed in Canadian dollars)

	December 31, 2014			December 31, 2014
	CGAAP $	Presentation differences $	Measurement and recognition differences $	IFRS $
Cash and cash equivalents	-	-	-	-
Accounts receivable	12,873,694	-	-	12,873,694
Prepaid expenses	604,108	-	-	604,108
Payment in lieu of taxes	258,412	-	-	258,412
Inventory	906,925	-	-	906,925
Advances to related companies	-	-	-	-
Unbilled revenue - energy sales	14,735,593	-	-	14,735,593
Unbilled revenue - distribution	2,999,866	-	-	2,999,866
Restricted cash	315,079	-	-	315,079
Property, plant and equipment (note 6)	98,734,464	347,994	(946,000)	98,136,458
Intangible assets (note 7)	1,664,750	710,455	-	2,375,205
Payment in lieu of future taxes	9,660,069	-	220,004	9,880,073
Other assets	5,468	-	-	5,468
Total assets	142,758,428	1,058,449	(725,996)	143,090,881
Regulatory assets	1,141,237	(17,570)	-	1,123,667
Total assets and regulatory balances	143,899,665	1,040,879	(725,996)	144,214,548
Bank indebtedness	1,129,383	-	-	1,129,383
Accounts payable and accrued liabilities	5,984,302	-	-	5,984,302
Payable for energy purchases	12,488,704	-	-	12,488,704
Promissory note payable	52,340,819	-	-	52,340,819
Current portion of deferred revenue	84,607	-	-	84,607
Current portion of long-term obligations	1,377,207	-	-	1,377,207
Current portion of capital lease obligations	176,259	-	-	176,259
Deferred revenue	881,479	1,058,448	-	1,939,927
Payment in lieu of future taxes	759,246	-	-	759,246
Capital lease obligations	311,499	-	-	311,499
Long-term obligations	28,358,557	-	(354,611)	28,003,946
Total liabilities	103,892,062	1,058,448	(354,611)	104,595,899
Regulatory liabilities	10,816,572	(17,570)	220,005	11,019,007
Total liabilities and regulatory balances	114,708,634	1,040,878	(134,606)	115,614,906
Share capital	22,431,779	-	-	22,431,779
Retained earnings	6,759,252	-	(591,388)	6,167,864
Total equity	29,191,031	-	(591,388)	28,599,643
Total liabilities, regulatory balances and equity	143,899,665	1,040,878	(725,994)	144,214,549

(expressed in Canadian dollars)

Reconciliation of net income for 2014

	CGAAP $	Presentation differences $	Measurement and recognition differences $	IFRS $
Energy sales	105,387,759	2,133,074	-	107,520,833
Distribution	22,636,158	-	-	22,636,158
Other operating revenue	11,106,137	14,660	-	11,120,797
Total revenue	139,130,054	2,147,734	-	141,277,788
Cost of energy	105,387,759	3,702,058	-	109,089,817
Amortization	6,092,476	14,629	169,449	6,276,554
Operating and administration	18,807,937	-	-	18,807,937
Other utility expense	3,794,709	-	-	3,794,709
Interest on long-term obligations	1,348,986	-	12,272	1,361,258
Remeasurements of swaps	142,857	-	-	142,857
Remeasurement of future pension benefit	2,280,759	(2,280,759)	-	-
Loss on disposal of assets	(26,005)	-	315,763	289,758
Profit before tax and regulatory items	3,581,330	(1,568,953)	(497,484)	1,514,898
Payment in lieu of taxes	265,438	(380,395)	-	(114,957)
Net movement in regulatory deferral account balances related to profit or loss	-	1,188,558	-	1,188,558
Profit for the year	1,035,138	2,280,759	(497,484)	2,818,413
Remeasurements of future benefit obligation	-	(2,280,759)	(75,630)	(2,356,389)
Total comprehensive income for the year	1,035,138	-	(573,114)	462,024
Retained earnings - Beginning of year	5,724,114	-	(18,274)	5,705,840
Retained earnings - End of year	6,759,252	-	(591,388)	6,167,864

Notes to the reconciliations

The impact on deferred tax of the adjustments described below is set out in note (f).

(a) IFRS 14 permits a rate-regulated entity to continue to apply its previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory balances. However, all regulatory balances and related deferred tax amounts are reclassified to a new and separate section of the consolidated balance sheet. As well, the net income effect of all changes in regulatory balances must be segregated in a new separate section of the consolidated statement of income. Amounts that are permitted or required to be recognized under another IFRS are excluded from the regulatory balances. The effect of the reclassifications would enhance comparability of IFRS 14 compliant financial statements with those entities not applying IFRS 14. IFRS 14 also requires disclosure regarding the movements in the period, risks, and expected period of recovery/amortization of individual regulatory balances.

(expressed in Canadian dollars)

(b) The Corporation has elected under IFRS 1 to use the carrying value of items of PP&E and intangible assets as the deemed cost at the date of transition. Therefore, there has been no change to the net PP&E and intangible assets at January 1, 2014. The effect of this transitional adjustment is a decrease to the original cost and accumulated depreciation of the affected PP&E and intangible assets by $136,111,363 and $136,111,363 respectively, the CGAAP accumulated depreciation amount, on January 1, 2014.

(c) IFRS requires that borrowing costs related to the construction of the qualifying assets be capitalized. The Corporation has applied IAS 23 to all qualifying assets that were in progress or commenced since January 1, 2014. No qualifying assets were identified and therefore no borrowing costs were capitalized at the year ending December 31, 2014.

(d) Under CGAAP, capital contributions were netted against the cost of PP&E and amortized to net income as an offset to depreciation expense, on the same basis as the related assets. Under IFRS, capital contributions are recognized initially as customer deposits until the related asset is constructed, at which time the capital contributions are recognized as deferred revenue and amortized into net income over the life of the related asset.

There is no impact at January 1, 2014 as the deemed cost exemption is used (see (a)). At December 31, 2014, the effect is to increase PP&E by $1,058,448, increase deferred revenue by $1,058,448 and increase other revenue by $14,629 for the year ended December 31, 2014.

(e) Under the group depreciation policy adopted under CGAAP, the Corporation did not remove assets from the accounts upon disposal of an asset. IFRS requires assets to be removed from the accounts when they have been removed from service.

The effect is to decrease PP&E by $136,805 and $315,763 at January 1, 2014 and December 31, 2014 respectively and to increase loss on disposal of PP&E by $136,805 and $315,763 for the opening balance sheet as at January 1, 2014 and year ended December 31, 2014, respectively.

In addition, under CGAAP, the Corporation amortized substation assets over 45 years. IFRS requires componentization of these assets and the effect is to increase depreciation expense and accumulated depreciation by $323,982 at January 1, 2014 and to increase depreciation expense and accumulated depreciation by $169,449 at December 31, 2014.

(expressed in Canadian dollars)

(f) IFRS requires the Corporation to review the useful lives of capital assets in each reporting period. Upon transition to IFRS, the Corporation updated the useful life of substation assets. This change resulted in an increase to accumulated depreciation and depreciation expense of $323,982 and $169,449 at January 1, 2014 and December 31, 2014 respectively.

The above changes increased (decreased) the deferred tax asset as follows based on a tax rate of 26.5%:

	December 31, 2014 $	January 1, 2014 $
Property, plant and equipment	242,649	109,454
Employee future benefits	(99,035)	(110,921)
Regulatory	76,389	
Increase (decrease) in deferred tax asset	220,005	(1,467)

(g) The Corporation adopted the revised employee benefits standard effective January 1, 2014. This revised standard requires recognition of actuarial gains and losses through other comprehensive income. This decreased employee future benefits and retained earnings by $442,513 at January 1, 2014 and increased operating expenses by $12,272 and increased employee future benefits in OCI by $75,630 at December 31, 2014.

Explanation of material adjustments to the consolidated statement of cash flows for 2014

There are no material differences between the consolidated statement of cash flows presented under IFRS and the consolidated statement of cash flows presented under CGAAP.