Appendix 9
Draft

Financial Statements of

ENERSOURCE CORPORATION

Year ended December 31, 2023

ENERSOURCE CORPORATION

Statement of Financial Position

In thousands of Canadian dollars

Year ended December 31, 2023, with comparative information for 2022

		2023		2022
Assets				
Current Assets:				
Cash	$	5,889	$	8,333
Prepaid expenses		295		244
Total Current Assets		6,184		8,577
Non-Current Assets:				
Investment In Alectra Inc. (note 5)		617,397		598,113
Interest rate swap (note 7)		344		548
Total Non-Current Assets		617,741		598,661
Total Assets	**$**	**623,925**	**$**	**607,238**
Liabilities and Shareholders' Equity				
Current Liabilities				
Trade payables	$	41	$	40
Loans and borrowings (note 7)		2,500		2,500
Total Current Liabilities		2,541		2,540
Non-Current Liabilities				
Loans and borrowings (note 7)		40,625		43,125
Total Non-Current Liabilities		40,625		43,125
Total Liabilities		**43,166**		**45,665**
Shareholders' Equity				
Share capital (note 8)		175,691		175,691
Accumulated other comprehensive income		1,847		2,172
Retained earnings		403,221		383,710
Total Shareholders' Equity		580,759		561,573
Total Liabilities and Shareholders' Equity	**$**	**623,925**	**$**	**607,238**

See accompanying notes to financial statements.

On behalf of the Board:

______________________________ Director

______________________________ Director

ENERSOURCE CORPORATION

Statement of Comprehensive Income
In thousands of Canadian dollars

For the year ended December 31, 2023, with comparative information for 2022

		2023		**2022**
Revenue:				
Interest earned	$	479	$	249
Share of net income from investment in Alectra Inc. (note 5)		42,285		10,890
Unrealized fair value gain (loss) on interest rate swap (note 7)		(204)		623
		42,560		**11,762**
Expenses:				
Office supplies		40		34
Professional and legal services fees		69		72
Board management fees (note 10)		76		76
Debt expenses (note 7)		2,204		1,318
		2,389		**1,500**
Net income:		**40,171**		**10,262**
Other Comprehensive Income:				
Share of other comprehensive income (loss) from investment in Alectra Inc. (note 5)		(325)		7,393
Total Comprehensive Income	**$**	**39,846**	**$**	**17,655**

See accompanying notes to financial statements.

ENERSOURCE CORPORATION

Statement of Changes in Shareholders' Equity
In thousands of Canadian dollars

Year ended December 31, 2023, with comparative information for 2022

	Share Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders' Equity
Balance at January 1, 2023	$ 175,691	$ 2,172	$ 383,710	$ 561,573
Net income	-	-	40,171	40,171
Other comprehensive loss	-	(325)	-	(325)
Dividends paid	-	-	(20,660)	(20,660)
Balance at December 31, 2023	**$ 175,691**	**$ 1,847**	**$ 403,221**	**$ 580,759**
Balance at January 1, 2022	$ 175,691	$ (5,221)	$ 396,787	$ 567,257
Net income	-	-	10,262	10,262
Other comprehensive income	-	7,393	-	7,393
Dividends paid	-	-	(23,339)	(23,339)
Balance at December 31, 2022	**$ 175,691**	**$ 2,172**	**$ 383,710**	**$ 561,573**

See accompanying notes to financial statements.

ENERSOURCE CORPORATION

Statement of Cash Flows

In thousands of Canadian dollars

For the year ended December 31, 2023, with comparative information for 2022

	2023	2022
Cash flows provided by (used in):		
Operating Activities:		
Comprehensive income	$ 39,846	$ 17,655
Adjustments for:		
Interest income	(479)	(249)
Debt expense	2,204	1,318
Items not involving cash:		
Share of net income from investment in Alectra Inc. (note 5)	(42,285)	(10,890)
Share of other comprehensive loss/(income) from investment in Alectra Inc. (note 5)	325	(7,393)
Change in fair value of interest rate swap (note 7)	204	(623)
Changes in non-cash operating working capital (note 9)	(50)	(187)
Cash flows used in operating activities	(235)	(369)
Financing Activities		
Repayment of bank loans	(2,500)	(2,500)
Dividends paid	(20,660)	(23,339)
Interest paid	(2,204)	(1,318)
Cash flows used in financing activities	(25,364)	(27,157)
Investing Activities		
Interest received	479	249
Dividends from Alectra Inc (note 5)	22,676	28,072
Cash flows from investing activities	23,155	28,321
Increase (decrease) in cash	(2,444)	795
Cash, beginning of year	8,333	7,538
Cash, end of year	**$ 5,889**	**$ 8,333**

See accompanying notes to financial statements.

ENERSOURCE CORPORATION
Notes to Financial Statements
In thousands of Canadian dollars

Year ended December 31, 2023

1. General information:

(a) Corporate information:

Enersource Corporation (the "Corporation"), incorporated under the Ontario Business Corporations Act, was formed to conduct electricity distribution and non-regulated utility service ventures. The Corporation is owned 90% by the City of Mississauga (the "City") and 10% by BPC Energy Corporation ("Borealis"), a wholly owned subsidiary of the Ontario Municipal Employees Retirement System ("OMERS").

The Corporation's equity is not traded in a public market. The Corporation's registered office is located at 300 City Centre Drive, Mississauga, Ontario, L5B 3C1.

The Corporation's audited financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

Further, all amounts contained herein are rounded to the nearest thousand, unless otherwise noted.

On January 31, 2017, Enersource Holdings Inc. amalgamated with Power Stream Holdings Inc. and Horizon Holdings Inc. to form Alectra Inc. ("Alectra"). Alectra's primary businesses are to distribute electricity to customers in municipalities in the greater golden horseshoe area, as well as provide non-regulated energy services.

The Corporation has a 29.57% ownership interest in Alectra's issued and outstanding common shares. Accordingly, the Corporation is considered to have significant influence over Alectra's financial and operating policies and has accounted for its investment in Alectra under the equity method. Refer to note 5 for further details.

The shareholder ownership of Alectra is as follows: Barrie Hydro Holdings - 8.4%, Enersource Corporation - 29.57%, Guelph Municipal Holdings Inc. - 4.6%, Hamilton Utilities Corporation - 17.3%, Markham Enterprises Corporation - 15.03%, St. Catharines Hydro Inc. - 4.6% and Vaughan Holdings Inc. - 20.5%.

ENERSOURCE CORPORATION
Notes to Financial Statements (continued)
(In thousands of Canadian dollars)

Year ended December 31, 2023

1. General information (continued):

(b) Nature of operations:

The Corporation acts as a holding company. The Corporation's principal business activity is to hold its equity interest in Alectra. The Corporation also distributes dividends to its shareholders.

2. Basis of preparation:

(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements have been approved by the Corporation's Board of Directors on <Date>.

(b) Basis of measurement:

These financial statements have been prepared on a historical cost basis, with the exception of the unrealized fair value gain (loss) on interest rate swap, which is measured at fair value through profit and loss.

3. Key accounting judgments, estimates and assumptions:

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and amounts reported and disclosed in the financial statements. 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 year in which the estimates are revised and in any future years affected.

There were no key sources of estimation uncertainty and judgments at the end of the reporting year, other than those inherent in the preparation of Alectra's financial statements, that could have a significant impact on the financial statements.

ENERSOURCE CORPORATION
Notes to Financial Statements (continued)
(In thousands of Canadian dollars)

Year ended December 31, 2023

4. Material accounting policies:

(a) Changes in accounting policies:

The Corporation adopted Disclosure of Accounting Policies – Amendments to IAS-1 and IFRS Practice Statement 2 effective January 1, 2023. There was no significant impact on the Corporation upon adoption of the standard.

(b) Investment in Alectra:

The Corporation's interest in Alectra is recognized and measured in accordance with International Accounting Standard ("IAS") 28, Investments in Associates and Joint Ventures.

Associates are those entities over which the Corporation has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Corporation holds between 20% and 50% of the voting power of another entity but can also arise where the Corporation holds less than 20%, if it has the power to be actively involved and influential in policy decisions affecting the entity.

Investments in associates are accounted for using the equity method. The equity method involves the recording of the initial investment at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Corporation's share of profit or loss and any other changes in the associates' net assets, such as dividends of equity accounted investees, until the date on which significant influence ceases.

(c) Revenue recognition:

The Corporation's source of income is interest and investment income. Interest income is recognized when earned, while investment income from Alectra is recorded as per note 4(b) above.

ENERSOURCE CORPORATION
Notes to Financial Statements (continued)
(In thousands of Canadian dollars)

Year ended December 31, 2023

4. Material accounting policies (continued):

(d) Income taxes:

The Corporation recognizes deferred tax 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 probable. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates, at the reporting date, expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are generally recognized on all taxable temporary differences, except on investments in subsidiaries where it is probable that the reversal of temporary differences associated with investments in subsidiaries will not occur.

Current taxes are based on taxable profit or loss for the year, which differ from profit or loss as reported in the statement of comprehensive income because it excludes items that are taxable or deductible in other years and items that are neither taxable nor deductible. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting year.

Both current and deferred taxes are included as part of income tax expense in the statement of comprehensive income.

ENERSOURCE CORPORATION
Notes to Financial Statements (continued)
(In thousands of Canadian dollars)

Year ended December 31, 2023

4. Material accounting policies (continued):

(e) Provisions and contingencies:

The Corporation recognizes provisions if, as a result of a past event, there is a present legal or constructive obligation that can be measured 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, where appropriate, the risks specific to the liability.

The evaluation of the likelihood of the contingent events requires judgment by management as to the probability of exposure to potential gain or loss. Actual results could differ from these estimates.

A contingent asset is not recognized in the financial statements. However, a contingent asset is disclosed where an inflow of economic benefits is probable.

(f) New standards and interpretations not yet adopted:

There were no new standards that have not yet been adopted by the Corporation.

ENERSOURCE CORPORATION
Notes to Financial Statements (continued)
(In thousands of Canadian dollars)

Year ended December 31, 2023

5. Investment in Alectra:

		2023		2022
Investment in Alectra Inc.	$	**617,397**	$	**598,113**

Movement in equity-accounted investee:

		2023		2022
Balance, beginning of year	$	**598,113**	$	**607,902**
Share of net income from investment in Alectra Inc.		42,285		10,890
Share of other comprehensive income (loss)		(325)		7,393
Dividends received from Alectra Inc.		(22,676)		(28,072)
Balance, end of year	$	**617,397**	$	**598,113**

Certain former shareholders of predecessor companies which amalgamated to form Alectra own Class S shares of Alectra relating to Ring Fenced Solar Portfolio, a division of Alectra. In accordance with the Solar Services and Indemnity Agreement between the former shareholders and Alectra, the solar division within Alectra is beneficially owned indirectly by the former shareholders and as such, allocates the risks and rewards of Ring Fenced Solar Portfolio's operations to the former shareholders through Alectra's Class S shares. The Corporation does not hold Class S shares of Alectra.

ENERSOURCE CORPORATION
Notes to Financial Statements (continued)
(In thousands of Canadian dollars)

Year ended December 31, 2023

5. Investment in Alectra (continued):

The following table summarizes the financial information of Alectra as included in its own financial statements, adjusted for fair value adjustments at acquisition as well as the removal of Ring Fenced Solar Portfolio's net assets and operating results. The table also reconciles the summarized financial information to the carrying amount of the Corporation's interest in Alectra.

		2023		**2022**
Ownership interest		29.57%		29.57%
Current assets	$	750,000	$	706,000
Non-current assets		5,327,000		5,014,000
Current liabilities		(1,383,000)		(934,000)
Non-current liabilities		(2,893,000)		(3,050,000)
Net Assets (100%)		1,801,000		1,736,000
Ring Fenced Solar Portfolio Net Assets		(8,100)		(8,846)
Fair value adjustments from purchase price		296,145		296,145
	$	2,089,045	$	2,023,299
Carrying value of Investment in Alectra Inc - 29.57%	**$**	**617,397**	**$**	**598,113**
Revenue	$	3,956,000	$	3,904,000
Depreciation and amortization		(201,000)		(191,000)
Other expenses		(3,459,000)		(3,575,000)
Finance expense		(96,000)		(79,000)
Income tax expense		(54,000)		(19,000)
Net income		146,000		40,000
Other comprehensive income (loss)		(1,000)		25,000
Total comprehensive income	$	145,000	$	65,000
Ring Fenced Solar Portfolio net gain		3,000		3,171
Share of income (29.57%)	$	42,285	$	10,890
Share of other comprehensive income (loss) (29.57%)		(325)		7,393

ENERSOURCE CORPORATION
Notes to Financial Statements (continued)
(In thousands of Canadian dollars)

Year ended December 31, 2023

6. Income taxes:

The components of income tax recovery for the years ended December 31, 2023 and 2022 were as follows:

		2023		2022
Current income tax expense				
Expense for the year	$	-	$	-
Total income tax expense	$	-	$	-

The provision for income taxes differs from the amount that would have been recorded using the combined federal and Ontario statutory income tax rate. Reconciliation between the statutory and effective tax rates is provided as follows:

		2023		2022
Income before income taxes	$	40,171	$	10,262
Federal and Ontario statutory income tax rate		26.5%		26.5%
Provision for income taxes at statutory rate	$	10,645		2,719
Increase (decrease) resulting from:				
Differences between accounting and tax treatment of investments in subsidiaries		(11205)		(2,886)
Losses not recognized as deferred tax asset		560		167
Provision for income taxes	$	-	$	-
Effective income tax rate		**0%**		**0%**

ENERSOURCE CORPORATION
Notes to Financial Statements (continued)
(In thousands of Canadian dollars)

Year ended December 31, 2023

7. Loans and borrowings:

		2023		2022
Bank Loan				
Current	$	2,500	$	2,500
Non-current		40,625		43,125
Total	**$**	**43,125**	**$**	**45,625**

Outstanding debt is comprised of two bank loans, Credit Facility A and Credit Facility B which were entered into on January 27, 2017, and an interest rate swap, held with Canadian Imperial Bank of Commerce ("CIBC"). The interest rates on Credit Facility A and B bank loans are determined through a combination of 3-month CDOR rates, reset 4 times each year on February 1st, May 1st, August 1st, and November 1st, plus a CIBC stamping fee of 0.60%. Credit Facility A has a 10-year term to maturity with an outstanding balance of $35,000 and will be carried for the duration of the facility. The November 1st, 2023 Canadian Dollar Offered Rate (CDOR) - based interest rate reset for Credit Facility A was 5.58%. Credit Facility B has a 10-year term to maturity, maturing on February 1st, 2027, and an outstanding balance of $8,469. Credit Facility B is being paid down with quarterly principal payments at a rate of $625 per quarter plus interest and has an accompanying amortizing interest rate swap associated with it, to create an effective fixed interest rate of 2.414%.

The CIBC credit facilities contain covenants stating that the Corporation cannot incur any additional debt without CIBC's consent. In addition, the Corporation must advise CIBC if dividends are not received from Alectra in any quarter and/or if the dividend amount is not sufficient to make the required monthly or quarterly payments of principal and interest. These covenants have not been breached in 2023, nor since inception. Bank loans are guaranteed by the City of Mississauga up to an amount of $70,000.

The Corporation included $204 unrealized loss (2022 - $623 unrealized gain) in its financial statements related to the interest rate swap. An asset of $344 (2022 - $548 asset) is the fair value of the interest rate swap, which represents the amount that the Corporation would have received to unwind its position as at 2023. The notional value on the interest rate swap is equal to the outstanding value of Credit Facility B, or $8,125.

ENERSOURCE CORPORATION
Notes to Financial Statements (continued)
(In thousands of Canadian dollars)

Year ended December 31, 2023

7. Loans and borrowings (continued):

Reconciliation of debt arising from financing activities:

		2023		2022
Balance, beginning of period	$	45,625	$	48,125
Principal repayment		(2,500)		(2,500)
Balance, end of period	**$**	**43,125**	**$**	**45,625**

The Corporation made interest payments of $2,204 (2022 - $1,318).

8. Share capital:

		2023		2022
Authorized:				
Unlimited Class A shares, voting				
1,000 Class B shares, non-voting				
100 Class C shares, voting				
Issued:				
180,555,562 Class A shares	$	155,628	$	155,628
1,000 Class B shares		1		1
100 Class C shares		20,062		20,062
Total	**$**	**175,691**	**$**	**175,691**

The holders of Class A shares and Class C shares are entitled to receive notice of, to attend, and to vote at all general and special meetings of the Corporation's shareholders. The holders of Class B shares are not entitled to vote at any meeting of the Corporation's shareholders (except as required by law) and are only entitled to receive notice of special meetings called to consider certain fundamental changes.

ENERSOURCE CORPORATION
Notes to Financial Statements (continued)
(In thousands of Canadian dollars)

Year ended December 31, 2023

8. Share capital (continued):

Holders of Class A shares are entitled to one vote per share. Holders of Class C shares are entitled to such number of votes in respect of each Class C share as will entitle the holders of the Class C shares, as a class, to the proportion of the total number of votes of all shareholders entitled to vote at any such meeting that the Class C total base equity is of the aggregate regulated rate base equity of the Corporation's and its subsidiaries.

The holders of the Class A shares and holders of the Class C shares, in priority to the holders of the Class B shares, are entitled to receive, if, as and when declared by the Corporation's Board of Directors, concurrent preferential dividends at a rate per annum equal to the regulated rate of return on the rate base equity represented by each such class of shares. The cumulative portion of such preferential dividend is the amount by which the preferential dividend for each class of shares exceeds the amount of regulated capital expenditures represented by each class of shares. The remaining portion is non-cumulative. As at December 31, 2023, there were no cumulative preferential dividends outstanding (2022 - nil). Once these preferential dividend entitlements have been satisfied, holders of each class of shares are entitled to receive, on a concurrent basis with each other class of shares, additional dividends if, as and when declared by the Corporation's Board of Directors and in such amounts and payable in such manner as may be determined from time to time by the Corporation's Board of Directors. Holders of the Class A shares and the Class C shares are together entitled to 60% of any such additional dividends, which are to be allocated between the holders of each such class of shares in proportion to the rate base equity represented by each such class. Holders of the Class B shares are entitled to 40% of any such additional dividends. Class A, B and C shares have no par value.

Dividends may be declared by the Board of Directors through a resolution. As at December 31, 2023, dividends of $20,660 (2022 - $23,339) were declared and paid to the shareholders of the Corporation.

9. Change in non-cash operating working capital:

	2023	2022
Prepaid expenses	$ (51)	$ (227)
Trade payables	1	40
Decrease in working capital	$ (50)	$ (187)

ENERSOURCE CORPORATION
Notes to Financial Statements (continued)
(In thousands of Canadian dollars)

Year ended December 31, 2023

10. Related party transactions and balances:

For 2023, a dividend of $18,594 was declared and paid to the City of Mississauga (2022 - $21,005), and a dividend of $2,066 was declared and paid to Borealis (2022 - $2,334). No Director had, during or at the end of the period, any material interest in any contract of significance in relation to the Corporation's business.

The following compensation has been provided to the key management personnel of the Corporation and members of the Board of Directors ("Directors Honorarium"), who have the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

		2023		**2022**
Directors honorarium and per diems	$	76	$	76

11. Contingencies, provisions, commitments and guarantees:

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or inter insurance with each other. MEARIE is licensed to provide general liability insurance to its members. Insurance premiums charged to each member consist of a levy per thousand dollars of service revenue subject to a credit or surcharge based on each member's claims experience. Current liability coverage is provided to a level of $30,000 per occurrence.

As at 2023 and 2022, there are no legal actions where the Corporation is a defendant.

12. Financial instruments and risk management:

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 for identical instruments in active markets;

- Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the instrument, either directly or indirectly; and

- Level 3 - inputs that are not based on observable market data. There were no financial instruments carried at fair value categorized in Level 3 as at 2023 and 2022.

There were no transfers between levels during the year.

The fair values of cash and trade payables approximate their carrying values due to the immediate or short-term maturity of these financial instruments.

The Corporation entered into an amortizing Interest Rate Swap ("IRS") with CIBC on January 31, 2017. The IRS is amortizing (being paid down) at the same rate as Credit Facility B. Both Credit Facility B and the IRS will be retired effective February 1, 2027. The IRS is an interest rate hedging instrument against CIBC Credit Facility B (identified in note 7) and has the effect of locking in the interest rate associated with Credit Facility B at 2.414%. As a stand-alone financial instrument, CIBC provides a month-end fair market value ("FMV") associated with the IRS. The fair market value for the IRS is an asset of $344 (2022 – $548 Asset). The interest rate swap is classified as Level 2 in the hierarchy.

ENERSOURCE CORPORATION
Notes to Financial Statements (continued)
(In thousands of Canadian dollars)

Year ended December 31, 2023

12. Financial instruments and risk management (continued):

The Corporation considers its capital to be its shareholders' equity. The Corporation manages its capital exposure to risk as described below. Exposure to market risk, credit risk and liquidity risk arises in the normal course of the Corporation's business.

(a) Market risk:

Market risk refers primarily to risk of loss that results from changes in commodity prices, foreign exchange rates and interest rates.

The Corporation is not exposed to commodity risk or foreign exchange risk.

The Corporation is exposed to short-term interest rate risk on its loans and borrowings and its net cash balances. The Corporation manages interest rate risk by monitoring its mix of fixed and floating rate instruments and taking action as necessary to maintain an appropriate balance.

(b) Credit risk:

The Corporation is not exposed to significant credit risk given the nature of its operations.

(c) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. Short-term liquidity is provided through cash and funds from operations. Short-term liquidity is expected to be sufficient to fund normal operating requirements.

The Corporation has contractual obligations in the normal course of business; future minimum undiscounted contractual maturities are as follows:

	Due within 1 year	Due between 1 & 5 years	Due Past 5 years
Financial Liabilities			
Trade payables	$ 41	$ -	$ -
Bank loan (interest and principal)	4,482	44,357	-
Total	$ 4,523	$ 44,357	$ -