

**UNION WATER SUPPLY SYSTEM INC.**

**Financial Statements**

**December 31, 2024**



**Baker Tilly Trillium LLP**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Union Water Supply System Inc.

### *Opinion*

We have audited the financial statements of Union Water Supply System Inc. (the Company), which comprise the statement of financial position as at December 31, 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Emphasis of Matter*

Without modifying our opinion, we draw attention to Note 4 to the financial statements which describes that the Company adopted International Financial Reporting Standards on January 1, 2024 with a transition date of February 24, 2023. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2023 and February 24, 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended December 31, 2023 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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## **AUDIT • TAX • ADVISORY**

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Independent Auditor's Report to the To the Shareholders of Union Water Supply System Inc. *(continued)*

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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Independent Auditor's Report to the To the Shareholders of Union Water Supply System Inc. *(continued)*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Baker Tilly Trillium LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
Leamington, Ontario  
September 24, 2025

**UNION WATER SUPPLY SYSTEM INC.****Statement of Financial Position****As at December 31, 2024***(Expressed in Canadian dollars)*

	2024	2023 <i>Unaudited</i>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 21,214,424	\$ -
Accounts receivable (Note 6)	1,567,504	-
HST receivable	851,688	-
Prepaid expenses	168,719	-
Due from shareholders	-	100
	23,802,335	100
<b>PROPERTY, PLANT AND EQUIPMENT</b>	59,183,874	-
	<u>\$ 82,986,209</u>	<u>\$ 100</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 3,955,943	\$ -
<b>RESTORATION PROVISION (Note 9)</b>	1,232,615	-
<b>RETIREMENT PROVISION</b>	282,400	-
	<u>5,470,958</u>	<u>-</u>
<b>COMMITMENTS (Note 10)</b>		
<b>EQUITY</b>		
Share capital		
Authorized:		
An unlimited number of Class A special tracking shares		
Issued:		
10,000 Class A special tracking shares (Note 11)	100	100
Contributed surplus	71,798,346	-
Retained earnings	5,716,805	-
	<u>77,515,251</u>	<u>100</u>
	<u>\$ 82,986,209</u>	<u>\$ 100</u>

**ON BEHALF OF THE BOARD**  
\_\_\_\_\_  
  
\_\_\_\_\_  
Director  
Director

See accompanying notes to financial statements

**UNION WATER SUPPLY SYSTEM INC.****Statement of Changes in Equity****Year Ended December 31, 2024***(Expressed in Canadian dollars)*

	Share capital	Contributed surplus	Retained earnings	Total Equity
<b>February 24, 2023</b> <i>(unaudited)</i>	\$ -	\$ -	\$ -	\$ -
Issuance of 10,000 Class A special tracking shares	100	-	-	100
<b>December 31, 2023</b> <i>(unaudited)</i>	100	-	-	100
Transfer of net assets from UWSS <i>(Notes 5, 12)</i>	-	71,798,346	-	71,798,346
Net income and comprehensive income	-	-	5,716,805	5,716,805
<b>December 31, 2024</b>	\$ 100	\$ 71,798,346	\$ 5,716,805	\$ 77,515,251

**UNION WATER SUPPLY SYSTEM INC.**  
**Statement of Comprehensive Income**  
**For the Year Ended December 31, 2024**  
*(Expressed in Canadian dollars)*

	2024	2023 <i>Unaudited</i>
<b>REVENUES</b>		
Water supply and services (Note 12)	\$ 15,185,316	\$ -
Interest	1,225,233	-
Rent	57,798	-
	<u>16,468,347</u>	<u>-</u>
<b>EXPENSES</b>		
Accretion	28,889	-
Administration fees (Note 12)	192,048	-
Advertising and promotion	3,301	-
Board honoraria and mileage (Note 12)	70,338	-
Carbon dioxide	150,098	-
Depreciation	2,065,054	-
Insurance	33,387	-
Interest and bank charges	941	-
Interest on long-term debt	758,539	-
Meetings and conventions	14,501	-
Non-recurring project cost	39,192	-
Office and computer supplies	98,270	-
Operating programs and studies	145,234	-
Professional services	460,122	-
Property taxes (Note 12)	177,311	-
Repairs and maintenance (Note 12)	426,106	-
Telephone	16,337	-
Travel	6,557	-
Utilities	1,612,038	-
Wages and benefits (Note 12)	334,496	-
Water maintenance service and testing (OCWA) (Note 10)	4,118,783	-
	<u>10,751,542</u>	<u>-</u>
<b>NET INCOME AND COMPREHENSIVE INCOME</b>	<u>\$ 5,716,805</u>	<u>-</u>

**UNION WATER SUPPLY SYSTEM INC.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2024**  
*(Expressed in Canadian dollars)*

	2024	2023 <i>Unaudited</i>
<b>OPERATING ACTIVITIES</b>		
Net income and comprehensive income	\$ 5,716,805	\$ -
Items not affecting cash:		
Depreciation expense	2,065,054	-
Accretion expense	28,889	-
	<u>7,810,748</u>	<u>-</u>
<b>Changes in non-cash working capital:</b>		
Accounts receivable	241,730	-
HST receivable	(851,688)	-
Prepaid expenses	(152,761)	-
Accounts payable and accrued liabilities	(465,440)	-
	<u>(1,228,159)</u>	<u>-</u>
	<u>6,582,589</u>	<u>-</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(3,445,897)	-
Cash acquired on transfer of net assets from UWSS	24,337,083	-
Change in amount due from shareholders	100	-
	<u>20,891,286</u>	<u>-</u>
<b>FINANCING ACTIVITY</b>		
Repayment of long-term debt	(6,259,451)	-
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>21,214,424</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 21,214,424</u>	<u>\$ -</u>
<b>CASH FLOWS SUPPLEMENTARY INFORMATION</b>		
Interest received	\$ 1,225,233	\$ -
Interest paid	\$ 759,480	\$ -
<b>CASH AND CASH EQUIVALENTS CONSIST OF:</b>		
Cash	<u>\$ 21,214,424</u>	<u>\$ -</u>

See accompanying notes to financial statements



# UNION WATER SUPPLY SYSTEM INC.

## Notes to Financial Statements

Year Ended December 31, 2024

(Expressed in Canadian dollars)

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### 1. CORPORATE INFORMATION AND DESCRIPTION OF BUSINESS

Union Water Supply System Inc. ("the Company") was incorporated under the Ontario Business Corporations Act on February 24, 2023 and is a Municipal Services Corporation as set out in Ontario Regulation 599/06 of the Municipal Act, 2001. The Company's principal activity is the operation of the municipal drinking water treatment and distribution system providing treated drinking water to its municipal shareholders. This activity was previously carried out by Union Water Supply System (UWSS). On April 22, 2024, the municipal shareholders transferred the net assets of UWSS to the Company (Note 5).

The Company's head office is located at 1615 Union Ave, Ruthven, ON, N0P 2G0.

The Company has four shareholders which are the Corporation of the Municipality of Leamington, the Corporation of the Town of Kingsville, the Corporation of the Town of Essex, and the Corporation of the Municipality of Lakeshore, collectively the "municipal shareholders".

### 2. BASIS OF PREPARATION

#### *Statement of compliance*

These financial statements have been prepared in accordance with IFRS Accounting Standards (IFRS).

The material accounting policies adopted to prepare these financial statements are set out below in Note 3.

The financial statements for the year ended December 31, 2024, were authorized for issue by the Board of Directors on September 24, 2025.

#### *Basis of measurement*

These financial statements have been prepared on a historical cost basis, except when certain financial instruments have been measured at fair value. In addition, the financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

#### *Functional and presentation currency*

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

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## **UNION WATER SUPPLY SYSTEM INC.**

### **Notes to Financial Statements**

**Year Ended December 31, 2024**

*(Expressed in Canadian dollars)*

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## **2. BASIS OF PREPARATION *(continued)***

### *Use of estimates and judgment*

The preparation of financial statements in accordance with IFRS requires management to make estimates and judgments that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. 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 period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management that have significant effects on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

The Company bases its estimates and judgments on historical experience, current conditions and various other reasonable assumptions. Significant estimates and judgments include:

- The estimated useful lives of property, plant and equipment (Schedule);
- The recoverability of property, plant and equipment including estimates of future costs to retire physical assets, selection of a discount rate (Note 9); and,
- Recording of assets acquired and obligations assumed from UWSS (Note 5).

## **3. MATERIAL ACCOUNTING POLICY INFORMATION**

### **(a) Revenue recognition**

Revenue from the treatment and distribution of water (water supply and services revenue) is recognized when the water is delivered to municipal shareholders. Revenue is recognized when performance obligations are met and when collection of the resulting receivable is probable.

Interest income is accrued on a time basis by reference to the principal outstanding and Effective Interest Rate (EIR) applicable. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Rent revenue is recognized on the straight line basis.

### **(b) Cash and cash equivalents**

Cash and cash equivalents are comprised of cash on hand and on-demand deposits and highly liquid investments with original maturities of three months or less that are readily convertible into a known amount of cash.

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# UNION WATER SUPPLY SYSTEM INC.

## Notes to Financial Statements

Year Ended December 31, 2024

(Expressed in Canadian dollars)

### 3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

#### (c) Property, plant and equipment

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

The Company capitalizes the costs directly attributable to procuring and constructing property, plant and equipment, which include labour and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are capitalized only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Borrowing costs that are directly attributable to acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. For the years presented in these financial statements there were no borrowing costs.

Property and equipment are assessed at each reporting date to determine whether any indication of impairment exists. When an indicator of impairment exists, the recoverable amount is estimated and any excess of carrying amount over recoverable amount is recognized in profit or loss. The recoverable amount is the higher of value in use and fair value less costs of disposal. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

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

Property, plant and equipment is depreciated to its estimated residual value on a straight-line basis over its estimated useful life, with the exception of land which is not depreciated. Assets in the course of construction are not depreciated until they are commissioned. The estimated useful lives are as follows:

Land improvements	25 to 50 years
Buildings	20 to 50 years
Machinery and equipment	3 to 50 years
Linear assets	10 to 90 years
Website development	5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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# UNION WATER SUPPLY SYSTEM INC.

## Notes to Financial Statements

Year Ended December 31, 2024

(Expressed in Canadian dollars)

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### 3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(d) Income taxes

The Company is not subject to income tax by virtue of paragraph 149(1)(d.5) of the Income Tax Act (Canada). Accordingly, no income taxes are recognized in these financial statements.

(e) Business combination under common control

The transaction described in Note 5 has been accounted for as a combination of businesses under common control as it has occurred between parties under common control. The Company recorded the transferred cash, accounts receivable, prepaid expenses, accounts payable and accrued liabilities, long-term debt and retirement provision at the carrying amounts recorded in UWSS and recorded the transferred property, plant and equipment and restoration provision at amortized cost recorded in UWSS. The Company recorded the net assets transferred from UWSS as an equity contribution to the Company by its municipal shareholders which is reflected as an increase in contributed surplus.

(f) Provisions

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that the outflow of resources embodying economic benefits will be required to settle an obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, when appropriate, the risks specific to that liability.

Restoration provision

The restoration provision is recorded at the present value of expected costs to settle the obligations using estimated cash flows and are recognized as a part of the cost of the related asset. The carrying value of the liability is reviewed annually with changes to the timing or amount of the original estimate of cash outflows recorded as an adjustment to the liability and related item of property, plant and equipment. The discount rate used was 2.4%.

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# UNION WATER SUPPLY SYSTEM INC.

## Notes to Financial Statements

Year Ended December 31, 2024

(Expressed in Canadian dollars)

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### 3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

#### (g) Financial instruments

Financial assets and liabilities are initially recognized in the statement of financial position when the Company becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of financial assets or liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are measured at amortized cost at each subsequent reporting period using the effective interest method. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the instrument, and interest income is reported in profit or loss. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recognized in profit or loss or in other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

Financial liabilities classified as subsequently measured at amortized cost are measured using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments over the expected life of the instrument. Interest expense is reported in profit or loss.

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on reasonable and supportable forward-looking information available.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

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# UNION WATER SUPPLY SYSTEM INC.

## Notes to Financial Statements

Year Ended December 31, 2024

(Expressed in Canadian dollars)

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### 3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(h) New and revised IFRS issued but not yet effective

At the date of authorization of these financial statements, several new, but not yet effective, IFRS and amendments to existing IFRS and Interpretations of the IFRS Interpretations Committee ("IFRIC") have been published by the International Accounting Standard Board. None of these IFRS or amendments to existing IFRS have been adopted early by the Company and no interpretations have been issued that are applicable and need to be taken into consideration by the Company at the reporting date. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement.

In April 2024, the IASB issued IFRS 18, Presentation and Disclosure in the Financial Statements. IFRS 18 will replace IAS 1 Presentation of Financial Statements but carries forward many of the requirements from IAS 1. The standard introduces new defined subtotals to be presented in the Company's statement of comprehensive income, disclosure of any management-defined performance measures related to the statement of comprehensive income and requirements for grouping of information. IFRS 18 is effective for annual periods beginning on or after January 1, 2027, with earlier adoption permitted, and will apply retrospectively. The Company is currently in the process of assessing the impact of IFRS 18 (and applicable amendments to other standards) on the financial statements and notes to the financial statements.

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments. The amendments clarify that a financial liability is derecognized on the settlement date and introduce an accounting policy choice to derecognize a financial liability settled using an electronic payment system before the settlement date. The amendments are effective for annual periods beginning on or after January 1, 2026. Early adoption is permitted, with an option to early adopt only the amendments to the classification of financial assets (for contingent features). The Company does not expect any material impact on their financial statements.

### 4. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

These financial statements, for the year ended December 31, 2024, are the first financial statements that the Company has prepared in accordance with IFRS. These standards were adopted on January 1, 2024 with a transition date of February 24, 2023 and have been applied, retrospectively, by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2023 and February 24, 2023 and the statement of comprehensive income and statement of changes in equity for the period ended December 31, 2023 and related disclosures. As a result of adopting IFRS, there were no changes to assets, liabilities and equity at February 24, 2023 or to net income and comprehensive income, assets, liabilities and equity for the period ended December 31, 2023.

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**UNION WATER SUPPLY SYSTEM INC.****Notes to Financial Statements****Year Ended December 31, 2024***(Expressed in Canadian dollars)*

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**4. FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS  
(continued)**

The statement of financial position at February 24, 2023 is as follows:

	February 24, 2023 <i>(unaudited)</i>
	<hr/>
Assets	\$ - <hr/>
Liabilities and equity	\$ - <hr/>

**5. NET ASSETS TRANSFERRED FROM UWSS**

Effective April 22, 2024, the member municipalities of UWSS completed the transfer of their respective interests in the UWSS joint arrangement to the Company.

The following summarizes the net assets transferred to the Company from UWSS:

<b>Assets</b>	
Cash	\$ 24,337,083
Accounts receivable	1,809,235
Prepaid expenses	15,958
Property, plant and equipment	55,396,918
<b>Total assets</b>	<hr/> 81,559,194
<b>Liabilities</b>	
Accounts payable and accrued liabilities	(2,015,271)
Long-term debt	(6,259,451)
Restoration provision	(1,203,726)
Retirement provision	(282,400)
<b>Total liabilities</b>	<hr/> (9,760,848)
<b>Net assets transferred</b>	<hr/> \$ 71,798,346

**UNION WATER SUPPLY SYSTEM INC.****Notes to Financial Statements****Year Ended December 31, 2024***(Expressed in Canadian dollars)***6. ACCOUNTS RECEIVABLE**

The Company's accounts receivable are summarized as follows:

	2024	2023 (Unaudited)
The Corporation of the Municipality of Leamington	\$ 1,170,295	\$ -
The Corporation of the Town of Kingsville	324,182	-
Trade and other receivables	73,027	-
	<u>\$ 1,567,504</u>	<u>\$ -</u>

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The Company's accounts payable and accrued liabilities are summarized as follows:

	2024	2023 (Unaudited)
Trade and other payables	\$ 3,520,894	\$ -
The Corporation of the Town of Essex	5,945	-
The Corporation of the Municipality of Lakeshore	76,351	-
Key management personnel	18,953	-
Ontario Clean Water Agency	333,800	-
	<u>\$ 3,955,943</u>	<u>\$ -</u>

**8. CREDIT FACILITY**

The Company has a credit facility, which includes a letter of credit that can be drawn upon to a maximum of \$30,000. Amounts drawn on the letter of credit bear interest at 1.50%. At year-end, no amount was drawn on this letter of credit.

The credit facility also includes an operating line that can be drawn upon to a maximum of \$60,000,000, which bears interest at the financial institution's prime interest rate minus 1%. At year-end, no amounts were drawn on the operating line. Subsequent to year-end, the Company has drawn a total of \$18,200,000 on the operating line. The prime interest rate was 5.45% at year-end. Subsequent to year-end, the prime interest rate decreased to 4.95%.

**9. RESTORATION PROVISION**

The Company has recorded a provision for the removal and disposal of asbestos within buildings owned by the Company, the decommissioning of a water tower and removal of underground fuel and septic tanks. The outflows for rehabilitation work are expected to be incurred from 2032 to 2063.

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**UNION WATER SUPPLY SYSTEM INC.****Notes to Financial Statements****Year Ended December 31, 2024***(Expressed in Canadian dollars)***9. RESTORATION PROVISION (continued)**

	2024	2023 (Unaudited)
Restoration provision, beginning of year	\$ -	\$ -
Recognition on transfer of net assets from UWSS	1,203,726	-
Accretion expense	28,889	-
Restoration provision, end of year	<u>\$ 1,232,615</u>	<u>\$ -</u>

**10. COMMITMENTS****Construction Contract**

The Company is committed to a \$56,850,000 construction contract for a new reservoir with an expected completion date of December 15, 2026. The remaining unpaid commitment on the contract, as at December 31, 2024, is \$52,000,000. The Company plans to fund the project through credit facilities with Windsor Family Credit Union, with the remainder, if any, being funded through operations.

**Service Contract**

The Company has entered into a service contract with Ontario Clean Water Agency (OCWA) for operation of the Company's water system infrastructure and for regulatory compliance. The contract expires December 31, 2025 and the remaining commitment is \$4,032,000.

**11. CLASS A SPECIAL TRACKING SHARES**

The Company has issued 10,000 Class A special tracking shares, without par value, at a subscription price of one cent (\$0.01) per share. The Class A special tracking shares are voting shares that entitle one vote per share held.

The transfer of shares in the Company is prohibited except as permitted by the By-Laws of the Company. Every four years, the shares are redistributed based on water consumption. The holders of the Class A special shares are entitled to receive the remaining property of the Company on dissolution. To the extent that there are retained earnings in the Company, the holders of the Class A special tracking shares are entitled to receive to the extent declared, and the Company shall pay, thereon, dividends in an amount determined by the Board of Directors from time to time, and in accordance with a policy to be approved by the shareholder municipalities.

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**UNION WATER SUPPLY SYSTEM INC.****Notes to Financial Statements****Year Ended December 31, 2024***(Expressed in Canadian dollars)***11. CLASS A SPECIAL TRACKING SHARES (continued)**

Share capital activity for the periods presented is as follows:

	2024		2023 <i>(Unaudited)</i>	
	Shares	Amount	Shares	Amount
<b><u>Class A Special Tracking Shares</u></b>				
Shares outstanding at the beginning of the period	10,000	\$ 100	-	\$ -
Issued	-	-	10,000	100
Shares outstanding at the end of the period	10,000	\$ 100	10,000	\$ 100

**12. RELATED PARTY TRANSACTIONS**

The Corporation is related to its municipal shareholders, The Corporation of the Municipality of Leamington, The Corporation of the Town of Kingsville, The Corporation of the Town of Essex, and The Corporation of the Municipality of Lakeshore. Key management personnel are comprised of the directors and executive officers. The following is a summary of the Company's related party transactions, not otherwise disclosed elsewhere in the financial statements:

	2024	2023 <i>(Unaudited)</i>
Revenue from water supply and services to municipal shareholders:		
The Corporation of the Municipality of Leamington	\$ 8,029,265	\$ -
The Corporation of the Town of Kingsville	5,397,386	-
The Corporation of the Town of Essex	646,028	-
The Corporation of the Municipality of Lakeshore	411,815	-
Administration fees paid municipal shareholders	\$ 192,048	\$ -
Remuneration paid to key management personnel	206,172	-
Net assets of UWSS transferred from municipal shareholders <i>(Note 5)</i>	71,798,346	-
Property taxes incurred from municipal shareholders	177,311	-
Watermain repairs incurred from municipal shareholders	103,900	-
Class A special tracking shares issued to municipal shareholders	-	100

**13. MANAGEMENT OF CAPITAL**

The Company defines capital as its equity and any borrowings from its corporate credit facilities, less cash and cash equivalents totaling \$56,000,000. The Company's strategy for funding general development efforts and investing in projects is a mix of internally generated cash flows and borrowings from corporate credit facilities.

# UNION WATER SUPPLY SYSTEM INC.

## Notes to Financial Statements

Year Ended December 31, 2024

(Expressed in Canadian dollars)

### 14. FINANCIAL INSTRUMENTS

The Company is exposed to credit risk and concentration through its financial instruments. The Company was not exposed to significant liquidity risk or market risk at December 31, 2024. The following analysis provides information about the Company's risk exposure and concentration as of December 31, 2024.

#### **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk in the event of non-performance by counterparties in connection with its cash and accounts receivable. The Company does not obtain collateral or other security to support the cash and accounts receivable subject to credit risk but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance. The maximum credit risk to which the company is exposed is \$22,782,000, at December 31, 2024.

As at December 31, 2024, 95% of the trade accounts receivable balance is receivable from two customers. The customers are municipalities which have been transacting with the company since inception and none of these customer balances have been written-off or are credit-impaired at the reporting date. Management has considered available forward-looking information and no allowance is required. As at December 31, 2024, all of the Company's cash is on deposit at one financial institution. The company manages this risk by contracting with what it considers to be a creditworthy financial institution.

### 15. FINANCIAL ASSETS AND LIABILITIES

	2024	2023 (Unaudited)
<b>Financial assets</b>		
<i>Amortized cost</i>		
Cash	\$ 21,214,424	\$ -
Accounts receivable	1,567,504	-
Total	<u>\$ 22,781,928</u>	<u>\$ -</u>
<b>Financial liabilities</b>		
<i>Amortized cost</i>		
Accounts payable and accrued liabilities	\$ 3,955,943	\$ -
Total	<u>\$ 3,955,943</u>	<u>\$ -</u>

Included in accounts payable and accrued liabilities are amounts payable for property, plant and equipment additions of \$2,400,000.

**UNION WATER SUPPLY SYSTEM INC.**  
**SCHEDULE OF PROPERTY PLANT AND EQUIPMENT**  
**Year Ended December 31, 2024**  
*(Expressed in Canadian dollars)*

**PROPERTY, PLANT, AND EQUIPMENT**

	Land	Land improvements	Buildings	Machinery and equipment	Linear assets	Website development	Construction in progress	Total
<b>Cost</b>								
<b>Balance, February 24, 2023</b> <i>(unaudited)</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
<b>Balance, December 31, 2023</b> <i>(unaudited)</i>	-	-	-	-	-	-	-	-
Recognition on transfer of net assets from UWSS (Note 5)	487,382	192,446	20,662,878	17,026,606	16,473,097	-	554,509	55,396,918
Additions	2,210	-	274,817	1,285,936	109,383	40,400	4,139,264	5,852,010
Disposals	-	-	-	-	-	-	-	-
<b>Balance, December 31, 2024</b>	\$ 489,592	\$ 192,446	\$ 20,937,695	\$ 18,312,542	\$ 16,582,480	\$ 40,400	\$ 4,693,773	\$ 61,248,928
<b>Accumulated depreciation</b>								
<b>Balance, February 24, 2023</b> <i>(unaudited)</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
<b>Balance, December 31, 2023</b> <i>(unaudited)</i>	-	-	-	-	-	-	-	-
Depreciation	-	7,602	736,247	870,873	442,252	8,080	-	2,065,054
Disposals	-	-	-	-	-	-	-	-
<b>Balance, December 31, 2024</b>	\$ -	\$ 7,602	\$ 736,247	\$ 870,873	\$ 442,252	\$ 8,080	\$ -	\$ 2,065,054
<b>Carrying amount, December 31, 2024</b>	\$ 489,592	\$ 184,844	\$ 20,201,448	\$ 17,441,669	\$ 16,140,228	\$ 32,320	\$ 4,693,773	\$ 59,183,874