

Consolidated Financial Statements of

**GREATER SUDBURY UTILITIES INC. /  
SERVICES PUBLICS DU GRAND  
SUDBURY INC.**

And Independent Auditor's Report thereon

Year ended December 31, 2025



**KPMG LLP**  
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## INDEPENDENT AUDITOR'S REPORT

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

### ***Opinion***

We have audited the consolidated financial statements of Greater Sudbury Utilities Inc. / Services Publics du Grand Sudbury Inc. (the Entity), which comprise:

- the consolidated statement of financial position as at December 31, 2025
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.

We are independent of the Entity in accordance with the 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.



## ***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, 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.

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

Those charged with governance are responsible for overseeing the Entity'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 the 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 Entity'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 Entity'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 Entity 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.
- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

April 27, 2026

# GREATER SADBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SADBURY INC.

Consolidated Statement of Financial Position

December 31, 2025, with comparative information for 2024

	2025	2024
<b>Assets</b>		
Current assets:		
Cash	\$ 361,416	\$ 1,762,276
Accounts receivable (note 3)	14,954,474	14,274,300
Unbilled revenue:		
Distribution	2,323,423	2,385,858
Energy sales	11,852,846	10,204,784
Inventory	478,008	517,031
Prepaid expenses	1,258,523	510,216
Restricted cash	2,167,343	3,073,160
	<u>33,396,033</u>	<u>32,727,625</u>
Deferred payment in lieu of taxes recoverable (note 6)	183,118	-
Advances to related companies (note 16)	1,244,900	-
Investment in associates and equity investments (note 19)	251,830	242,959
Property, plant and equipment (note 4)	161,091,056	153,178,814
Right-of-use assets (note 18)	1,205,801	1,452,784
Intangible assets (note 5)	2,297,296	2,422,537
Total assets	<u>199,670,034</u>	<u>190,024,719</u>
Regulatory deferral account debit balances (note 7)	7,002,341	20,593,350
Total assets and regulatory balances	<u>\$ 206,672,375</u>	<u>\$ 210,618,069</u>

See accompanying notes to consolidated financial statements.

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Consolidated Statement of Financial Position (continued)

December 31, 2025, with comparative information for 2024

	2025	2024
<b>Liabilities and Shareholder's Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 11,536,531	\$ 10,601,878
Payment in lieu of taxes (note 6)	1,144,226	159,977
Payable for energy purchases	10,216,733	10,221,450
Current portion of deferred revenue (note 17)	557,015	553,499
Current portion of finance lease obligations (note 18)	48,205	47,262
Current portion of long-term obligations (note 8)	1,214,168	1,265,994
	<u>24,716,878</u>	<u>22,850,060</u>
Deferred revenue (note 17)	14,942,339	13,193,171
Deferred payment in lieu of taxes (note 6)	-	3,124,848
Finance lease obligations (note 18)	188,122	236,327
Long-term obligations (note 8)	29,385,468	31,056,013
Promissory note payable (note 16)	52,340,819	52,340,819
Total liabilities	<u>121,573,626</u>	<u>122,801,238</u>
Shareholder's equity:		
Share capital (note 10)	22,431,779	22,431,779
Retained earnings	54,675,907	63,216,821
Accumulated other comprehensive income	1,091,397	997,159
	<u>78,199,083</u>	<u>86,645,759</u>
Total liabilities and shareholder's equity	<u>199,772,709</u>	<u>209,446,997</u>
Regulatory deferral account credit balances (note 7)	6,899,666	1,171,072
Commitments and contingencies (note 12)		
Guarantees (note 13)		
	<u>\$ 206,672,375</u>	<u>\$ 210,618,069</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:

  
Mark Signoretti (May 27, 2026 11:21:03 EDT) Director

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Director

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Consolidated Statement of Profit or Loss and Comprehensive Income

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Revenue (note 11):		
Energy sales	\$ 120,066,341	\$ 112,440,415
Distribution	30,666,451	28,860,727
	150,732,792	141,301,142
Other operating revenue	19,480,220	18,217,608
	170,213,012	159,518,750
Expenses:		
Cost of energy	116,763,640	113,008,177
Operating and administration	32,180,277	29,660,428
Depreciation of property, plant and equipment	7,565,001	7,526,297
Interest on promissory note payable (note 16)	3,794,709	3,794,709
Interest on long-term obligations	1,087,957	1,109,607
Loss on disposal of property, plant and equipment	716,204	204,195
Amortization of intangible assets	180,401	138,595
	162,288,189	155,442,008
Other loss:		
Share of comprehensive loss of associates (note 19)	(26,229)	(1,162)
Profit before tax and regulatory items	7,898,594	4,075,580
Recovery in lieu of taxes (note 6)	(1,786,834)	(526,733)
Profit for the period	9,685,428	4,602,313
Net movement in regulatory balances, net of tax (note 7)	(18,226,342)	50,022
Profit (loss) for the period after net movements in regulatory balances, net of tax	(8,540,914)	4,652,335
Other comprehensive income:		
Item that may be subsequently reclassified to profit or loss:		
Change in fair value of cash flow hedge (note 8)	(112,861)	(293,172)
Items that will not be reclassified to profit or loss:		
Remeasurement of employee future benefit obligation (note 9)	1,300,361	22,124
Net movement in regulatory balances related to other comprehensive income (note 7)	(1,093,262)	(20,858)
Total comprehensive income (loss) for the period	\$ (8,446,676)	\$ 4,360,429

See accompanying notes to consolidated financial statements.

# GREATER SUDBURY UTILITIES INC. /SERVICES PUBLICS DU GRAND SUDBURY INC.

Consolidated Statement of Changes in Equity

Year ended December 31, 2025, with comparative information for 2024

	Share Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2024	\$ 22,431,779	\$ 58,564,486	\$ 1,289,065	\$ 82,285,330
Profit for the period after net movement in regulatory balances, net of tax	-	4,652,335	-	4,652,335
Other comprehensive loss	-	-	(291,906)	(291,906)
Balance, December 31, 2024	22,431,779	63,216,821	997,159	86,645,759
Loss for the period after net movement in regulatory balances, net of tax	-	(8,540,914)	-	(8,540,914)
Other comprehensive income	-	-	94,238	94,238
Balance, December 31, 2025	\$ 22,431,779	\$ 54,675,907	\$ 1,091,397	\$ 78,199,083

See accompanying notes to consolidated financial statements

# GREATER SUDBURY UTILITIES INC. /SERVICES PUBLICS DU GRAND SUDBURY INC.

Consolidated Statement of Cash Flows

Year ended December 31, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operating activities:		
Comprehensive income (loss)	\$ (8,446,676)	\$ 4,360,429
Items not involving cash:		
Depreciation of property, plant and equipment	8,135,618	8,093,704
Amortization of intangible assets	180,401	138,595
Recovery in lieu of taxes	(1,786,834)	(526,733)
Non-cash employee future benefit obligation	(468,652)	805,479
Loss on swap contract	112,861	293,172
Share of comprehensive loss of associates	26,229	1,162
Amortization of right-of-use assets and non-cash reduction of lease obligation	199,721	200,647
Amortization on deferred revenue	(400,096)	(205,752)
Gain on disposal of capital contribution	(182,010)	-
Accretion of site restoration liability	9,851	-
Loss on disposal of property, plant and equipment	716,204	204,195
	(1,903,383)	13,364,898
Change in non-cash operating working capital (note 20)	17,901,738	2,091,714
	15,998,355	15,456,612
Payment in lieu of taxes paid	(536,883)	(89,797)
Employee future benefits paid	(752,123)	(699,195)
	14,709,349	14,667,620
Investing activities:		
Purchase of property, plant and equipment	(16,906,693)	(16,614,105)
Purchase of intangibles	(55,160)	(659,038)
Contributions in aid of construction	1,627,130	1,078,102
Proceeds on disposal of property, plant and equipment	142,629	252,057
Increase in advances to related companies	(1,244,900)	-
Investment in associates and equity investments	(35,100)	-
Increase in developer expansion deposits	337,099	44,425
	(16,134,995)	(15,898,559)
Financing activities:		
Issuance of long-term debt	-	6,000,000
Repayment of long-term obligations	(881,031)	(827,724)
	(881,031)	5,172,276
Increase (decrease) in cash during the year	(2,306,677)	3,941,337
Cash, beginning of year	4,835,436	894,099
Cash, end of year	\$ 2,528,759	\$ 4,835,436
Cash is comprised of:		
Cash	\$ 361,416	\$ 1,762,276
Restricted cash	2,167,343	3,073,160
	\$ 2,528,759	\$ 4,835,436

See accompanying notes to consolidated financial statements.

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements

Year ended December 31, 2025

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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 City of Greater 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, 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, 2025.

## 1. Basis of presentation:

### (a) Statement of compliance:

The Corporation's consolidated financial statements have been prepared in accordance with IFRS Accounting Standards.

They were authorized for issue by the Corporation's Board of Directors on April 27, 2026.

### (b) Basis of measurement:

These financial statements have been prepared on the historical cost basis, unless otherwise stated.

### (c) Functional and presentation currency:

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

### (d) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS Accounting Standards requires management to make estimates, judgments and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements.

Due to the inherent uncertainty in making estimates, actual results could differ from estimates recorded in preparing these financial statements, including changes as a result of future decisions made by regulators and governments.

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 1. Basis of presentation (continued):

### (d) Use of estimates and judgments (continued):

Management reviews its estimates and judgments on an ongoing basis using the most current information available. These consolidated financial statements have, in management's opinion, been properly prepared using careful judgment and reasonable limits of materiality within the framework of the material accounting policies. Significant areas where estimates and judgments are made in the application of IFRS Accounting Standards are as follows:

#### (i) Accounts receivable:

Accounts receivable and unbilled revenue are reported based on the amounts expected to be recovered less a loss allowance for expected credit losses. Management utilizes historical loss experience and forward-looking information in conjunction with the aging and arrears status of accounts receivable at year-end in the determination of the allowance.

#### (ii) Regulatory balances:

The recognition and measurement of regulatory balances is subject to certain estimates, judgments and assumptions, including assumptions made in the interpretation of the Ontario Energy Board's ("OEB") regulations and decisions. The Corporation continues to assess the likelihood of recovery of all regulatory debit balances subject to recovery through a future rate filing. The absence of OEB approval is a consideration in this evaluation.

#### (iii) Useful lives of depreciable assets:

Depreciation and amortization expense are calculated based on estimates of the useful lives of property, plant and equipment and intangible assets. Management estimates the useful lives of the various types of assets using assumptions and estimates of life characteristics of similar assets based on a long history of electricity distribution and generation industry experience.

#### (iv) Impairment of non-financial assets:

Non-financial assets are reviewed by management for impairment using the future cash flows method as outlined in note 2(j)(ii). By their nature, estimates of future cash flows, including estimates of future capital expenditures, revenue, operating expenses, discount rates, generation production, inflation, terminal capitalization rates and forecasted market pricing [including ancillary, capacity and other market incentives] are subject to measurement uncertainty. Management factors in current economic conditions, past experience and obtains third party consultations to support its estimates when necessary.

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 1. Basis of presentation (continued):

### (d) Use of estimates and judgments (continued):

#### (v) Employee future benefits:

The measurement of employee future benefits involves the use of numerous estimates and assumptions. Actuaries make assumptions for items such as discount rates, future salary increases and mortality rates in the determination of benefits expenses and defined benefit obligations.

#### (vi) Developer expansion deposits:

The measurement of developer expansion deposits is based on an economic evaluation performed by the Corporation to estimate the anticipated future economic benefit refundable to developers.

#### (vii) Deferred income taxes:

Tax interpretations, regulations and legislation in the various jurisdictions in which the Corporation and its subsidiaries operate are subject to change. Deferred income tax assets are assessed by management at the end of each reporting period to determine the likelihood that they will be realized from future taxable income, taking into account potential tax planning opportunities. Deferred income tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax assets and unused tax losses can be utilized.

#### (viii) Indicator of asset impairment:

At the end of each reporting period, or earlier if required, management uses its judgment to assess whether there is an indication that the carrying amount of a non-financial asset or cash-generating unit ("CGU") exceeds its recoverable amount. This assessment involves the consideration of whether any events or changes in circumstances could have affected the recoverability of the carrying amount of a non-financial asset or CGU. Management considers various indicators including, but not limited to, adverse changes in the industry or economic conditions; changes in the degree or method of use of an asset; a lower-than-expected economic performance of an asset or a significant change in market or interest rates.

Based on management's judgment, there are no indicators of impairment at December 31, 2025.

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 1. Basis of presentation (continued):

### (e) 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 license 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.

### Rate setting:

#### (i) Distribution revenue:

For the distribution revenue related to electricity sales, the Corporation typically files a Cost of Service (“COS”) rate application with the OEB every five 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 (“IRM”) application 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 Inflation for Final Domestic Demand (“GDP IPI-FDD”) net of 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.

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 1. Basis of presentation (continued):

### (e) Rate regulation (continued):

#### Rate setting (continued):

##### (i) Distribution revenue (continued):

On October 11, 2023, the Corporation filed an IRM requesting a 4.50% increase to distribution rates for the period of May 1, 2024 to April 30, 2025. The IRM was approved on March 21, 2024.

On October 30, 2024, the Corporation filed a COS application requesting a rate increase effective May 1, 2025. On March 19, 2025, the Corporation submitted to the OEB a settlement proposal reached with intervening parties. The settlement proposal resolved all issues except one, which was accepted by the OEB and resulted in a partial decision and interim rate order issued on April 15, 2025. The remaining issue proceeded to a written hearing, following which the OEB issued its final decision and rate order on February 17, 2026.

On October 9, 2025, the Corporation filed an IRM application requesting a 3.40% increase to distribution rates for the period May 1, 2026 to April 30, 2027. The IRM application was approved on March 19, 2026.

##### (ii) Electricity rates:

The OEB sets electricity prices for low-volume consumers 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.

## 2. Material accounting policies:

The accounting policies set out below have been applied consistently in all years presented in these consolidated financial statements.

### (a) 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 Accounts ("IFRS 14").

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 2. Material accounting policies (continued):

### (b) Regulatory balances:

The Corporation has adopted IFRS 14 as an interim standard giving entities conducting rate-regulated activities the option of continuing to recognize regulatory balances according to their previous Generally Accepted Accounting Principles. Regulatory balances provide useful information about the Corporation's financial position, financial performance and cash flows. IFRS 14 will remain in force until either repealed or replaced by permanent guidance on rate-regulated accounting from the IASB. The IASB expects to publish the new standard on rate regulated activities in Q2 2026.

The Corporation has determined that certain asset and liability 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 asset and liability balances on the Corporation's balance sheet, 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 liability 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 asset 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 liability balance will be reduced as a result of rate-making activities. The offsetting amount is recognized in profit and loss. The liability 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.

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 2. Material accounting policies (continued):

### (b) Regulatory balances (continued):

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 or loss as a net movement in regulatory balances in the year incurred.

Regulatory deferral accounts attract interest at OEB prescribed rates. In 2025, the interest rate was 3.64% for the first quarter, 3.16% for the second quarter and 2.91% for the third and fourth quarter. 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 is assessed to no longer be probable based on management's judgment, the balances are recorded in the Corporation's consolidated statement of profit or loss and comprehensive 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 statement of financial position as regulatory deferral account debit/credit balances and on the consolidated statement of profit or loss and comprehensive income as net movements in regulatory balances, 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.

### (c) 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 intercompany accounts and transactions have been eliminated.

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 2. Material accounting policies (continued):

### (d) Financial instruments:

At initial recognition, the Corporation measures its financial assets at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement of the financial asset depends on the classification determined on initial recognition. Financial assets are classified as either amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless the Corporation changes its business model for managing financial assets.

Financial liabilities are initially measured at fair value, net of transaction costs incurred. They are subsequently carried at amortized cost using the effective interest rate method; any difference between the proceeds (net of transaction costs) and the redemption value is recognized as an adjustment to interest expense over the period of the borrowings.

Hedging items and hedged items are presented in the financial statements in the same manner as other assets and liabilities. For derivative instruments that qualify for hedge accounting and which are designated as cash flow hedges, the effective portion of any gain or loss, is reported as a component of accumulated other comprehensive income. Any gains or losses that represent either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in results of operations.

The Corporation classifies and subsequently measures its financial instruments as follows:

- (i) Cash, restricted cash, accounts receivable and unbilled revenue are financial assets classified and measured at amortized cost using the effective interest rate method.
- (ii) Bank indebtedness, accounts payable and accrued liabilities, payable for energy purchases, promissory note payable and long-term obligations are financial liabilities classified and measured at amortized cost using the effective interest rate method.
- (iii) Interest rate swaps are recorded at fair value through other comprehensive income.

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 2. Material accounting policies (continued):

### (d) Financial instruments (continued):

#### Measurement of fair values:

When measuring the fair value of an asset or liability, the Corporation uses observable market data as much as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurements.

The Corporation recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the changed occurred.

The Corporation recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. The Corporation measures loss allowances for electricity receivables, unbilled receivables and trade receivables via a simplified approach as permitted by IFRS 9 - Financial Instruments at an amount equal to lifetime expected credit losses.

Loss allowances financial assets measured at amortized cost are deducted from the gross carrying amount of the asset. The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery.

#### Equity investments

Equity investments over which the Corporation does not have significant influence are classified as financial assets. Such investments are measured at fair value through profit or loss unless the fair value cannot be reliably determined. Where fair value is not readily determinable due to the absence of observable market inputs, the investment is measured at cost, which is considered to be a reasonable proxy for fair value.

### (e) Restricted cash:

Restricted cash represents the balance collected on behalf of the City of Greater Sudbury (the "City") in performing water and wastewater billing services.

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 2. Material accounting policies (continued):

### (f) Revenue recognition:

#### (i) Electricity sales:

Electricity sales are recognized as the electricity is delivered to customers and includes the amounts billed to customers for electricity, including the cost of electricity supplied, distribution, and any other regulatory charges. Electricity 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 power 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.

The difference between the amounts charged by the Corporation to customers, based on regulated rates, and the corresponding cost of electricity and related electricity service costs billed monthly by the Independent Electricity System Operator ("IESO") is recorded as a settlement variance. In accordance with IFRS 14, this settlement variance is presented within regulatory balances on the balance sheets and within net movements in regulatory balances, net of tax on the consolidated statement of profit or loss and comprehensive income.

#### (ii) Distribution:

The Corporation charges customers for the delivery of electricity based on rates established by the OEB. The rates are intended to allow the Corporation to recover its prudently-incurred costs and earn a fair return on invested capital. Distribution revenue is recognized over time as electricity is delivered to the customer as measured by meter reading or usage estimates.

#### (iii) Capital contributions:

Developers are required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. The developer is not a customer and therefore the contributions are not accounted for under IFRS 15 Revenue from Contracts with Customers ("IFRS 15"). Cash contributions received from developers are 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 profit or loss on a straight-line basis over the useful life of the related asset.

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 2. Material accounting policies (continued):

### (f) Revenue recognition (continued):

#### (iii) Capital contributions (continued):

Certain customers are also required to contribute towards the capital cost of construction of distribution assets in order to provide ongoing service. These contributions fall within the scope of IFRS 15. The contributions are received to obtain a connection to the distribution system in order to receive ongoing access to electricity. The Corporation has concluded that the performance obligation is the supply of electricity over the life of the relationship with the customer which is satisfied over time as the customer receives and consumes the electricity. Revenue is recognized on a straight-line basis over the useful life of the related asset.

#### (iv) Other operating revenue:

Other operating revenues are recognized when services are provided and the customer takes ownership and assumes risk of loss in accordance with customer contracts, collection of the relevant receivable is probable, persuasive evidence of arrangement exists and the revenue amount is fixed or determinable. Amounts received for future services are deferred until the service is provided.

### (g) Capital inventory:

Capital inventory, which is included within capital inventory and construction in progress within property, plant and equipment, comprising of 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.

### (h) Property, plant and equipment:

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 property, plant and equipment ("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 as a gain or loss on disposition of PP&E in profit or loss.

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 2. Material accounting policies (continued):

### (h) Property, plant and equipment (continued):

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 cost. Land, capital inventory, spare parts and standby equipment are not depreciated. Construction-in-progress assets are not depreciated until the project is complete and in service.

The estimated useful lives are as follows:

---

Buildings	25 - 50 years
Distribution equipment	20 - 50 years
Other fixed assets	5 - 20 years

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Other fixed assets are comprised of furniture and equipment, computer hardware, vehicles, tools, communication equipment, system supervisory equipment and other miscellaneous capital items.

Depreciation is taken at 50% of the above rates in the year of acquisition.

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

### (i) Intangible assets:

#### (i) 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.

#### (ii) Land rights:

Payments to obtain rights to assess 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.

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 2. Material accounting policies (continued):

(i) Intangible assets (continued):

(iii) Goodwill:

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Goodwill is measured at cost less accumulated impairment losses.

(iv) Amortization:

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

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Computer software	5 years
Land rights	Not amortized
Goodwill	Not amortized

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Amortization is taken at 50% of the above rates in the year of acquisition.

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

(j) Impairment:

(i) Financial assets measured at amortized cost:

A loss allowance for expected credit losses on financial assets measured at amortized cost is recognized at the reporting date. The loss allowance is measured at an amount equal to the lifetime expected credit losses for that asset.

(ii) Non-financial assets:

The carrying amounts of the Corporation's non-financial assets, other than capital 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 CGU). The recoverable amount of an asset or CGU 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.

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 2. Material accounting policies (continued):

### (j) Impairment (continued):

#### (ii) Non-financial assets (continued):

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 CGU 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.

### (k) 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.

### (l) Employee future benefits:

#### (i) 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 underfunded 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 profit or loss when they are due.

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 2. Material accounting policies (continued):

### (l) Employee future benefits (continued):

#### (ii) 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.

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 accumulated other comprehensive income. Under the settlement proposal for its 2020 COS application, the Corporation was authorized to defer actuarial gains and losses for consideration in a future rate application. In the Corporation's 2025 COS application, following a written hearing on the issue, an OEB panel ordered the Corporation to defer the 2009 – 2019 cash vs. accrual differences related to OPEBs, together with the related payments in lieu of taxes, for recovery through a rate rider over a five-year period commencing May 1, 2026. Additional information with respect to this regulatory balance is presented in note 7 (b).

### (m) 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 a developer expansion deposit within long-term obligations. When the capital project is completed, the amount is transferred to deferred revenue. Deferred revenue represents the Corporation's obligation to continue to provide customers access to the supply of electricity, and is amortized to profit or loss 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.

### (n) Leased assets:

At inception of a contract, the Corporation will assess whether the contract is or contains a lease. A contract is determined to contain a lease if it provides the Corporation with the right to control the use of an identified asset for a period of time in exchange for consideration. Contracts determined to contain a lease are accounted for as leases. For leases and contracts that contain a lease, the Corporation recognizes a right-of-use asset and a lease liability at the lease commencement date.

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 2. Material accounting policies (continued):

### (n) Leased assets (continued):

The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Subsequent to initial recognition, the right-of-use asset is recognized at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for certain remeasurements of the corresponding lease liability.

The lease liability is initially measured at the present value of lease payments plus the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Corporation's incremental borrowing rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, or if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Corporation has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less or for leases of low value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### (o) Finance income and finance costs:

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

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

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 2. Material accounting policies (continued):

### (p) Payment in lieu of 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, in which case, the tax is also recognized directly in other comprehensive income, 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 Electricity Act, 1998, the Corporation makes payments in lieu of corporate taxes to the Ontario Electricity Financial Corporation ("OEFEC"). These payments are calculated in accordance with the rules for computing taxable income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998, and related regulation. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes. Payments in lieu of taxes ("PILS") 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 profit or loss in the year that includes the date of enactment or substantive enactment.

### (q) Investment in associates:

Associates are those entities in which the Corporation has significant influence, but not control or joint control, over the financial and operating policies.

Investment in associates are accounted for under the equity method. They are initially recognized at cost. Subsequent to initial recognition, the financial statements include the Corporation's share of the profit or loss of equity-accounted investees, until the date on which significant influence ceases.

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

### 3. Accounts receivable:

	2025	2024
Electricity	\$ 11,123,477	\$ 11,253,367
Other	4,497,742	3,754,879
	15,621,219	15,008,246
Allowance for doubtful accounts:		
Balance, beginning of year	(733,946)	(644,232)
Increase in provision	(228,521)	(330,484)
Accounts receivable write-offs	295,722	240,770
Balance, end of year	(666,745)	(733,946)
	\$ 14,954,474	\$ 14,274,300

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 4. Property, plant and equipment:

Cost:

	Land and buildings	Distribution equipment	Other fixed assets	Capital inventory and construction in progress	Total
Balance, January 1, 2024	\$ 20,205,464	\$ 220,040,729	\$ 75,966,469	\$ 7,741,734	\$ 323,954,396
Additions (net of transfers) <sup>1</sup>	870,908	12,605,795	3,441,250	(30,208)	16,887,745
Disposals/retirements	(24,218)	(2,120,370)	(303,601)	-	(2,448,189)
Balance, December 31, 2024	21,052,154	230,526,154	79,104,118	7,711,526	338,393,952
Additions (net of transfers) <sup>1</sup>	195,436	9,220,645	3,772,938	3,717,674	16,906,693
Disposals/retirements	(13,613)	(2,595,445)	(346,721)	-	(2,955,779)
Balance, December 31, 2025	\$ 21,233,977	\$ 237,151,354	\$ 82,530,335	\$ 11,429,200	\$ 352,344,866

Accumulated depreciation:

	Land and buildings	Distribution equipment	Other fixed assets	Capital inventory and construction in progress	Total
Balance, January 1, 2024	\$ 9,448,654	\$ 114,108,973	\$ 55,555,744	\$ -	\$ 179,113,371
Depreciation charges	518,588	4,448,453	3,126,663	-	8,093,704
Disposals	(20,391)	(1,683,368)	(288,178)	-	(1,991,937)
Balance, December 31, 2024	9,946,851	116,874,058	58,394,229	-	185,215,138
Depreciation charges	534,288	4,380,983	3,220,347	-	8,135,618
Disposals	(13,613)	(1,775,164)	(308,169)	-	(2,096,946)
Balance, December 31, 2025	\$ 10,467,526	\$ 119,479,877	\$ 61,306,407	\$ -	\$ 191,253,810

Carrying amounts:

	Land and buildings	Distribution equipment	Other fixed assets	Capital inventory and construction in progress	Total
At December 31, 2024	\$ 11,105,303	\$ 113,652,096	\$ 20,709,889	\$ 7,711,526	\$ 153,178,814
At December 31, 2025	\$ 10,766,451	\$ 117,671,477	\$ 21,223,928	\$ 11,429,200	\$ 161,091,056

<sup>1</sup>Additions (net of transfers) represent capital asset additions during the year, net of amounts transferred from construction in progress to the related asset categories once the assets are available for use.

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 5. Intangible assets:

### (a) Cost:

	Computer software	Goodwill and land rights	Total
Balance, at January 1, 2024	\$ 5,857,267	\$ 1,715,898	\$ 7,573,165
Additions	651,349	7,689	659,038
Balance, at December 31, 2024	6,508,616	1,723,587	8,232,203
Additions	49,033	6,127	55,160
Balance, at December 31, 2025	\$ 6,557,649	\$ 1,729,714	\$ 8,287,363

### (b) Accumulated amortization:

	Computer software	Goodwill and land rights	Total
Balance, at January 1, 2024	\$ 5,671,071	\$ –	\$ 5,671,071
Amortization charges	138,595	–	138,595
Balance, at December 31, 2024	5,809,666	–	5,809,666
Amortization charges	180,401	–	180,401
Balance, at December 31, 2025	\$ 5,990,067	\$ –	\$ 5,990,067

### (b) Net book value:

	Computer software	Goodwill and land rights	Total
At December 31, 2024	\$ 698,950	\$ 1,723,587	\$ 2,422,537
At December 31, 2025	\$ 567,582	\$ 1,729,714	\$ 2,297,296

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 6. Payment in lieu of taxes (PILS):

	2025	2024
Current tax	\$ 1,521,132	\$ 325,885
Recovery in lieu of deferred taxes	(3,307,966)	(852,618)
	<u>\$ (1,786,834)</u>	<u>\$ (526,733)</u>
Rate reconciliation before net movements in regulatory balances:		
Comprehensive income before PILS and regulatory items	\$ 7,992,832	\$ 3,783,674
Statutory Canadian federal and provincial income tax rate	26.50%	26.50%
PILS using the Corporation's statutory rate	2,118,100	1,002,674
Adjustment to prior years	(72,776)	(1,479,084)
Other	(3,832,158)	(50,323)
Payment (recovery) in lieu of taxes	<u>\$ (1,786,834)</u>	<u>\$ (526,733)</u>

The tax effect of temporary differences that give rise to deferred tax assets and liabilities as of December 31, 2025 are as follows:

	Plant and equipment	Employee benefits	Non-capital loss carried forward/ CMT credit	Regulatory adjustment	Other	2025 Total
Balance, January 1	\$ (4,442,452)	\$ 4,153,302	\$ 1,520,515	\$ (4,487,733)	\$ 131,520	\$ (3,124,848)
Change in deferred tax balance	(422,924)	(323,506)	(370,258)	4,396,530	28,124	3,307,966
Balance, December 31	<u>\$ (4,865,376)</u>	<u>\$ 3,829,796</u>	<u>\$ 1,150,257</u>	<u>\$ (91,203)</u>	<u>\$ 159,644</u>	<u>\$ 183,118</u>

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 6. Payment in lieu of taxes (PILS) (continued):

The tax effect of temporary differences that give rise to deferred tax assets and liabilities as of December 31, 2024 are as follows:

	Plant and equipment	Employee benefits	Non-capital loss carried forward/ CMT credit	Regulatory adjustment	Other	2024 Total
Balance, January 1	\$ (3,754,482)	\$ 4,125,136	\$ 1,586,012	\$ (5,932,519)	\$ (1,613)	\$ (3,977,466)
Change in deferred tax balance	(687,970)	28,166	(65,497)	1,444,786	133,133	852,618
<b>Balance, December 31</b>	<b>\$ (4,442,452)</b>	<b>\$ 4,153,302</b>	<b>\$ 1,520,515</b>	<b>\$ (4,487,733)</b>	<b>\$ 131,520</b>	<b>\$ (3,124,848)</b>

## 7. Regulatory balances:

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

	2025		2024	
Total regulatory assets (debit balances)		\$ 7,002,341		\$ 20,593,350
Total regulatory liabilities (credit balances)		(6,899,666)		(1,171,072)
<b>Total regulatory balances</b>		<b>\$ 102,675</b>		<b>\$ 19,422,278</b>

  

	January 1, 2025	Balances arising in the period	Recovery/ (reversal)	Other movements <sup>1</sup>	December 31, 2025
Settlement variances (a)	\$ 2,945,066	\$ (2,519,679)	\$ (664,079)	\$ -	\$ (238,692)
Other post-employment benefits - accrual transition (b)	-	-	(12,187,752)	19,176,084	6,988,332
Other post-employment benefit variances (b)	13,849,863	-	-	(13,849,863)	-
Other post-employment benefits - net actuarial gain (b)	-	(1,093,262)	-	(5,326,221)	(6,419,483)
IFRS transition costs	215,142	71,024	(286,166)	-	-
Other regulatory deferral/ variance - assets (d)	1,095,846	65,220	(1,147,057)	-	14,009
Other regulatory deferral/ variance - liabilities (e)	(1,171,072)	715,364	455,708	-	-
Deferred PILS (c)	2,487,433	(2,728,924)	-	-	(241,491)
<b>Total regulatory balances</b>	<b>\$ 19,422,278</b>	<b>\$ (5,490,257)</b>	<b>\$ (13,829,346)</b>	<b>\$ -</b>	<b>\$ 102,675</b>

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 7. Regulatory balances (continued):

	January 1, 2024	Balances arising in the period	Recovery/ (reversal)	Other movements <sup>1</sup>	December 31, 2024
Settlement variances (a)	\$ 2,157,013	\$ 2,225,753	\$ (1,437,700)	\$ –	\$ 2,945,066
Other post-employment benefit variances (b)	19,409,585	(478,060)	–	(5,081,662)	13,849,863
IFRS transition costs	969,526	44,409	(798,793)	–	215,142
Other regulatory deferral/ variance - assets (d)	726,919	368,927	–	–	1,095,846
Other regulatory deferral/ variance - liabilities (e)	(876,177)	17,064	(311,959)	–	(1,171,072)
Deferred PILS (c)	(2,993,764)	399,535	–	5,081,662	2,487,433
<b>Total regulatory balances</b>	<b>\$ 19,393,102</b>	<b>\$ 2,577,628</b>	<b>\$ (2,548,452)</b>	<b>\$ –</b>	<b>\$ 19,422,278</b>

<sup>1</sup>Other movements represent reclassifications of balances.

The regulatory balances of the Corporation consist of the following:

(a) Settlement variances:

These accounts record the differences between the amounts billed to customers for electricity and related services, based on OEB-approved rates, and the actual costs incurred by the Corporation for the corresponding electricity and non-competitive services. The variances have been deferred in accordance with OEB requirements.

(b) Other post-employment benefits:

As part of its 2020 COS application, the Corporation received OEB approval to recover other post-employment benefit (“OPEB”) costs in rates on an accrual basis and to establish two related OPEB deferral accounts: (i) the OPEB Cash to Accrual Transitional Amount account, which captures the difference arising from the transition from cash-based to accrual-based recovery of OPEB costs through rates, and (ii) the OPEB Actuarial Gains and Losses Deferral Account, which records actuarial remeasurement gains and losses related to OPEBs.

In prior periods, these balances were presented on a net basis, reflecting management’s expectation that they would be considered for disposition together. In 2025, the OEB approved disposition of only a portion of the cash-to-accrual transitional amount and directed that the actuarial gains and losses account remain open as a tracking account with no disposition at that time. As a result of the OEB decision, management concluded that separate presentation of these regulatory balances better reflects the nature and expected recovery/refund pattern of these balances.

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 7. Regulatory balances (continued):

### (b) Other post-employment benefits (continued):

Accordingly, the Corporation now presents these OPEB-related regulatory balances separately on consolidated statement of financial position based on their expected recovery/refund pattern as follows: (i) a regulatory asset, Other post-employment benefit variances – accrual transition, and (ii) a regulatory liability, Other post-employment benefits – net actuarial gain.

### (c) Deferred PILS:

This account includes deferred tax amounts recognized in accordance with IFRS 14 (note 6). It also reflects the expected future impact on distribution rates resulting from timing differences in the recognition of deferred tax assets and liabilities.

### (d) Other regulatory deferral/variance accounts - assets:

This balance includes the following accounts:

- Cost of service application costs
- Pole attachment charge variances
- Deferred rate implementation costs
- OEB quarterly assessment fees

### (e) Other regulatory deferral/variance accounts - liabilities:

This balance includes the following accounts:

- Advance Capital Module (“ACM”) - Cressey Substation
- Lost Revenue Adjustment Mechanism Variance Account (“LRAMVA”)
- OPEB Asymmetrical Carrying Charges

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 8. Long-term obligations:

	2025	2024
Employee future benefit obligation (note 9)	\$ 14,452,114	\$ 15,672,889
Loan payable (a)	367,000	578,000
Interest rate swap at fair value (a), (b), (f) and (g)	(414,538)	(527,399)
Multiple draw term loan (b)	16,275	196,926
Customer deposits (d)	1,193,287	1,273,663
Developer expansion deposits (e)	570,184	233,085
Site Restoration liability (h)	283,491	273,640
Bank loan (c), (f) and (g)	14,131,823	14,621,203
	<u>30,599,636</u>	<u>32,322,007</u>
Less: current portion	(1,214,168)	(1,265,994)
	<u>\$ 29,385,468</u>	<u>\$ 31,056,013</u>

(a) On July 12, 2007, ConvergGen Inc. was advanced monies under a reducing term, floating rate facility from TD Bank at a face amount of \$2,800,000 to finance the construction of a landfill gas generation plant. The facility is secured by a general security agreement (GSA) representing a first charge on all of the assets and undertakings of ConvergGen Inc. 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 unrealized gain or loss on this contract is included as a component of other comprehensive income for the year. As at December 31, 2025, the Corporation recorded a liability of \$18,493 (2024 - \$18,493).

(b) On January 14, 2011, the Corporation 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 3.796%. The TD bank multiple draw term loan is 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. The debt facility has a termination date of January 19, 2026. The unrealized gain or loss on this contract is included as a component of other comprehensive income for the year. As at December 31, 2025, the Corporation recorded a liability of \$16 (2024 - \$507).

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 8. Long-term obligations (continued):

- (c) The Corporation entered into a financing agreement on January 12, 2015 with TD Equipment Finance in the amount of \$971,604. The financing facility is payable in annual payments of \$119,805 including interest at a fixed rate of 4.33% over the 120 month term and is secured by the underlying specified assets under financing. As at December 31, 2025, the net book value of these assets is \$563,532 (2024 - \$602,396).
- (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) When a developer undertakes an expansion that adds to the Corporation's electricity distribution customer base, the developer is responsible for funding the necessary infrastructure. Ownership of this infrastructure is transferred to the Corporation, which then assumes the associated risks and responsibilities. At the outset of the project, the Corporation performs an economic evaluation to estimate the future benefit of the expansion. Based on this assessment, the Corporation determines the amount the developer is required to contribute, along with an additional expansion deposit to reflect the anticipated future economic benefit. This deposit is subject to refund over a five-year period as customer connections are made and the forecasted load materializes to a degree that is more likely than not. Developer expansion deposits represent the Corporation's estimated liability for amounts refundable to developers in respect of these expansions.
- (f) The Corporation entered into an unsecured debt arrangement with TD Bank in the form of funds available via multiple draws, up to a maximum of \$10,000,000 in total debt. The Corporation received a draw of \$5,500,000 on March 26, 2020 bearing interest at a fixed rate of 1.976% and a further draw of \$4,500,000 on February 19, 2021 bearing interest at a fixed rate of 2.351%. The term of the draws are 10 years with 25-year amortization.

The Corporation has a series of interest rate swap contracts corresponding to this debt arrangement that were used to convert floating rate to fixed rate debt. The unrealized gain or loss on these contracts is included as a component of other comprehensive income for the year. As at December 31, 2025, the Corporation recorded an asset of \$495,747 (2024 - \$610,413).

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 8. Long-term obligations (continued):

- (g) The Corporation entered into a debt arrangement with TD Bank in the form of funds available via multiple draws, up to a maximum of \$6,000,000 in total debt, secured by a general security agreement. The Corporation received a draw of \$6,000,000 on November 4, 2024 bearing interest at a fixed rate of 3.992%. The term of the loan is 5 years.

The Corporation has two interest rate swap contracts corresponding to this debt arrangement that was used to convert floating rate to fixed rate debt. The unrealized gain or loss on this contract is included in other comprehensive income for the year. As at December 31, 2025 the Corporation recorded a liability of \$62,700 (2024 - \$64,014).

- (h) The Corporation recognized a provision in 2024 in respect of the constructive obligation to restore land where lead cables are located. The Corporation expects to remove the cables and restore the land by the period ending December 31, 2029 at a discounted cost of \$283,491 (2024 - \$273,640).
- (i) The Corporation's credit facility agreement contains certain financial 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., Greater Sudbury Hydro Inc. and 1627596 Ontario Inc. As of December 31, 2025, the Corporation was in compliance with these coveannts.
- (j) Subsequent to year-end, the Corporation entered into a committed reducing term credit facility with TD Bank, which provides for borrowings of up to \$7,000,000 and is secured by a general security agreement. The facility permits multiple draws; however, amounts repaid may not be redrawn.

In February 2026, the Corporation drew \$4,000,000 under the facility. The borrowing bears interest at a fixed rate of 3.83%, has a 5 year term, and is amortized over 25 years with monthly payments of \$20,740. Principal repayments commenced in March 2026.

In connection with this facility, the Corporation entered into an interest rate swap agreement to convert the underlying floating-rate exposure to a fixed rate.

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 8. Long-term obligations (continued):

Principal repayments relating to note 8 (a), (b), (c), (f) and (g) for the next 5 years are as follows:

2026	\$	731,833
2027		648,021
2028		518,893
2029		533,144
2030		547,627
Thereafter		11,535,580

## 9. 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, 2025 of \$14,452,114 was based on the actuarial valuation performed at December 31, 2025, using a discount rate of 4.90%.

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 statement of financial position. Eligible actuarial gains and losses are subsequently reclassified to a regulatory balance as discussed in note 7 (b).

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

	2025	2024
Employee future benefit obligation, beginning of year	\$ 15,672,889	\$ 15,566,605
Current service cost	119,870	120,336
Interest costs	711,839	707,267
Benefits paid during the year	(752,123)	(699,195)
Actuarial gain from remeasurement	(1,300,361)	(22,124)
Employee future benefit obligation, end of year	\$ 14,452,114	\$ 15,672,889

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 9. Employee future benefits (continued):

Components of net benefit expense recognized are as follows:

	2025	2024
Current service cost	\$ 119,870	\$ 120,336
Interest costs	711,839	707,267
<b>Net benefit expense recognized</b>	<b>\$ 831,709</b>	<b>\$ 827,603</b>

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

	2025	2024
Cumulative amount at January 1	\$ 469,760	\$ 468,494
Recognized during the year	1,300,361	22,124
Reclassification to regulatory balance	(1,093,262)	(20,858)
<b>Cumulative amount at December 31</b>	<b>\$ 676,859</b>	<b>\$ 469,760</b>

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

	2025	2024
Accrued benefit obligation:		
Discount rate	4.90%	4.65%
Assumed health care cost trend rates:		
Initial benefit care cost trend rate	5.30%	4.90%
Initial dental benefit cost trend rate	5.60%	5.40%

The main actuarial assumptions utilized for the valuation are as follows:

- Discount (interest) rate - the discount rate used to determine the present value of future liabilities and the expense for the year ended December 31, 2025, was 4.90% (2024 - 4.65%).
- Salary levels - future general salary and wage levels were assumed to increase at 2.50% for December 31, 2025 (2024 – 2.50%) with a projected increase of 3.20% in 2026, 2.25% in 2027 – 2029, and 2.00% thereafter.

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 9. Employee future benefits (continued):

- Medical costs - medical cost trend rates were assumed to be 5.30% at December 31, 2025 (2024 – 5.10%), with an assumed decline to 4.20% in 2026, a subsequent increase to 5.10% in 2031, and a gradual reduction to 3.80% by 2045.
- Dental costs - dental cost trend rates were assumed to be 5.60% at December 31, 2025 (2024 – 5.40%), with an assumed decline to 4.30% in 2026, a subsequent increase to 5.10% in 2031, and a gradual reduction to 3.80% by 2045.

## 10. Share capital:

	2025	2024
Authorized:		
Unlimited common shares		
Issued:		
1,002 common shares	\$ 22,431,779	\$ 22,431,779

## 11. Revenue:

The following table disaggregates revenues by type of customer (in thousands):

	2025	2024
Revenue from contracts with customers:		
Energy sales:		
Residential service	\$ 52,532	\$ 51,580
General service	55,602	54,101
Other	11,932	6,759
	120,066	112,440
Distribution revenue:		
Residential service	18,893	17,859
General service	11,022	10,333
Other	752	669
	30,667	28,861
Revenue from other sources:		
Pole rental	970	962
Contracts and rentals	15,049	14,802
Electricity generation	937	773
Other charges	2,524	1,681
	19,480	18,218
	\$ 170,213	\$ 159,519

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 12. 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.

### 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, 2025, no assessments have been made.

### Employment matters:

In the normal course of business, the Corporation is involved in employment – related matters that may give rise to future obligations. As at the reporting date, these matters are at a preliminary stage and the Corporation is unable to reliably estimate any potential financial impact.

## 13. 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, 2025, no amounts have been drawn on this letter of guarantee.

## 14. Pension agreement:

The Corporation provides a pension plan for its employees through OMERS. The plan is a multi-employer, defined benefit plan benefit with equal contributions by the employer and its employees. In 2025, the Corporation made employer contributions of \$1,653,584 to OMERS (2024 - \$1,512,262).

The Corporation estimates a contribution of \$1,636,139 will be made to OMERS during the next fiscal year.

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 15. Employee compensation:

	2025	2024
Salaries, wages and benefits	\$ 18,532,655	\$ 16,580,932
Contributions to OMERS	1,653,584	1,512,262
	<u>\$ 20,186,239</u>	<u>\$ 18,093,194</u>

## 16. Related party transactions:

### Parent and ultimate controlling party:

Greater Sudbury Utilities./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.

### Transactions with ultimate parent:

During the year, the Corporation paid the City interest on a promissory note totaling \$3,794,709 (2024 - \$3,794,709). The promissory note is repayable in full on six months' written notice of the holder of the note. As at April 27, 2026, the City has informed the Corporation it will not demand repayment of the promissory note within one year.

The Corporation had the following significant transactions with the City, a government entity:

- (i) electricity sales;
- (ii) streetlight capital and maintenance;
- (iii) telecommunications; and
- (iv) water and wastewater billing.

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 electricity sales to the City amounted to \$7,822,563 (2024 - \$6,788,834).

During the year, the Corporation sold the City water and wastewater billing services and streetlight capital and maintenance services totaling \$1,758,064 (2024 - \$1,651,498) and \$1,124,667 (2024 - \$959,358), respectively.

Included in accounts receivable is \$1,202,914 (2024 - \$833,196) on account of these sales.

Included in accounts payable and accrued liabilities is \$2,167,343 (2024 - \$3,073,160) relating to amounts collected by the Corporation on behalf of the City for water billing.

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 16. Related party transactions (continued):

### 10011196646 Ontario Limited:

During the period, the Corporation provided an advance of \$1,244,900 to a related company. The advance is non-interest bearing with no fixed terms of repayment.

### 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.

	2025	2024
Directors' fees	\$ 143,911	\$ 138,398
Salaries and benefits	1,909,060	1,541,294
	<b>\$ 2,052,971</b>	<b>\$ 1,679,692</b>

## 17. Deferred revenue:

	2025	2024
Contributions in aid of capital (a)	\$ 14,725,582	\$ 12,969,781
1627596 Ontario Inc. deferred revenue (d)	514,826	501,126
Other (b) and (c)	258,946	275,763
	<b>15,499,354</b>	<b>13,746,670</b>
Less: current portion	(557,015)	(553,499)
	<b>\$ 14,942,339</b>	<b>\$ 13,193,171</b>

(a) Under IFRS Accounting Standards, contributions in aid of capital are to be classified as deferred revenue, and amortized into profit or loss over the life of the capital asset.

(b) On February 21, 2021, Greater Sudbury Telecommunications Inc. entered into a Fibre Optic Cable IRU Agreement with Hydro One Telecom for a ten-year period ending February 21, 2031. This revenue is being recognized over the term of the agreement on a straight-line basis as the service is provided to the customer.

(c) During 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.

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 17. Deferred revenue (continued):

- (d) 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 future periods.

## 18. Finance lease obligations:

	Indefeasible Right of Use
<b>Right-of-use assets</b>	
<i>Cost</i>	
Balance at January 1, 2025	\$ 2,669,955
Additions	—
<b>Balance at December 31, 2025</b>	<b>\$ 2,669,955</b>
<i>Accumulated depreciation</i>	
Balance at January 1, 2025	\$ 1,217,171
Additions	246,983
<b>Balance at December 31, 2025</b>	<b>\$ 1,464,154</b>
<i>Carrying amounts</i>	
At December 31, 2024	\$ 1,452,784
At December 31, 2025	\$ 1,205,801
<b>Finance lease liability</b>	
Balance at January 1, 2025	\$ 283,589
Non-cash repayments	(52,353)
Accretion	5,091
<b>Balance at December 31, 2025</b>	<b>\$ 236,327</b>
<i>Made up of</i>	
Current portion	\$ 48,205
Long-term finance lease liability	188,122
	<b>\$ 236,327</b>

Certain leases held by the Corporation provide the Corporation with extension options and termination options that may impact the term of the Lease which can impact the finance lease liability recognized in the statement of financial position. The Corporation has determined the lease term for all contracts based on all available information as at the reporting date.

Total cash outflows relating to leases amounted to \$Nil for 2025 (2024 - \$Nil).

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 19. Investment in associates and equity investments:

	2025	2024
Investment in Ecobility (a)	\$ 75,636	\$ 84,978
Investment in 17 Trees (b)	141,193	157,981
Investment in 10011196646 Ontario Limited (c)	1	–
Investment in Powershare (d)	35,000	–
	<u>\$ 251,830</u>	<u>\$ 242,959</u>

### (a) Investment in Ecobility:

At December 31, 2025, the Corporation owns 1 Class A voting share and 46,879 Class B shares of a corporation responsible for conservation programs, representing approximately 32.597% of the outstanding shares. The Corporation accounts for this investment using the equity method.

The Corporation's investment in associate is as follows:

	Number of shares	Amount
Balance, December 31, 2024	46,879	\$ 84,978
Share of comprehensive loss of associate, for the year ending December 31, 2025	–	(636)
Adjustment to prior years	–	(8,706)
	–	(9,342)
Balance, December 31, 2025	<u>46,879</u>	<u>\$ 75,636</u>

Summarized financial information of the associate for the year ended December 31, 2025:

	Statement of Financial Position
Current assets	\$ 192,937
Non-current assets	49,872
Current liabilities	1,113
Retained earnings	241,696

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 19. Investment in associates and equity investments (continued):

### (a) Investment in Ecobility (continued):

	Statement of profit or loss and comprehensive income
Comprehensive loss for the period	\$ (1,950)
Percentage ownership in associate	33%
Share of comprehensive loss	(636)

### (b) Investment in 17 Trees:

At December 31, 2025, the Corporation owns 100 common shares of a Corporation responsible for arbor services, representing approximately 33.33% of the outstanding common shares. The Corporation accounts for this investment using the equity method.

The Corporation's investment in associate is as follows:

	Number of shares	Amount
Balance, December 31, 2024	100	\$ 157,981
Share of comprehensive loss of associate, for the year ending December 31, 2025	–	(18,718)
Adjustment to prior years	–	1,930
	–	(16,788)
<b>Balance, December 31, 2025</b>	<b>100</b>	<b>\$ 141,193</b>

Summarized financial information of the associate for the year ended December 31, 2025:

	Statement of Financial Position
Current assets	\$ 721,340
Non-current assets	402,874
Current liabilities	515,572
Non-current liabilities	185,064
Retained earnings	423,578

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 19. Investment in associates and equity investments (continued):

### (b) Investment in 17 Trees (continued):

	Statement of profit or loss and comprehensive income
Comprehensive loss for the period	\$ (56,151)
Percentage ownership in associate	33%
Share of comprehensive loss	(18,718)

### (c) Investment in 10011196646 Ontario Limited:

At December 31, 2025, the Corporation owns 100 common shares of a Corporation responsible for passive investments in Ontario infrastructure-related companies, representing approximately 33.33% of the outstanding common shares. The Corporation accounts for this investment using the equity method.

The Corporation's investment in associate is as follows:

	Number of shares	Amount
Balance, December 31, 2024	–	\$ –
Investment in associate	100	100
Share of comprehensive loss of associate, for the year ending December 31, 2025	–	(3,809)
Provision for impairment	–	3,710
Balance, December 31, 2025	100	\$ 1

Summarized financial information of the associate for the year ended December 31, 2025:

	Statement of Financial Position
Current assets	\$ 107,862
Non-current assets	3,615,693
Non-current liabilities	3,734,682
Net deficit	(11,127)

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

## 19. Investment in associates and equity investments (continued):

(c) Investment in 10011196646 Ontario Limited (continued):

	Statement of profit or loss and comprehensive income
Comprehensive loss for the period	\$ (11,427)
Percentage ownership in associate	33%
Share of comprehensive loss	(3,809)

(d) Investment in PowerShare Inc.:

During the year, the Corporation invested \$35,000 to acquire an ownership interest in PowerShare Inc., a newly incorporated entity. The investment represents an 11.11% equity interest, comprising 100 common shares.

The Corporation has determined that it does not have significant influence over the investee. Accordingly, the investment is not classified as an associate and is accounted for as an equity investment.

The equity investment is measured at cost, which management has determined to be a reasonable proxy for fair value, as the investee is privately held and fair value is not readily determinable due to the absence of observable market inputs. At December 31, 2025, the carrying amount of the investment is \$35,000.

## 20. Change in non-cash operating working capital items:

	2025	2024
Accounts receivable	\$ (680,174)	\$ (606,369)
Unbilled revenue - distribution	62,435	(117,727)
Unbilled revenue - energy sales	(1,648,062)	(359,160)
Inventory	39,023	(53,302)
Prepaid expenses	(748,307)	610,875
Change in regulatory assets/liabilities	19,319,603	(29,175)
Accounts payable and accrued liabilities	934,653	1,945,591
Payable for energy purchases	(4,717)	855,376
Deferred revenue	707,660	186,126
Customer deposits	(80,376)	(340,521)
	\$ 17,901,738	\$ 2,091,714

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 21. Financial instruments and risk management:

### (a) Fair value disclosure:

Cash and cash equivalents and interest rate swap contracts are measured at fair value. Swap contracts are adjusted to fair value by using mark-to-market valuation established by TD Securities, a division of TD Bank Financial Group, as of the close of business on the last business day of the fiscal year. The fair value measurement of the financial instrument for which the fair value has been disclosed is included in Level 2 of the fair value hierarchy (Note 2 (d)).

The carrying values of cash, restricted cash, receivables, unbilled revenue, accounts payable and accrued liabilities 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.

### (b) 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.

#### (i) 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 and West Nipissing. 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 estimated credit losses 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, 2025 is \$666,745 (2024 - \$733,946). A write-off of \$295,722 (2024 - \$240,770) 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, 2025, approximately \$2,320,674 (2024 - \$2,361,420) is considered 46 days past due. The Corporation has over 48,000 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 and internal practices. As at December 31, 2025, the Corporation holds security deposits in the amount of \$1,193,287 (2024 - \$1,273,663).

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 21. Financial instruments and risk management:

### (b) Financial risks (continued):

#### (ii) Derivative instruments:

As detailed in Note 8 to the financial statements, the Corporation has entered into a series of interest rate swap contracts totaling \$14,100,560 (2024 - \$14,857,836) and covering 100% (2024 - 99.9%) of long-term debt. These interest rate swap contracts were used to convert floating rate debt to fixed rate debt and qualify as cash flow hedges.

#### (iii) 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.

#### (iv) 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 an \$8,000,000 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. The credit facility is only drawn upon in instances where the combined cash balance of the consolidated Greater Sudbury Utilities entity is in a negative position. As at December 31, 2025, \$Nil (2024 - \$Nil) was drawn under the Greater Sudbury Utilities Inc. \$8,000,000 credit facility (2024 - \$8,000,000).

The majority of accounts payable, as reported on the consolidated statement of financial position, are due within 30 days.

#### (v) 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, 2025, shareholder's equity amounts to \$78,199,083 (2024 - \$86,645,759) and long-term debt amounts to \$98,676,136 (2024 - \$98,693,085).

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## 22. Accounting standards issued but not yet effective:

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning after January 1, 2026 and earlier application is permitted. However, the Corporation has not early adopted the new and amended accounting standards in preparing these financial statements.

### (a) Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7):

In May 2024, the International Accounting Standards Board (IASB) issued Amendments to the classification and Measurement of Financial Instruments which amended IFRS 9 and IFRS 7.

The requirements will be effective for annual reporting periods beginning on or after January 1, 2026, with early application permitted, and are related to:

- settling financial liabilities using electronic payments system; and
- assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.

The Corporation is in the process of assessing the impact of the new amendments.

### (b) IFRS 18 Presentation and Disclosures in Financial Statements:

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after January 1, 2027. The new standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the consolidated statement of profit or loss, namely the operating, investing, financing, discontinued operations, and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the consolidated statement of cash flows when presenting operating cash flows under the indirect method.

The Corporation is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Corporation's consolidated statement of profit or loss, the consolidated statement of cash flows and the additional disclosures required for MPMs. The Corporation is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as 'other'.

# GREATER SUDBURY UTILITIES INC. / SERVICES PUBLICS DU GRAND SUDBURY INC.

Notes to Consolidated Financial Statements (continued)

Year ended December 31, 2025

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## **22. Accounting standards issued but not yet effective (continued):**

(c) Other accounting standards:

The following amendments to accounting standards are not expected to have a significant impact on the Corporation's financial statements:

- *Contracts Referencing Nature – Dependent Electricity (Amendments to IFRS 9 and IFRS 7); and*
- *Annual Improvements to IFRS Accounting Standards – Volume 11.*

## **23. Comparative information:**

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior period profit or comprehensive income.