

Financial Statements of

**1538974 ALBERTA LTD.**

And Independent Auditors' Report thereon

Year ended December 31, 2021



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## INDEPENDENT AUDITORS' REPORT

To the Shareholder of 1538974 Alberta Ltd.

### *Opinion*

We have audited the financial statements of 1538974 Alberta Ltd. (the "Corporation"), which comprise:

- the statement of financial position as at December 31, 2021;
- the statement of operations and other comprehensive income (loss) for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended;
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).



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

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

We are independent of the Corporation 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 International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Corporation’s financial reporting process.

### ***Auditors’ 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 auditors’ 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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Corporation 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.



- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada  
May 3, 2022

**1538974 ALBERTA LTD.**  
Statement of Financial Position

December 31, 2021, with comparative information for 2020

	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,003,451	\$ -
Accounts receivable (note 5)	1,567,354	1,658,992
Due from related party (note 12)	-	192,787
Goods and services tax receivable	130,287	82,833
Other current assets	25	25
	5,701,117	1,934,637
Restricted cash (note 4)	2,634,551	1,969,983
Finance lease receivable (note 14)	331,502	475,262
Right-of-use assets (note 14)	76,006	287,543
Property and equipment (note 6)	112,601,380	110,667,647
Intangible assets (note 7)	4,292,138	4,547,315
	\$ 125,636,694	\$ 119,882,387

**Liabilities and Shareholder's Equity**

Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 4,169,575	\$ 2,202,059
Due to related party (note 12)	657,035	-
Bank indebtedness (10)	-	426,184
Current portion of long-term debt (note 10)	1,396,150	858,259
Current portion of deferred revenue (note 9)	481,034	286,972
	6,703,794	3,773,474
Lease liability (note 14)	245,107	419,774
Derivative financial instruments (note 3)	517,924	1,371,271
Deferred revenue (note 9)	21,251,339	15,008,316
Long term debt (note 10)	28,118,253	31,127,461
	56,836,417	51,700,296
Shareholder's equity:		
Share capital (note 13)	49,271,751	49,271,751
Contributed surplus	13,252,479	13,252,479
Retained earnings	6,793,971	7,029,132
Accumulated other comprehensive income	(517,924)	(1,371,271)
	68,800,277	68,182,091
Commitments and contingencies (note 15)		
Subsequent event (note 18)		
	\$ 125,636,694	\$ 119,882,387

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

**1538974 ALBERTA LTD.**

## Statement of Operations and Other Comprehensive Income (Loss)

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Sale of goods	\$ 2,806,336	\$ 2,462,845
Provision of services	11,205,730	10,510,074
Development and offsite levies	303,638	215,514
Other revenue	172,119	506,500
Penalties and interest income	187,835	118,663
	14,675,658	13,813,596
Expenses:		
Water supply and waste management charges	4,575,937	4,510,257
Contracted services (note 12)	4,847,555	5,248,187
Amortization (notes 6, 7 and 14)	3,603,951	3,401,256
Salaries, wages and benefits	85,830	86,257
Finance costs (note 11)	656,784	853,145
Materials, goods and supplies	608,381	492,835
General and administrative expenses	229,909	247,086
Other	302,472	378,547
	14,910,819	15,217,570
Net loss for the year	(235,161)	(1,403,974)
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges – interest rate swap	1,101,226	(849,655)
Cash flow hedges – interest rate swap reclassified from net loss	(247,879)	(210,453)
<b>Net income (loss) and total comprehensive income (loss)</b>	<b>\$ 618,186</b>	<b>\$ (2,464,082)</b>

See accompanying notes to financial statements.

# 1538974 ALBERTA LTD.

## Statement of Changes in Equity

Year ended December 31, 2021, with comparative information for 2020

	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total equity
Balance at December 31, 2019	\$ 49,271,751	\$ 13,252,479	\$ 8,433,106	\$ (311,163)	\$ 70,646,173
Net loss for the year	—	—	(1,403,974)	—	(1,403,974)
Other comprehensive income	—	—	—	(1,060,108)	(1,060,108)
Balance at December 31, 2020	49,271,751	13,252,479	7,029,132	(1,371,271)	68,182,091
Net loss for the year	—	—	(235,161)	—	(235,161)
Other comprehensive income	—	—	—	853,347	853,347
Balance at December 31, 2021	\$ 49,271,751	\$ 13,252,479	\$ 6,793,971	\$ (517,924)	\$ 68,800,277

See accompanying notes to financial statements.



**1538974 ALBERTA LTD.**  
Statement of Cash Flows

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash (used in) provided by		
Operating:		
Net loss for the year	\$ (235,161)	\$ (1,403,974)
Reconciliation of net income (loss) to cash from (used in) operating:		
Amortization (notes 6 and 7)	3,603,951	3,401,256
Finance costs	904,356	1,066,468
Deferred revenue recognized (note 9)	(662,075)	(268,344)
(Gain) loss on disposal of property and equipment	(310)	161,579
	3,610,761	2,956,985
Changes in non-cash working capital:		
Accounts receivable	91,638	(446,560)
Due to (from) related party	849,822	(374,443)
Accounts payable and accrued liabilities	1,967,516	873,160
Other current assets	—	14,685
Goods and services tax receivable	(47,454)	(57,958)
	2,861,522	8,884
Deferred revenue (note 9)	5,694,960	1,048,060
	8,545,849	1,056,944
	12,167,243	4,013,929
Investing:		
Purchase of property and equipment	(3,616,702)	(993,683)
	(3,616,702)	(993,683)
Financing:		
Interest paid (note 11)	(904,356)	(1,066,468)
Repayment of long term debt (note 10)	(2,471,317)	(579,598)
Repayment of lease liability (note 14)	(224,735)	(179,494)
Proceeds from finance lease receivable (note 14)	144,070	126,720
	(3,456,338)	(1,698,840)
Increase in cash during the year	5,094,203	1,321,406
Cash – beginning of year	1,543,799	222,393
Cash – end of year	6,638,002	1,543,799
Supplementary information		
Cash at bank (bank indebtedness)	4,003,451	(426,184)
Restricted cash	2,634,551	1,969,983
	\$ 6,638,002	\$ 1,543,799

See accompanying notes to financial statements.