

**FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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**Mississippi River
Power Corporation
Financial Statements
December 31, 2020**



Management's Responsibility for the Financial Statements


Management is responsible for the integrity of the financial data reported by Mississippi River Power Corporation. Fulfilling this responsibility requires the preparation and presentation of financial statements using management's best judgement and estimates in accordance with International Financial Reporting Standards, applied on a basis consistent with the preceding year.

Management maintains appropriate systems of internal control and corporate-wide policies and procedures, which provide reasonable assurance that Mississippi River Power Corporation's assets are safeguarded and that financial records are relevant and reliable.

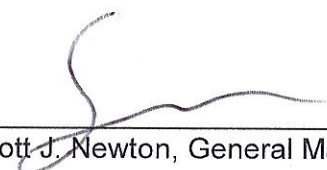
The Board of Directors ensures that management fulfills its responsibility for financial reporting and internal control. The Board of Directors consists of outside directors and at regular meetings review audit, internal control and financial reporting matters with management and external auditors.

The financial statements were reviewed and approved by the Board of Directors. The financial statements have been examined by our independent external auditors appointed by the Board of Directors. The external auditor's responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with International Financial Reporting Standards. The attached Independent Auditor's Report outlines the scope of their examination and their opinion.

On behalf of management,



Adrian Foster, President



Scott J. Newton, General Manager

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Mississippi River Power Corporation:

We have audited the financial statements of Mississippi River Power Corporation (the Entity) which comprise:

- the statement of financial position as at December 31, 2020;
- the statement of comprehensive income 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 Entity as at December 31, 2020, and its separate financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 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 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), 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.

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 judgement 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 of 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 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 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.



Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario
April 8, 2021.

Mississippi River Power Corporation
Statement of Financial Position

(Expressed in Canadian Dollars)

December 31	2020	2019
	\$	\$
ASSETS		
Current Assets		
Cash	2,670,362	2,442,759
Accounts receivable (net of allowance) (note 3)	1,114,082	1,030,713
Payment in lieu of income taxes receivable (note 7)	9,098	---
Prepaid expenses	25,329	21,376
	3,818,871	3,494,848
Non-Current Assets		
Property, plant and equipment (note 4)	18,337,052	19,107,865
Total Assets	22,155,923	22,602,713
EQUITY AND LIABILITIES		
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	142,957	177,732
Government taxes payable	49,520	28,774
Gross revenue charge - Province of Ontario payable	15,961	---
Payments in lieu of income taxes payable (note 7)	---	4,930
Interest payable	119,432	238,866
Dividend payable	225,000	225,000
Short term financial liabilities (note 6)	1,425,434	1,221,654
	1,978,304	1,896,956
Non-Current Liabilities		
Long term financial liabilities (note 6)	17,332,880	18,220,292
Deferred tax liabilities (note 7)	472,000	474,000
	17,804,880	18,694,292
Total Liabilities	19,783,184	20,591,248
EQUITY		
Capital Stock		
Authorized • an unlimited number of shares of one class		
Issued • 2,000 shares	2,000	2,000
Retained Earnings	2,370,739	2,009,465
	2,372,739	2,011,465
Total Equity and Liabilities	22,155,923	22,602,713

Basis of Presentation (note 1) Commitments (note 10)
and Contingent Liabilities (note 11)

On Behalf of the Board:

_____, Chair

_____, Treasurer

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

Mississippi River Power Corporation
Statement of Comprehensive Income and Changes in Equity
(Expressed in Canadian Dollars)

For the year ended December 31	(Note 14) Budget	2020	2019
	\$	\$	\$
Revenue ▶ sale of power	2,422,929	3,062,511	3,018,069
Cost of Power ▶ Direct Expenses			
Amortization ▶ plant and equipment	731,897	704,370	727,154
Heat, light and power	12,500	11,943	11,666
Insurance	29,576	29,568	28,893
Plant automation	3,500	7,027	4,089
Repairs and maintenance ▶ building	35,500	65,391	25,034
▶ equipment	135,450	113,115	89,930
▶ professional fees	55,000	38,367	61,029
▶ vehicle	4,800	2,941	6,079
Taxes, fees and licences	15,586	13,560	15,586
Wages and benefits	93,000	106,800	88,766
	1,116,809	1,093,082	1,058,226
Income Before Operating Expenses	1,306,120	1,969,429	1,959,843
Operating Expenses			
Advertising and promotion	17,000	13,447	10,265
Amortization	30,346	46,853	28,335
Finance			
Bank charges and interest	1,300	1,720	876
Debenture interest	725,852	725,096	744,672
Loan interest	206,524	209,878	219,206
Feasibility studies	53,800	39,014	14,852
Occupancy			
Heat, light and power	7,250	6,922	7,567
Insurance	1,582	1,590	1,582
Repairs and maintenance ▶ building	16,500	25,513	19,900
▶ equipment	5,800	3,799	2,502
▶ grounds keeping	19,500	14,360	23,394
Taxes, fees and licenses	6,200	6,297	6,077
Office			
Bookkeeping	3,800	3,723	2,585
Office	8,500	8,763	7,777
Telephone and communications	8,400	10,315	7,363
Professional fees	12,100	12,100	11,963
Wages			
Directors fees	31,500	31,500	31,500
Wages and benefits	173,900	143,604	165,729
	1,329,854	1,304,494	1,306,145
Operating Income (Loss)	(23,734)	664,935	653,698
Other Income and Expense			
Other income and net rent	50,600	50,073	95,588
Gross revenue charge (note 8)	---	(15,961)	---
	50,600	34,112	95,588
Income Before Amount in Lieu of Income Taxes	26,866	699,047	749,286

Continued on Next Page

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

Mississippi River Power Corporation
Statement of Comprehensive Income and Changes in Equity
(Expressed in Canadian Dollars)

For the year ended December 31	(Note 14) Budget	2020	2019
	\$	\$	\$
Income Before Amount in Lieu of Income Taxes / continued	26,866	699,047	749,286
Income Taxes (note 7)			
Payment in lieu of income taxes	---	114,773	119,235
Deferred income taxes	---	(2,000)	(1,000)
	---	112,773	118,235
Net Income for the Year	26,866	586,274	631,051
Retained Earnings, Beginning of Year	2,009,465	2,009,465	1,625,164
Adjustment for Adoption of IFRS 16	---	---	(21,750)
Dividends	---	(225,000)	(225,000)
Retained Earnings, End of Year	2,036,331	2,370,739	2,009,465

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

Mississippi River Power Corporation
Statement of Cash Flows
(Expressed in Canadian Dollars)

For the year ended December 31	2020	2019
	\$	\$
Cash Flows from Operating Activities		
Net income for the year	586,274	631,051
Amortization	751,223	755,489
Gain on disposal of assets	---	(6,000)
Income tax expense	(2,000)	(1,000)
	1,335,497	1,379,540
Movements in Working Capital		
Accounts receivable	(83,369)	65,638
Government taxes receivable	---	199,498
Payments in lieu of income taxes receivable	(9,098)	113,346
Prepaid expenses	(3,953)	26,031
Accounts payable and accrued liabilities	(34,775)	(322,981)
Government taxes payable	20,746	28,774
Payments in lieu of income taxes payable	(4,930)	4,930
Gross revenue charge payable	15,961	---
Interest payable	(119,434)	---
	(218,852)	115,236
Cash Flows from Investing Activities		
Disposition of capital asset	112,275	6,000
Payments to acquire capital assets (note 4)	(92,685)	(376,789)
	19,590	(370,789)
Cash Flows from Financing Activities		
Dividends paid and payable	(225,000)	(225,000)
Advance of long term borrowings	---	142,211
Repayment of long term borrowings	(683,632)	(647,019)
	(908,632)	(729,808)
 Change in Cash, During the Year	 227,603	 394,179
Cash, Beginning of Year	2,442,759	2,048,580
Cash, End of Year	2,670,362	2,442,759

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

Mississippi River Power Corporation

Notes to the Financial Statements

December 31, 2020

The Mississippi River Power Corporation (the 'Corporation') was incorporated in Canada under the Business Corporations Act (Ontario) on April 27, 2000 by the Municipality of Mississippi Mills, its sole shareholder, to comply with provincial legislation. This Corporation's principal activities include the generation and sale of hydro-electric power in the Municipality of Mississippi Mills, Ontario and is licensed by the Ontario Energy Board (OEB). The address of the Corporation's registered office is 12B Mill Street, Almonte, Ontario, K0A 1A0.

1. Basis of Presentation

Statement of Compliance

The financial statements of the Mississippi River Power Corporation are the representation of management and are prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and the interpretations are issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB.

Basis of Measurement

The financial statements have been prepared on the historical cost basis.

Functional and Presentation Currency

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

Use of Estimates and Judgments

The presentation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Corporation's accounting policies. The areas involving a higher degree of judgment, complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in each relevant significant accounting policy where applicable.

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

2. Significant Accounting Policies

The preparation and presentation of the financial statements can be significantly affected by the accounting policies selected by the Corporation. The financial statements reflect the following significant accounting policies, which are an integral part of understanding them.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise indicated.

Mississippi River Power Corporation

Notes to the Financial Statements

December 31, 2020

2. Significant Accounting Policies / continued

Leases

Effective January 1, 2019 the Corporation has adopted IFRS 16 – Leases.

At the inception of the contract, the Corporation assesses whether the contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time, in exchange for consideration.

The corporation recognizes right-of-use ('ROU') assets and a lease liability at the lease commencement date. ROU assets are initially measured at cost and subsequently carried at cost less accumulated depreciation and impairments, if any. The initial cost of an ROU asset equals the amount of the initial measurement of the corresponding lease liability, plus an initial direct cost incurred to bring the assets into operation.

Lease liabilities are initially measured at the present value of lease payments that are not paid at the commencement date. The lease payments are discounted using the rate implicit in the lease, or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate which reflects the Corporation's ability to borrow money over a similar term, for an asset of similar value to the underlying asset, similar security or in a similar economic environment. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability.

Lease liabilities are 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 a lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero. Payments under lease liabilities are apportioned between interest expense and a reduction of the outstanding lease liability.

Where the Corporation is reasonably certain it will obtain ownership of the ROU asset before the end of the lease term, the asset is depreciated over its useful life on a straight-line basis. Otherwise, depreciation is calculated over the shorter period of the lease term and the asset's useful life. The lease term includes periods covered by an option to extend if the Corporation is reasonably certain to exercise that option.

The Corporation has elected to apply the practical expedient not to recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

Revenues

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Corporation recognizes revenue when it transfers control over a product or service to a customer.

Mississippi River Power Corporation

Notes to the Financial Statements

December 31, 2020

2. Significant Accounting Policies / continued

Revenues

The Corporation's principal activities include the generation and sale of hydro-electric power within the Municipality of Mississippi Mills. The sales are made between the Corporation and the IESO through settlement agent, Ottawa River Power Corporation.

Receivables, from contracts with customers, are included in 'Accounts receivable' on the statement of financial position.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held on demand with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

Financial Assets

Financial assets are classified as loans and receivables.

These include cash and accounts receivable. Collectability of accounts receivable is reviewed on an ongoing basis. Accounts receivable which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Corporation will not be able to collect all the amounts due according to the original term of the receivables. In determining the allowance for doubtful accounts, the Corporation considers historical loss experience of account balances based on the aging and arrears status of accounts receivable balances. The amount of the provision is the difference between the asset's carrying amount and the present value of future cash flows. The amount of the provision is recognized in the statement of comprehensive income.

Financial Liabilities

Accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities. These liabilities are measured at amortized cost.

Property, Plant and Equipment

Property, plant and equipment (PP&E) are recorded at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Corporation.

Amortization of PP&E is recorded in the statement of comprehensive income on a straight-line basis over the estimated useful life of the related asset. Half of a year's amortization is taken for the first year, regardless of when the property was actually put into service during the year. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Gains and losses on disposal of an item of PP&E are determined by comparing the net proceeds from disposal with the carrying amount of the asset, and are included in the statement of comprehensive income when the asset is disposed.

Mississippi River Power Corporation

Notes to the Financial Statements

December 31, 2020

2. Significant Accounting Policies / continued

Property, Plant and Equipment / continued

The estimated useful lives are as follows:

Buildings	40 years
Substation	20 years
Generation Equipment	20 years
Office Equipment	10 years
Water Rights	10 years
Vehicles	5 years
Signage	5 years
Safety Equipment	5 years
Computer Equipment	5 years
Paving, Landscaping and Fencing	5 years
Leasehold Improvements	5 - 20 years
Right of Use Asset	lease term

Borrowing Costs

The Corporation capitalizes interest expenses and other finance charges directly relating to the acquisition, construction, or production of assets that take a substantial period of time to get ready for its intended use. Capitalization commences when expenses are being incurred, borrowing costs are being incurred, and activities that are necessary to prepare the assets for their intended use or sale are in progress. Capitalization will be suspended during periods in which active development is interrupted. Capitalization should cease when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

Impairment of Non-Financial Assets

The Corporation conducts assessments of the values of PP&E to determine whether there are events or changes in circumstances that indicate that their carrying amount may not be recoverable. Where carrying value exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly. An impairment loss is charged to the statement of comprehensive income except to the extent it reverses gains previously recognized in other comprehensive income.

Pension Plan

The permanent employees of the Corporation participate in the Ontario Municipal Employees Retirement System ("OMERS"). The Corporation also makes contributions to the OMERS plan on behalf of its employees. The plan has a defined benefit option at retirement available to employees, which specifies the amount of the retirement benefit plan to be received by the employees based on length of service and rates of pay.

Payments in Lieu of Taxes Payable

The Corporation is a Municipal Electricity Utility (MEU) for purposes of the payments in lieu of taxes (PILs) regime contained in the Electricity Act, 1998. As a MEU, the Corporation is exempt from tax under the Income Tax Act (Canada) and the Corporations Tax Act (Ontario).

Mississippi River Power Corporation

Notes to the Financial Statements

December 31, 2020

2. Significant Accounting Policies / continued

Payments in Lieu of Taxes Payable / continued

Under the Electricity Act, 1998, the Corporation is required to make, for each taxation year, PILs to Ontario Electricity Financial Corporations ("OEFC"). These payments are calculated in accordance with rules for computing 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 regulations.

Provision in lieu of taxes (PILs) is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that they relate to items recognized directly in equity.

Current PILs are recognized on the taxable income or loss for the current year plus any adjustment in respect of previous years. Current PILS are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base. The amount of the deferred tax asset or liability is measured at the amount expected to be recovered from or paid to the taxation authorities. This amount is determined using tax rates and tax laws that have been enacted or substantially enacted by the year-end date and are expected to apply when the liabilities/(assets) are settled/(recovered).

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain.

At the end of each reporting period, the Corporation reassesses both recognized and unrecognized deferred tax liabilities.

Finance Income and Finance Costs

Finance income is comprised of interest income on funds invested such as cash and short-term investments. Interest income is recognized as it accrues in the statement of comprehensive income, using the effective interest method.

Finance cost is comprised of interest payable on debt.

Equity

Share capital represents the nominal value of shares that have been issued. Retained Earnings include all current and prior period retained profits. Dividend distribution payable to equity shareholders are included in other liabilities when the dividends have been approved prior to the recording date.

Financial Instruments

(i) Non-Derivative Financial Assets

All of the Corporation's non-derivative financial assets are classified as loans and receivables. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment losses.

Mississippi River Power Corporation

Notes to the Financial Statements

December 31, 2020

2. Significant Accounting Policies / continued

Financial Instruments / continued

The Corporation recognizes loans and receivables on the date they are originated.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

(ii) Non-Derivative Financial Liabilities

All of the Corporation's non-derivative financial liabilities are classified as other financial liabilities. Other financial liabilities comprise loans and borrowings, and trade and other payables. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method.

The Corporation recognizes other financial liabilities on the trade date, which is the date that the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

It is management's opinion that the facility is not exposed to significant interest, currency or credit risks arising from its non-derivative financial instruments.

3. Accounts Receivable

During 2012 there was a malfunction within the generating station, after which no revenues were able to be generated until repairs were completed in 2013. The Corporation received partial payments in 2013, but there remain monies outstanding. Management has provided its best estimate of lost revenues to be recuperated from other parties responsible and these amounts are included in accounts receivable.

	2020	2019
	\$	\$
Due from Ottawa River Power Corporation for sale of power representing December revenues generated.	394,391	311,022
Other receivables	719,691	719,691
	1,114,082	1,030,713

Mississippi River Power Corporation
Notes to the Financial Statements

December 31, 2020

4. Property, Plant and Equipment

	2020			2019
	Cost	Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land	188,717	---	188,717	188,717
Generating Station Building				
▸ Lower Falls	17,640,117	4,536,087	13,104,030	13,545,030
▸ Upper Falls	4,425,064	2,648,954	1,776,110	1,886,736
Millfall Dam	2,203,247	106,955	2,096,292	2,139,502
Paving, Landscaping and Fencing	140,001	107,504	32,497	41,782
Generating Equipment	1,872,966	976,152	896,814	992,430
Right of Use ▸ office building	92,685	4,634	88,051	112,274
Substation	119,510	115,141	4,369	6,549
Vehicles	41,163	17,341	23,822	30,628
Signage	10,890	10,890	---	---
Safety Equipment	18,642	18,259	383	1,152
Office Equipment	68,907	68,907	---	2,421
Water Rights	27,452	27,452	---	---
Computer Equipment	47,551	47,551	---	---
Leasehold Improvements	204,266	78,299	125,967	160,644
	27,101,178	8,764,126	18,337,052	19,107,865

Additions during the year were as follows:

	2020	2019
	\$	\$
Land ▸ Millfall Dam	---	464
Millfall Dam	---	149,794
Generating Equipment ▸ plant automation	---	2,307
Right of Use ▸ office building	92,685	142,211
Paving, Landscaping and Fencing ▸ Des Houston Park	---	46,425
Vehicles	---	34,032
Leasehold Improvements ▸ Metcalfe Park	---	1,556
Total Net Additions	92,685	376,789

5. Bank Indebtedness

The Corporation's financial agreement with its bank provides for an operating credit facility of up to \$200,000 to finance expenses, pending receipt of income. Interest on funds drawn is charged at the bank's prime rate. As at December 31, 2020, there was \$Nil (2019 \$Nil) drawn on the facility.

Mississippi River Power Corporation
Notes to the Financial Statements

December 31, 2020

6. Long Term Debt

	2020	2019
	\$	\$
Ontario Infrastructure Projects Corporation debenture (5.2023%), repayable in blended monthly payments of \$92,673.06, secured by a general security agreement covering all assets, due October 2040.	13,741,654	14,127,879
Bank of Montreal Loan (3.5400%), repayable in blended monthly payments of \$17,673.50, secured by a general security agreement, due November 2028.	1,462,368	1,616,297
Bank of Montreal Loan (2.5900%), repayable in monthly payments of \$5,308.53, secured by a general security agreement, due March 2021.	548,361	598,024
Bank of Montreal Loan (3.3900%), repayable in monthly payments of \$2,787.47, secured by a general security agreement, due March 2022.	265,276	289,290
Bank of Montreal Loan (2.9400%), repayable in monthly payments of \$2,717.53, secured by a general security agreement, due March 2021.	263,952	288,415
Municipality of Mississippi Mills promissory note, with no fixed terms of repayment, the term and the interest rate to be renegotiated annually between the Board of Directors and corporate shareholder. Interest accrued for 2020 was at a rate of 5.0000% (2019 5.0000%).	2,388,653	2,388,653
Municipality of Mississippi Mills, right of use building lease, (3.5000%), repayable in blended annual payments of \$36,000.00, secured by lease agreement over right of use building, due September 2023.	---	133,388
Right of use building lease, (3.5000%), repayable in blended annual payments of \$20,528.00, secured by lease agreement over right of use building, due September 2025.	88,050	---
	18,758,314	19,441,946
Less: current portion of long term borrowing	1,425,434	1,221,654
	17,332,880	18,220,292

Principal payments fall due as follows:

	\$
2021	1,425,434
2022	856,255
2023	644,722
2024	675,060
2025	702,271
2026 and thereafter	14,454,572
	18,758,314

Interest on promissory note is calculated annually and payable annually to the shareholders.

Mississippi River Power Corporation

Notes to the Financial Statements

December 31, 2020

7. Payments in Lieu of Corporate Income Taxes

Statutory Canadian Federal and Provincial tax rates for the current year comprise 15.00% (2019 15.0%) for Federal corporate tax and 11.50% (2019 11.5%) for corporate tax in Ontario. The PILs expense varies from amounts which would be computed by applying the Corporation's combined statutory income tax rate as follows:

	2020	2019
	\$	\$
Income Before Provision for PILs	699,047	749,286
Statutory Canadian provincial tax rate (blended)	26.50%	26.50%
Provision for PILs at statutory rate	185,247	198,561
Decrease in Income Tax Resulting From:		
Small business deduction	(71,500)	(70,000)
Capital cost allowance in excess of amortization	1,026	366
Gain on disposal of assets per financial statements	---	(1,590)
Charitable donations from Schedule 2	---	(8,102)
Total Provision	114,773	119,235
Effective Tax Rate	15.50%	15.91%

The change in the deferred tax liability is as follows:

	2020	2019
	\$	\$
Opening Balance, January 1	474,000	475,000
Recognized in Statement of Comprehensive Income	(2,000)	(1,000)
Closing Balance, December 31	472,000	474,000

Deferred tax liabilities are attributable to property, plant and equipment.

The Corporation has losses for tax purposes to carry forward against future income in the amount of \$Nil (2019 \$Nil).

8. Gross Revenue Charge

The Corporation is liable to pay a charge based on their gross generation of kilowatts hours to the Ontario Electricity Financial Corporation. The Corporation has applied with the Ministry of Natural Resources for a deduction under the Electricity Act 1998 to waive this charge for 10 years. In 2016, the application was approved and the charge was waived effective May 9, 2010 for a ten year period ending May 9, 2020. Consequently the December 31st, 2020 financial statements show a liability of \$15,961.

Mississippi River Power Corporation

Notes to the Financial Statements

December 31, 2020

9. Related Party Balances on Transactions

The Ultimate Parent

The common shares of Mississippi River Power Corporation are owned by the Municipality of Mississippi Mills which constitutes local government. Consequently, the Corporation is exempt from some of the general disclosure requirements of IAS 24 with relation to transactions with government-related parties, and has applied the government-related disclosure requirements.

Transactions with Related Parties

The following summarizes the Corporation's related party transactions for the year. These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent for sales of product or provision of service.

During the year, the Corporation paid \$119,433 (2019 \$119,433) of interest on long term and short term debts and \$60,000 (2019 \$36,000) of rent to its shareholder, the Municipality of Mississippi Mills. The Corporation owes its shareholder, the Municipality of Mississippi Mills, \$2,733,086 (2019 \$2,924,519) at the year end.

10. Commitments

The Corporation leases Metcalfe Geo Heritage Park from the Municipality of Mississippi Mills under the terms of an operating lease at an annual cost of \$1.00. The lease has a term of 20 years with an expiration date of December 31, 2033, with an option to renew for one further period of 20 years, upon the same terms.

11. Contingent Liabilities

The nature of the Corporation's activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at December 31, 2020, management maintains that the Corporation has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Corporation's financial position.

12. Risk Management

In the normal course of operations, the Corporation is exposed to a variety of financial risks which are actively managed by the Corporation.

The Corporation's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. The fair values of cash, and accounts payable and accrued liabilities approximate their carrying values because of their expected short term maturity and treatment on normal trade terms.

Mississippi River Power Corporation

Notes to the Financial Statements

December 31, 2020

12. Risk Management / continued

The Corporation's exposure to and management of risk has not changed materially from December 31, 2019.

Credit Risk

Credit risk arises from the possibility that the entities to which the Corporation provides services may experience difficulty and be unable to fulfill their obligations. The Corporation is exposed to financial risk that arises from the credit quality of the entities to which it provides services. The Corporation has recorded receivables as disclosed in Note 3. While there is concentration of risk due to the fact that the receivable amounts are due from two parties, both parties have indicated their responsibility for the amounts and as such the recorded allowance as per note 3 is believe to be adequate.

Interest Rate Risk

Interest rate risk arises from the possibility that the value of, or cash flows related to, a financial instrument will fluctuate as a result of changes in market interest rates. The Corporation is exposed to financial risk that arises from the interest rate differentials between the market interest rate and the rates on its cash and cash equivalents and operating loan. Changes in variable interest rates could cause unanticipated fluctuations in the Corporation's operating results.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The Corporation requires working capital to meet day-to-day operating activities. Management expects that the Corporation's cash flows from operating activities will be sufficient to meet these requirements.

13. Capital Management

The Corporation considers its capital to be its capital stock and retained earnings. The Corporation's main objectives when managing capital are to: i) ensure sufficient liquidity to maintain and improve its electricity generating system, support its financial obligations and execute its operating and strategic plans, ii) minimize the cost of capital while taking into consideration current and future industry, market and economic risks and conditions, and iii) provide an adequate return to its shareholders.

The Corporation relies on its cash flow from operations to fund its dividend distributions to its shareholders.

14. Budget Figures

Mississippi River Power Corporation reviews its operating and capital budgets each year. The approved operating budget for 2020 is included in the budget figures presented in the Statement of Comprehensive Income but they are not subject to audit.

Mississippi River Power Corporation
Notes to the Financial Statements

December 31, 2020

15. Compensation of Key Management Personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

	2020	2019
	\$	\$
Management and Director Remuneration	159,588	148,064
Other Long Term Benefits	15,178	13,807
	174,766	161,871

16. Approval of the Financial Statements

The financial statements were approved by the Board of Directors and authorized for issue on March 30, 2021.

17. Pension Contributions

The Corporation makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer plan, on behalf of all permanent members of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employers and employees contribute to the plan. Since any surpluses or deficits are a joint responsibility of all Ontario municipalities and their employees, the Corporation does not recognize any share of the OMERS pension surplus or deficit in these financial statements.

The amount contributed to OMERS was \$54,254 (2018 \$51,248) for current services and is included as an expenditure on the Statement of Operations classified under the appropriate functional expenditure. Contributions by employees were a similar amount.
