GUELPH CITY COUNCIL AS SHAREHOLDER OF GUELPH MUNICIPAL HOLDINGS INC. AGENDA

Council Chambers, Guelph City Hall, 1 Carden Street

DATE Monday, June 15, 2015 – 7:00 p.m.

Please turn off or place on non-audible all cell phones, PDAs, Blackberrys and pagers during the meeting.

Disclosure of Pecuniary Interest and General Nature Thereof

Confirmation of Minutes – None

OPEN MEETING

CONSENT REPORTS – ITEMS TO BE EXTRACTED

The following resolutions have been prepared to facilitate Council's consideration of the various matters and are suggested for consideration. If Council wishes to address a specific report in isolation of the Consent Reports/Agenda, please identify the item. The item will be extracted and dealt with separately. The balance of the Consent Reports/Agenda will be approved in one resolution.

Consent Reports from:

Guelph Municipal Holdings Incorporated			
Item	**City Presentation**	**Delegations** ***(maximum of 5 minutes)***	**To be Extracted**
GMHI-2015.1 Audited 2014 Financial Statements	Pankaj Sardana, Chief Financial Officer		✓
GMHI-2015.2 Appointment of Auditors	Pankaj Sardana, Chief Financial Officer		✓
GMHI-2015.3 GMHI Annual Report to the City	R. L. Bud Smith, Chief Executive Officer Pankaj Sardana, Chief Financial Officer Sandy Manners, Director, Corporate Communications		✓

Adoption of balance of Nominating Committee First Consent Report

CLOSED MEETING

GMHI-C-2015.1 CLOSED – Business Update Report
(*Municipal Act, 2001*, S. 239 (2) (a) security of the property of the municipality or local board.

ADJOURNMENT

CONSENT AGENDA

Monday, June 15, 2015

His Worship the Mayor
and
Members of Guelph City Council.

SUMMARY OF REPORTS:

The following resolutions have been prepared to facilitate Council's consideration of the various matters and are suggested for consideration. If Council wishes to address a specific report in isolation of the Consent Agenda, please identify the item. The item will be extracted and dealt with immediately. The balance of the Consent Agenda will be approved in one resolution.

A REPORTS FROM ADMINISTRATIVE STAFF

REPORT	DIRECTION
GMHI-2015.1 2014 Financial Statements 1. That the report from the CFO in respect of the 2014 Financial Statements, be received. 2. That the Report of the Auditor, KPMG LLP, in respect of 2014 Consolidated Financial Statements of Guelph Municipal Holdings Inc., be received. 3. That the 2014 GMHI Consolidated Financial Statements and Subsidiary Financial Statements, be received.	Receive
GMHI-2015.2 Appointment of Auditors 1. That the recommendation of the GMHI Board of Directors regarding the appointment of auditors for GMHI, be received. 2. That KPMG LLP are appointed as auditors for Guelph Municipal Holdings Inc. for its 2015 fiscal year.	Approve
GMHI-2015.3 GMHI Annual Report to the City That the 2014 GMHI Annual Report be received.	Receive

attach.

GUELPH MUNICIPAL HOLDINGS INC.

Report to Shareholder | Date of Meeting: June 15, 2015

RE: 2014 Consolidated Audited Financial Statements of Guelph Municipal Holdings Inc. ("GMHI")

Action Required: Receive as Information

Background:

The attached financial statements represent the audited, amalgamated consolidated financial statements of GMHI for the year-ended December 31, 2014. The audit was performed by KPMG LLP.

Accounting treatment:

GMHI has prepared its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). *IFRS 10 Consolidated Financial Statements* outlines the requirements for the presentation of consolidated financial statements, which **requires that organizations consolidate entities that they control**. Given that GMHI owns 100% of Guelph Hydro Electric Systems Inc. ("GHESI") and Envida Community Energy Inc. ("Envida"), GMHI's financial statements are captured by this standard[1]. GMHI has also included its financial results under Modified IFRS (which term is explained below and which accounting standard is the basis for rate setting by the Ontario Energy Board).

Comment on 2014 Results

GMHI and its subsidiary companies had a strong financial year in 2014. Before factoring in actuarial losses on "Other Post-Employment Benefits", GMHI reported a loss of $1.5 million compared to a loss of $3.0 million in 2013. It is important to note

[1]This standard is in place to ensure that parent companies prepare consolidated financial statements. If the City of Guelph prepared its financial statements in accordance with IFRS, the City would be compliant as the ultimate parent consolidates, however the City's financial statements are prepared in accordance with Public Sector Accounting Standards. GMHI's understanding is that the City's auditor, Deloitte will provide a special report on the audit of the GMHI which outlines that an audit was performed with the exception of IFRS 10 which requires consolidated financial statements.

that the losses reported in both 2013 and 2014 are largely due to the impact of timing differences which require GMHI's main subsidiary, Guelph Hydro Electric Systems Inc. ("GHESI"), to pay for commodity costs of power to the wholesale electricity market prior to being allowed to recover these costs from ratepayers. Removing these timing differences results in the financial results being reported under "modified" IFRS ("MIFRS"). GMHI reported net income under MIFRS of $2.2 million for 2014 ($2.4 million in 2013).

With respect to the results for GHESI, distribution revenue was largely in line with budget revenue for 2014 despite milder than normal weather for much of 2014. Revenues were positively impacted by colder than normal winter weather in the first two months of 2014 and in November, and by a bonus payment of $1.23 million from the Ontario Power Authority as recognition for its Conservation and Demand Management results respecting 2010 and 2011. Operating expenses for the twelve months ending December 31st, 2014 tracked favourably to budget, mainly due to lower maintenance and general administrative costs, and due to lower depreciation expense. On a MIFRS basis, GHESI reported net income of $5.2 million in 2014.

With respect to the results for Envida, this subsidiary reported a net loss of $2.5 million under IFRS mainly due to the impact of lower than expected revenues from district energy and solar generation projects. This is not unexpected as Envida has incurred large capital investments to install two district energy systems (one in the Sleeman Centre and one in the Hanlon Creek), but has only 1 customer connected to each of these systems. As more customers connect to these systems, higher revenues will obtain and the costs of the system will be spread over a larger base. This is expected to improve the financial results for Envida over time.

Looking ahead to 2015, GHESI will spend much of the year preparing and defending a significant distribution rates application before the Ontario Energy Board. This rates application will set distribution rates for 2016 and will underpin distribution rates for the 2017 to 2020 period. Envida will focus on working with the GMHI Board of Directors and with the shareholder to ensure that further investments in district energy projects are carried out in a measured and financially viable manner.

KPMG
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AUDIT

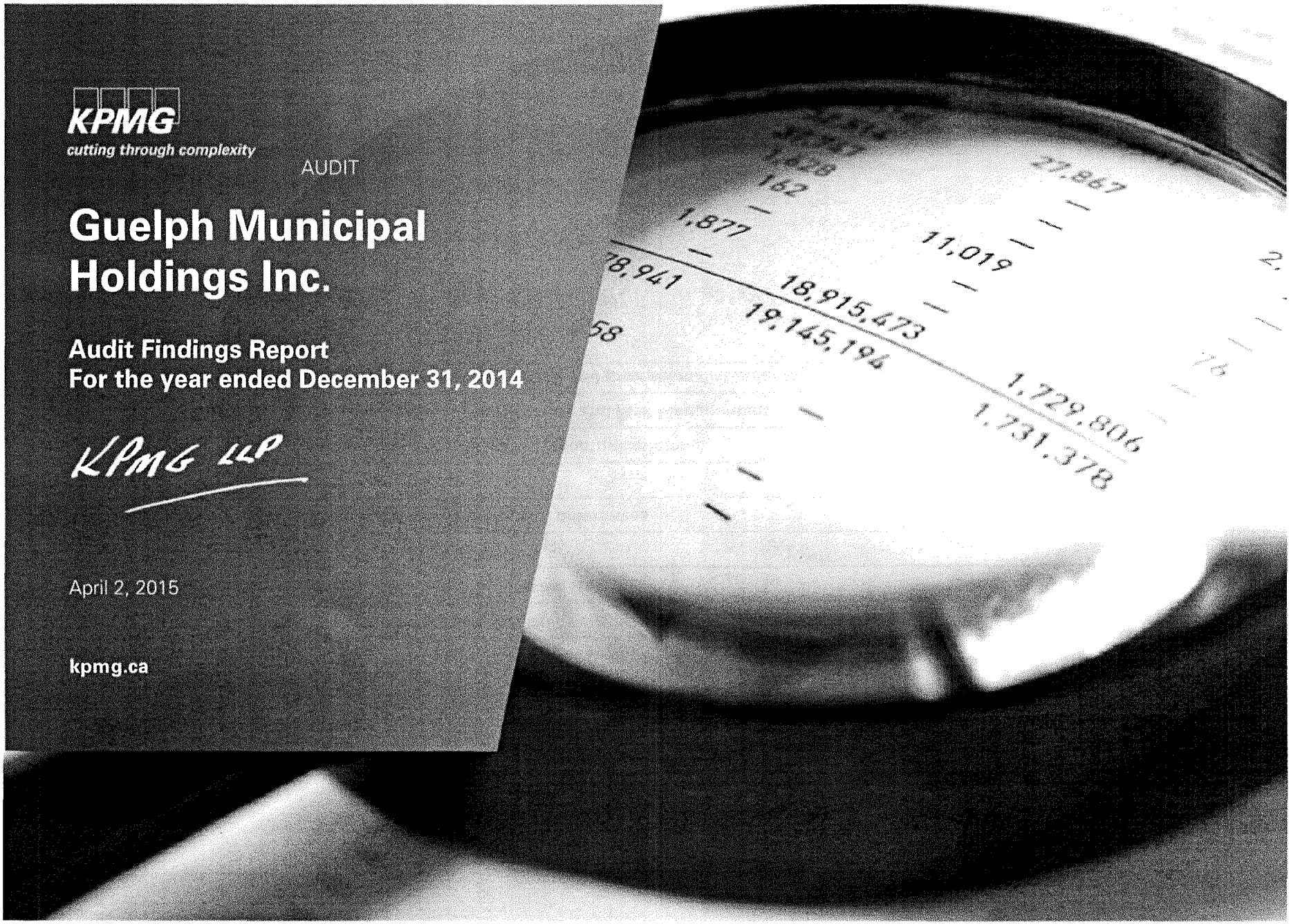
Guelph Municipal Holdings Inc.

Audit Findings Report
For the year ended December 31, 2014

KPMG LLP

April 2, 2015

kpmg.ca



The contacts at KPMG in connection with this report are:

Matthew Betik
Lead Audit Engagement Partner
Tel: 519-747-8245
mbetik@kpmg.ca

Herb Zylstra
Audit Senior Manager
Tel: 519-747-8854
hzylstra@kpmg.ca

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At the end of the day, we measure our success from the **only perspective that matters – yours**.

Executive summary

Purpose of this report*

The purpose of this Audit Findings Report is to assist you, as a member of the audit committee, in your review of the results of our audits of the consolidated financial statements of Guelph Municipal Holdings Inc. ("GMHI"), financial statements of Guelph Hydro Electric Systems Inc. ("GHESI") and the financial statements of Envida Community Energy Inc. ("Envida") as at and for the year ended December 31, 2014.

This Audit Findings Report builds on the Audit Plan we presented to the Audit Committee on November 4, 2014.

Changes from the Audit Plan

We highlighted a change between the Audit Planning Report previously presented to you:

- Materiality for Envida has increased to $110,000 based on the significant increase in assets during 2014.

Audit risks and results

We discussed **significant risks** with you at the start of the audit.

This included the presumed fraud risk from management override of controls. We are satisfied that our audit work has appropriately dealt with the risks.

We also discussed with you some **other areas of audit focus**.

See page five.

Audit adjustments and differences

The impact of the uncorrected difference is as follows:

Loss before tax	**(in $'000s)**
As currently presented	$(774)
Uncorrected audit difference	(189)
As a % of the balance	24.4%

Assets	**(in $'000s)**
As currently presented	$193,065
Uncorrected audit difference	(189)
As a % of the balance	0.10%

See page eight and Appendix 1.

Executive summary (continued)

Finalizing the audit

As of April 2, 2015, we have completed the audits of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- receiving responses to our legal letter inquiries;
- receiving the signed management representation letter;
- completing our quality control review of the financial statements;
- completing our discussions with the audit committee;
- obtaining evidence of the Board's approval of the financial statements.

We will update you on significant matters, if any arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures.

Control and other observations

No significant deficiencies come to our attention.

Critical accounting estimates and significant accounting policies and practices

Overall we are satisfied with the reasonableness of **critical accounting estimates** taken. The most critical areas of estimates relate to: post-employment benefits, estimated useful lives of property, and plant and equipment.

See page six.

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

* This Audit Findings Report should not be used for any other purpose or by anyone other than the audit committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Audit risks and results

- Other areas of focus for our audit, as identified in our discussion with you in the Audit Plan, include the following:

Other areas of focus	Our significant findings from the audit
Property, plant, and equipment	• Identified and evaluated the operating effectiveness of internal controls over capitalization of costs • Tested a sample of capital additions. See comments in the "other matters" section regarding removal costs • Reviewed and evaluated the process for allocating overhead to constructed assets • Calculations of depreciation expense
Employee future benefits	• Observed communication with management's actuarial specialists. We used the work of Collins Barrow in our audit of the accounts and disclosures • Assessed the reasonableness of underlying data and assumptions used.
Revenue and unbilled revenue	• Performed an analysis of electricity sales based on approved rates and power sold • Compared billings in subsequent period to substantiate the unbilled amounts

Critical accounting estimates

We have summarized our assessment of the subjective areas.

Critical accounting estimates

Asset / liability	Balance ($'000s)	KPMG comment
Post-employment benefits	$10,039	Estimates are made for the discount rate and other actuarial assumptions. Management has sought the advice of its actuaries in determining these amounts. There were no indicators of management bias noted.
Estimated useful lives of property, plant and equipment		The estimate of remaining service life has a direct impact on annual depreciation expense. Management has used rates as determined by asset study. There were no indicators of management bias noted.

We believe management's process for identifying critical accounting estimates is considered adequate.

Other matters

Other matters

We have highlighted below other significant matters that we would like to bring to your attention:

Matter	KPMG comment
Removal costs	• During capital asset additions testing, KPMG noted a job order for removal costs that were capitalized. These capitalized costs were related to the removal of replaced poles • Under IFRS, the removal costs should be expensed as incurred as they are not considered to be directly attributable to the construction of new assets, but are rather a separate activity • See related misstatement in the "audit adjustments and differences" section
Envida – Continuity of operations	• Envida continues to report a loss and negative cash flows from operations. • Its cash flow needs were met by an increase in advances from GMHI for approximately $1M in years 2011-2013. In 2014, the previous promissory note was replaced with a new note, which resulted in additional increase of approximately $6.2M. Further, there was approximately a $3.0M increase in other payables due to GMHI during the year. • These items are factors in considering whether or not the going concern assumption is appropriate for Envida and potentially what disclosures are required in the financial statements. • IAS 1.25 requires that "when management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties." • Parental support is a key mitigating factor in evaluation of going concern. • Comment regarding effect on the audit: - KPMG to obtain evidence of the commitment by GMHI to support Envida. - Audit considerations re: emphasis of matter.

Audit adjustments and differences

Audit adjustments and differences identified during the audit have been categorized as Corrected audit adjustments; or Uncorrected audit differences. These include disclosure adjustments and differences.

Although the uncorrected differences have no effect on our auditors' report, these uncorrected differences or the underlying matters regarding adjustments or differences (e.g., control deficiencies) could potentially cause future annual or interim financial statements to be materially misstated or have an implication on the financial reporting process.

Corrected audit adjustment

The management's representation letter includes all adjustments identified as a result of the audit, communicated to management and subsequently corrected in the financial statements.

Uncorrected audit difference

The management's representation letter includes the Summary of Uncorrected Audit Misstatements, which disclose the impact of all uncorrected differences considered to be other than clearly trivial.

As at and period / year ended December 31, 2014

	Income effect	Financial position		
Description of misstatements	**(Decrease) Increase (in $'000's)**	**Assets (Decrease) Increase (in $'000's)**	**Liabilities (Decrease) Increase (in $'000's)**	**Equity (Decrease) Increase (in $'000's)**
Uncorrected:				
GHESI:				
DR Operations and maintenance	(237)			(237)
CR Property, plant and equipment		(237)		
To expense removal costs				
Envida:				
DR Property, plant and equipment		48		
CR Operations and maintenance	48			48
To capitalize site preparation costs				
Corrected:				
GHESI				
DR Future tax expense	(279)			(279)
CR Other compreshensive income (OCI)				279
To reclassify the tax associated with OCI movement within OCI				

Appendices

Appendix 1: Required communications

Appendix 2: Audit Quality and Risk Management

Appendix 3: Background and professional standards

Appendix 1: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

- **Auditors' report** – the conclusion of our audit is set out in our draft auditors' report as attached
- **Management representation letter** – we will obtain from management at the completion of [each interim reviews and] the annual audit. In accordance with professional standards, copies of the representation letter will be provided to the Audit Committee. The management representation letter is attached.
- **CPAB multi-firm report** – please refer to http://www.cpab-ccrc.ca/Documents/Topics/Public Reports/CPAB_2014_PublicReport_EN_FNL.pdf for the CPAB 2014 Public Report.

Appendix 2: Audit Quality and Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems.

Visit http://www.kpmg.com/Ca/en/services/Audit/Pages/Audit-Quality-Resources.aspx for more information.

- Other controls include:
  - Before the firm issues its audit report, Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits.
  - Technical department and specialist resources provide real-time support to audit teams in the field.
- We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.
- We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.

- All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.
- We do not offer services that would impair our independence.
- The processes we employ to help retain and develop people include:
  - Assignment based on skills and experience;
  - Rotation of partners;
  - Performance evaluation;
  - Development and training; and
  - Appropriate supervision and coaching.
- We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.
- Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

Appendix 3: Background and professional standards

Internal control over financial reporting

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

The control deficiencies communicated to you are limited to those control deficiencies that we identified during the audit.

Documents containing or referring to the audited financial statements

We are required by our professional standards to read only documents containing or referring to audited financial statements and our related auditors' report that are available through to the date of our auditors' report. The objective of reading these documents through to the date of our auditors' report is to identify material inconsistencies, if any, between the audited financial statements and the other information. We also have certain responsibilities, if on reading the other information for the purpose of identifying material inconsistencies, we become aware of an apparent material misstatement of fact.

We are also required by our professional standards when the financial statements are translated into another language to consider whether each version, available through to the date of our auditors' report, contains the same information and carries the same meaning.

Consenting to the use of the auditors' report

When specifically engaged in the engagement letter, we will provide our consent, in writing, to the use of our auditors' report, once we have completed all of the procedures required under professional standards and no unresolved matters exist.

If there are any unresolved matters arising from the performance of the above procedures, we will inform the Audit Committee and the Board of Directors of such matters.

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GUELPH MUNICIPAL HOLDINGS INC.

Consolidated Statements of Revenues and Expenses
For the TWELVE months ending December 31, 2014
(in thousands of dollars)

	MIFRS	
	2014	2013
REVENUE		
Distribution Revenue	$ 28,010	$ 26,443
Generator Revenue	804	887
Project Revenue	113	-
Interest Income	94	174
TOTAL REVENUES	29,021	27,504
NON-DISTRIBUTION COST OF SALES	41	44
	28,980	27,460
OTHER OPERATING REVENUE	4,012	2,431
NET OPERATING REVENUE	32,992	29,891
EXPENSES		
Operations and Maintenance	6,801	6,707
Administration	10,733	10,393
New Projects Expense	101	-
Board of Directors	240	312
Business Development	270	417
Depreciation	5,907	5,958
TOTAL EXPENSES	24,052	23,787
INCOME FROM OPERATIONS BEFORE FINANCIAL EXPENSE AND TAXES	8,940	6,104
FINANCIAL EXPENSE		
Interest on notes payable	3,422	3,320
Other	-	(9)
	3,422	3,311
INCOME FROM OPERATIONS BEFORE TAXES	5,518	2,793
PROVSION FOR TAXES	2,518	692
NET INCOME FROM OPERATIONS	$ 3,000	$ 2,101
OTHER COMPREHENSIVE INCOME (LOSS)		
Actuarial gains (losses) on employee future benefit plan	(774)	306
TOTAL COMPEHENSIVE INCOME FOR THE YEAR	$ 2,226	$ 2,407

GUELPH MUNICIPAL HOLDINGS INC.

Consolidated Balance Sheets
As at December 31, 2014

	MIFRS	
	2014	2013
ASSETS		
CURRENT		
Cash / Bank Indebtedness	$ 2,680	$ 11,951
Accounts receivable	17,605	19,130
Accounts receivable regulatory	1,047	970
Income taxes receivable	(84)	(311)
Unbilled revenue	12,595	11,689
Inventory	1,832	1,504
Other	627	631
	36,302	45,564
FIXED ASSETS	146,726	136,549
CONSTRUCTION IN PROGRESS	4,552	2,865
INTANGIBLE ASSETS	413	351
FUTURE INCOME TAXES	4,948	6,589
DEFERRED CHARGES	40	40
	$ 192,981	$ 191,958
LIABILITIES		
CURRENT		
Accounts payable and accruals	$ 23,778	$ 23,861
Restricted Cash	933	933
Deferred credits - accounts receivable	1,142	1,059
Customer deposits - current portion	5,577	3,449
	31,430	29,302
LONG TERM DEBT		
Long term portion debentures	64,600	64,575
	64,600	64,575
OTHER LONG TERM LIABILITIES		
Regulatory Liabilities	(10,258)	(3,967)
Employee future benefits	10,039	8,549
Customer deposits - long term portion	2,874	2,867
Deferred Revenue	15,460	13,514
	18,115	20,963
SHAREHOLDER'S EQUITY		
Common shares	67,530	67,530
Accumulated other comprehensive income	(933)	(159)
Opening retained earnings	10,739	9,164
Dividends paid	(1,500)	(1,518)
Equity from Contributed Capital	-	-
Net income	3,000	2,101
Closing retained earnings	12,239	9,747
	78,836	77,118
	$ 192,981	$ 191,958

GUELPH MUNICIPAL HOLDINGS INC.

Consolidated Statements of Cash Flows
For the TWELVE months ending December 31, 2014
(in thousands of dollars)

	MIFRS	
	2014	2013
Cash flows from operating activities:		
Total Comprehensive Income for the year	2,226	2,407
Adjustments for:		
Income tax expense	2,239	692
Depreciation and amortization	6,352	6,366
Amortization of Deferred Revenue	(426)	-
Interest Income	(113)	-
Interest Expense	3,415	3,373
(Gain)/ loss on disposal of property, plant and equipment	22	-
	13,714	12,837
Change in:		
Receivables	1,448	-
Unbilled Revenue	(906)	-
Regulatory Assets	(6,291)	(6,129)
Inventory	(328)	-
Other Current Assets	4	-
Accounts payable and Accrued Liabilities	(80)	-
Deferred Credits - Budget Billing	83	-
Employee Future Benefits	1,490	-
	(4,580)	(6,129)
Income Taxes Refunded	165	-
Net Cash from operating activities	9,299	6,708
Cash flows from investing activties:		
Purchase of property, plant and equipment	(18,099)	-
Purchase of intangible assets	(168)	-
Proceeds from disposal of property, plant and equipment	90	-
Net cash from investing activities	(18,177)	-
Cash flows from financing activties:		
Contributions in aid of construction	2,372	-
Net change in customer deposits	2,135	-
Dividends paid	(1,500)	-
Interest received	113	-
Interest paid	(3,513)	(3,462)
Change in amounts due to related parties	-	
Repayment of long-term debt	-	(825)
Issuance of Share Capital	-	777
Net cash from financing activities	(393)	(3,510)
Increase (Decrease) in cash	(9,271)	3,198
Cash, beginning of year	11,951	16,467
Cash, end of year	2,680	19,665

Consolidated Financial Statements of

GUELPH MUNICIPAL HOLDINGS INC.

Year ended December 31, 2014
(Expressed in thousands of dollars)

KPMG LLP
115 King Street South, 2nd Floor
Waterloo ON N2J 5A3

Telephone 519-747-8800
Fax 519-747-8830
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the shareholder of Guelph Hydro Inc.

We have audited the accompanying consolidated financial statements of Guelph Hydro Inc., which comprise the consolidated balance sheet as at December 31, 2014 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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KPMG Canada provides services to KPMG LLP.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Guelph Hydro Inc. as at December 31, 2014 and its consolidated results of operations and its consolidated cash flows for the year ended December 31, 2014 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 29, 2015
Waterloo, Canada

GUELPH MUNICIPAL HOLDINGS INC.

Consolidated Balance Sheets

December 31, 2014, with comparative information for 2013
(Expressed in thousands of dollars)

	2014	2013
Assets		
Current assets:		
Cash	$ 2,680	$ 11,951
Accounts receivable (note 4)	18,652	20,100
Unbilled revenue	10,889	9,983
Income taxes recoverable	1,706	1,467
Inventory (note 5)	1,832	1,504
Other current assets	627	631
Total current assets	36,386	45,636
Property, plant and equipment (note 6)	151,278	139,414
Intangible assets (note 7)	413	351
Deferred income taxes (note 8)	4,948	5,801
Deferred charges	40	40
Total non-current assets	156,679	145,606
Total assets	$ 193,065	$ 191,242

GUELPH MUNICIPAL HOLDINGS INC.

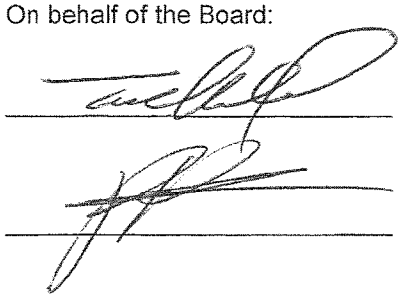
Consolidated Balance Sheets

December 31, 2014, with comparative information for 2013
(Expressed in thousands of dollars)

	2014	2013
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 24,724	$ 24,804
Deferred credits - budget billing	1,142	1,059
Customer deposits - current portion (note 9)	5,577	3,442
Total current liabilities	31,443	29,305
Senior unsecured debentures (note 12)	64,600	64,575
Employee future benefits (note 11)	10,039	8,549
Customer deposits - long-term portion (note 9)	2,874	2,874
Deferred revenue	15,460	13,514
Total non-current liabilities	92,973	89,512
Total liabilities	124,416	118,817
Shareholder's equity:		
Share capital (note 18)	67,530	67,530
Other comprehensive income (loss)	(933)	(159)
Retained earnings	2,052	5,054
	68,649	72,425
Commitments and contingencies (note 17)		
Guarantees (note 20)		
Total liabilities and shareholder's equity	$ 193,065	$ 191,242

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

On behalf of the Board:



Director

Director

GUELPH MUNICIPAL HOLDINGS INC.

Consolidated Statements of Comprehensive Income

Year ended December 31, 2014, with comparative information for 2013
(Expressed in thousands of dollars)

	2014	2013
Revenue:		
Electricity sales	$ 212,562	$ 195,186
Other services	917	843
	213,479	196,029
Cost of electricity sold	190,885	174,871
	22,594	21,158
Other operating revenue (note 13)	3,993	2,430
Net operating revenue	26,587	23,588
Expenses:		
Operations and maintenance	12,445	12,396
General and administrative	11,607	11,392
	24,052	23,788
Earnings (loss) before the undernoted	2,535	(200)
Financial and other expenses (income):		
Interest on notes payable, less amounts capitalized	3,323	3,319
Interest income	(113)	(236)
Other	99	54
	3,309	3,137
Earnings (loss) before income taxes	(774)	(3,337)
Income tax expense (recovery): (note 8)		
Provision for payments in lieu of corporate taxes	(403)	(1,383)
Deferred income taxes	1,131	1,084
	728	(299)
Net earnings (loss) from operations for the year	(1,502)	(3,038)
Other Comprehensive income (loss):		
Actuarial gains (losses) on employee future benefit plans	(774)	306
Total Comprehensive income (loss) for the year	$ (2,276)	$ (2,732)

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

GUELPH MUNICIPAL HOLDINGS INC.

Consolidated Statements of Changes in Equity
(In thousands of Canadian dollars)

Year ended December 31, 2014, with comparative information for 2013

	Share capital	Other Comprehensive income (loss)	Retained earnings	Total
Balance at December 31, 2012, restated	66,753	(465)	9,610	75,898
Issuance of Capital Stock	777	-	-	777
Dividends	-	-	(1,518)	(1,518)
Total comprehensive income (loss) for the year	-	306	(3,038)	(2,732)
Balance at December 31, 2013	67,530	(159)	5,054	72,425
Dividends		-	(1,500)	(1,500)
Total comprehensive income (loss) for the year		(774)	(1,502)	(2,276)
Balance, December 31, 2014	67,530	(933)	2,052	68,649

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

GUELPH MUNICIPAL HOLDINGS INC.

Consolidated Statements of Cash Flows

Year ended December 31, 2014, with comparative information for 2013
(Expressed in thousands of dollars)

	2014	2013
Cash flows from operating activities:		
Net earnings	(2,276)	$ (2,732)
Adjustments for:		
Income tax expense	449	(299)
Depreciation and amortization	6,352	6,366
Amortization of deferred revenue	(426)	(367)
Interest income	(113)	(236)
Interest expense	3,422	3,373
Gain on disposal of property, plant and equipment	22	(55)
	7,430	6,050
Change in:		
Receivables	1,448	(1,537)
Unbilled revenue	(906)	1,622
Inventory	(328)	371
Other current assets	4	35
Accounts payable and accrued liabilities	(80)	5,491
Deferred credits - budget billing	83	(924)
Employee future benefits	1,490	36
	1,711	5,094
Income taxes refunded	165	942
Net cash from operating activities	9,306	12,086
Cash flows from investing activities:		
Purchase of property, plant and equipment	(18,099)	(14,843)
Purchase of intangible assets	(168)	(116)
Proceeds from disposal of property, plant and equipment	90	107
	(18,177)	(14,852)
Cash flows from financing activities:		
Contributions in aid of construction	2,372	3,270
Net change in customer deposits	2,135	(271)
Dividends paid	(1,500)	(1,518)
Interest paid	(3,520)	(3,462)
Interest received	113	236
Repayment of long-term debt	-	(825)
Issuance of Share Capital	-	777
	(400)	(1,793)
Decrease in cash	(9,271)	(4,516)
Cash, beginning of year	11,951	16,467
Cash, end of year	$ 2,680	$ 11,951

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

1. Reporting entity:

Guelph Municipal Holdings Inc. (the "Corporation" or "GMHI") is wholly-owned by the City of Guelph. GMHI was incorporated on August 16, 2011 under the laws of the Province of Ontario, Canada. The address of the Corporation's registered office is 395 Southgate Drive, Guelph, Ontario.

As a result of the Corporation's amalgamation with Guelph Hydro Inc. ("GHI") on September 6, 2014, the principal activity of the Corporation, via its wholly-owned subsidiary, Guelph Hydro Electric Systems Inc. ("GHESI"), is to distribute electricity to the residents and businesses in the City of Guelph and the Village of Rockwood under a license issued by the Ontario Energy Board ("OEB"). GHESI is regulated by the OEB and adjustments to GHESI's distribution rates require OEB approval. The Corporation, via its wholly-owned subsidiary, Envida Community Energy Inc. ("Envida"), also as a result of the above noted amalgamation, owns generation assets that produce electricity, and district energy assets that distribute thermal energy.

These financial statements are presented on a consolidated basis and include the following subsidiaries: Guelph Hydro Electric Systems Inc. and Envida Community Energy Inc. Hereafter, for purposes of these notes, unless specifically referenced, any and all references to rate regulation or regulatory activities of the Corporation imply the activities of the Corporation's regulated subsidiary, GHESI.

2. Basis of presentation:

(a) Statement of compliance:

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB") and interpretations as issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

(b) Approval of the financial statements:

The financial statements were approved by the Board of Directors on April 29, 2015.

(c) Change in accounting policy

As a result of amendments to IAS 19 "Employee Benefits", the Company has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit plans. These amendments are to be applied for annual periods beginning January 1, 2013. Under IAS19, actuarial gains and losses must be recognized when they occur in other comprehensive income as the option to defer the recognition of actuarial gains and losses, known as the "corridor method" is no longer available. These amendments are applied retrospectively by the Company, in accordance with IAS 19. See detailed impact of change in accounting policy in Note 11, Employee future benefits.

2. Basis of presentation (continued):

(d) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for the following:

(i) Where held, financial instruments at fair value through profit or loss, including those held for trading, are measured at fair market value.

(ii) Contributed assets are initially measured at fair market value.

The methods used to measure fair values are discussed further in note 3 (c) and note 20.

(e) Functional and presentation currency:

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

(f) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements is included in the following notes:

(i) Note 4 and note 20(a) – Receivables: allowance for impairment

(ii) Note 6 – Property, plant and equipment: useful lives and the identification of significant components of property, plant and equipment

(iii) Note 8 – Income taxes: utilization of tax losses

(iv) Note 11 – Employee future benefits: measurement of the defined benefit obligation

(v) Note 17 – Commitments and contingencies

(vi) Note 19 – Financial instruments and risk management: valuation of long-term debt

2. Basis of presentation (continued):

(g) Rate regulation:

Effect of rate-setting regulations on the Corporation's activities and on these financial statements:

GHESI is regulated by the OEB, under the authority granted by the *Ontario Energy Board Act (1988)*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, to provide continued rate protection for rural and remote electricity consumers, and to ensure that distribution companies fulfill obligations to connect and service customers. In its capacity to approve or set rates, the OEB has the authority to specify regulatory accounting treatments that may differ from IFRS for enterprises operating in a non-rate regulated environment.

On March 14, 2011, the OEB approved a 0.18% price cap index adjustment to the Company's distribution rates effective May 1, 2011, in accordance with the OEB's 3rd Generation Incentive Rate Mechanism. The adjustment was applied to fixed and variable distribution rates uniformly across all customer classes.

On June 30, 2011, GHESI submitted a rate rebasing application to the OEB for new distribution rates. On February 27, 2013, GHESI received a Decision from the OEB that approved an overall increase of 7.86% to distribution rates effective January 1, 2013. The Decision incorporated GHESI's increase in fixed assets and operating expenses since the last rate rebasing application in 2008 and established rates that allowed for return on invested capital of 6.80% and return on equity of 9.42%.

On July 24, 2012, GHESI filed its 2013 electricity distribution rates application using the OEB's 3rd Generation Incentive Regulation Mechanism ("IRM") as the basis for its application. The OEB rendered its Decision on December 6, 2012, which approved a distribution rate increase of 1.08 per cent for all customers.

On August 16, 2013, GHESI filed its 2014 electricity distribution rates application using the OEB's 4th Generation IRM as the basis for its application. The OEB rendered its Decision on December 5, 2013 which approved a distribution rate increase of 1.4 per cent for all customers.

On August 13, 2014, GHESI filed its 2015 electricity distribution rates application using the OEB's 4th Generation IRM as the basis for its application. The OEB rendered its Decision on December 4, 2014 which approved a distribution rate increase of 1.3 per cent for all customers.

The continuing restructuring of Ontario's electricity industry and other regulatory developments, including current and possible future consultation between the OEB and interested stakeholders may affect the distribution rates that GHESI may charge and the costs that GHESI may recover, including the balance of its regulatory assets.

2. Basis of presentation (continued):

consumption to be recorded within specific time intervals and specific tariffs to be levied within such intervals. Bill 21, *Energy Conservation and Responsibility Act*, provides the Legislative framework and regulations to support this initiative. The Corporation's Smart Meter installation program was completed in 2013, and despite completing the meter installation program after the Province's 2010 date, substantially all costs associated with the smart meter installation program were approved for recovery by the OEB as part of GHESI's 2013 rate rebasing application.

3. Significant accounting policies:

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

Cash and cash equivalents:

Cash equivalents include short-term investments with maturities of three months or less when purchased.

(b) Revenue recognition:

Revenue for GHESI is recognized as electricity is delivered to customers and 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.

GHESI is licensed by the OEB to distribute electricity. As a licensed distributor, GHESI 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. GHESI is required, pursuant to regulation, to remit such amounts to these third parties, irrespective of whether GHESI ultimately collects these amounts from customers. GHESI has determined that it is acting as a principal for the electricity distribution and, therefore, has presented electricity revenue on a gross basis.

Customer billings for debt retirement charges are recorded on a net basis as GHESI acts as an agent for this revenue stream. GHESI may file to recover uncollected debt retirement charges from Ontario Electricity Financial Corporation ("OEFC") once each year.

Deferred revenue relating to contributions in aid of construction is amortized to income on a straight-line basis over the terms of the agreement with the customer or the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

All other revenues are recorded on a gross basis and are recognized when services are rendered.

Revenue for Envida is recorded on the basis of regular meter readings recording electricity production at the generation plant.

3. Significant accounting policies (continued):

(c) Inventory:

Inventory is valued at the lower of cost and net realizable value, with cost being determined on an average cost basis, and items considered major spare parts are recorded as capital assets.

(d) Property, plant and equipment:

Items of property, plant and equipment are measured at cost or deemed cost established on the transition date, or, where the item is transferred from customers, its fair value, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset and are based on the Corporation's average cost of borrowing.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount 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. The carrying amount of the replaced part is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation 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 property, plant and equipment. Land is not depreciated. Construction-in-progress assets are not amortized until the project is complete and in service. The estimated useful lives are as follows:

Buildings and fixtures	15 - 50 years
Distribution lines	40 - 70 years
Distribution transformers	35 - 55 years
Distribution meters	30 years
Smart meters	15 years
Electricity generation equipment	10 - 15 years
District energy equipment	10 - 50 years
General office equipment	5 - 10 years
Computer equipment	5 years
Major tools	5 - 15 years
Data acquisition system	5 years
Trucks and rolling stock	5 - 10 years
Other capital assets	10 - 45 years

3. Significant accounting policies (continued):

Depreciation methods, useful lives, and residual values are reviewed at each reporting date.

(e) 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 access 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. Land rights are measured at cost less accumulated amortization and accumulated impairment losses.

(iii) Amortization:

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

Computer software	5 years

Amortization methods and useful lives of all intangible assets are reviewed at each reporting date.

(f) Impairment:

(i) Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

3. Significant accounting policies (continued):

(ii) Non-financial assets:

The carrying amounts of the Corporation's non-financial assets, other than 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 generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The Corporation has determined that it has two cash-generating units being GHESI and Envida. The recoverable amount of an asset or cash-generating unit 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.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

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.

(g) 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.

Decommissioning or dismantling:

When there is a legal or constructive obligation to remove and dispose of property, plant and equipment at the end of their useful life, a provision is recorded to cover such future removal and disposal costs.

3. Significant accounting policies (continued):

(h) 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, 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.

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. Any actuarial gains (losses) will require a re-measurement of the net defined benefit liability or asset and will be recognized as other comprehensive income or loss in the year that it is known.

(i) 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. Cash contributions are initially recorded as current liabilities. Once the distribution system asset is completed or modified as outlined in the terms of the contract, the contribution amount is transferred to contributions in aid of construction.

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as contributions in aid of construction.

The contributions in aid of construction account, which represents GHESI's obligation to continue to provide the customers access to the supply of electricity, is reported as deferred revenue, and is amortized to income on a straight-line basis over the terms of the agreement with the customer or the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

3. Significant accounting policies (continued):

(j) Leased assets:

Leases in terms of which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized on the Corporation's balance sheet. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

(k) Finance income and finance costs:

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents and on regulatory assets.

Finance costs comprise interest expense on borrowings, finance lease obligations, regulatory liabilities and unwinding of the discount on provisions and impairment losses on financial assets.

(l) Income 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 equity, in which case, it is recognized in equity.

Under the *Electricity Act*, 1998, the Corporation makes payments in lieu of corporate taxes to the OEFC. 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 regulations. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes. Payments in lieu of taxes 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.

3. Significant accounting policies (continued):

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 income in the year that includes the date of enactment or substantive enactment.

4. Accounts receivable:

	2014	2013
Revenue	$ 16,368	$ 18,061
Regulatory	1,047	970
Due from the City of Guelph	1,612	1,300
	19,027	20,331
Less allowance for doubtful accounts	(375)	(231)
	$ 18,652	$ 20,100

5. Inventory:

The amount of inventories consumed by the Corporation and recognized as an expense during 2014 was $285 (2013 - $295).

6. Property, plant and equipment:

(a) Cost or deemed cost:

	Land and buildings	Distribution equipment	Electricity generation equipment	Other fixed assets	Construction -in- Progress	Alternative Energy Projects	Total
Bal. at January 1, 2013	$ 21,360	$ 114,446	$ 830	$ 7,171	$ 1,061	$ -	$144,868
Additions	98	7,125	-	1,306	6,428	-	14,957
Transfers	-	1,061	-	-	(1,061)	-	-
Disposals/retirements	(38)	(1)	-	(219)	-	-	(258)
Bal. at Dec. 31, 2013	$ 21,420	$ 122,631	$ 830	$ 8,258	$ 6,428	$ -	$ 159,567

	Land and buildings	Distribution equipment	Electricity generation equipment	Other fixed assets	Construction -in- Progress	Alternative Energy Projects	Total
Bal. at January 1, 2014	$ 21,420	$ 122,631	$ 830	$ 8,258	$ 6,428	$ -	$ 159,567
Additions	484	5,403	-	2,487	9,848	-	18,222
Transfers	-	2,981	-	-	(9,647)	6,666	-
Disposals/retirements	-	-	-	(132)	-	-	(132)
Bal. at Dec. 31, 2014	$ 21,904	$ 131,015	$ 830	$ 10,613	$ 6,629	$ 6,666	$ 177,657

(b) Accumulated depreciation:

	Land and buildings	Distribution equipment	Electricity generation equipment	Other fixed assets	Construction -in- Progress	Alternative Energy Projects	Total
Bal. at January 1, 2013	$ 1,575	$ 9,632	$ 248	$ 2,615	$ -	$ -	$ 14,070
Dep'n charge for the year	784	4,265	83	1,156	-	-	6,288
Disposals/retirements	-	-	-	(205)	-	-	(205)
Bal. at Dec. 31, 2013	$ 2,359	$ 13,897	$ 331	$ 3,566	$ -	$ -	$ 20,153

6. Property, plant and equipment (continued):

(b) Accumulated depreciation (continued):

	Land and buildings	Distribution equipment	Electricity generation equipment	Other fixed assets	Construction -in- Progress	Alternative Energy Projects	Total
Bal. at January 1, 2014	$ 2,359	$ 13,897	$ 331	$ 3,566	$ -	$ -	$ 20,153
Dep'n charge for the year	794	3,616	83	1,655	-	98	6,246
Disposals/retirements	-	-	-	(20)	-	-	(20)
Bal. at Dec. 31, 2014	$ 3,153	$ 17,513	$ 414	$ 5,201	$ -	$ 98	$ 26,379

(c) Carrying amounts:

	Land and buildings	Distribution equipment	Electricity generation equipment	Other fixed assets	Construction -in- Progress	Alternative Energy Projects	Total
December 31, 2013	$ 19,061	$ 108,734	$ 499	$ 4,692	$ 6,428	-	$ 139,414
December 31, 2014	18,751	113,502	304	2,543	9,610	6,568	151,278

(d) Borrowing costs:

During the year, borrowing costs of $123 (2013 - $114) were capitalized as part of the cost of property, plant and equipment.

6. Property, plant and equipment (continued):

(e) Allocation of depreciation and amortization:

The depreciation of property, plant and equipment and the amortization of intangible assets has been allocated to profit or loss as follows:

	Cost of electricity sold	Distribution expenses	Administration expenses	Total
December 31, 2013:				
Depreciation of property, plant and equipment	$ -	$ 6,018	$ 270	$ 6,288
Amortization of intangible assets	-	-	78	78
	$ -	$ 6,018	$ 348	$ 6,366
December 31, 2014:				
Depreciation of property, plant and equipment	$ -	$ 6,089	$ 157	$ 6,246
Amortization of intangible assets	-	-	106	106
	$ -	$ 6,089	$ 263	$ 6,352

7. Intangible assets:

(a) Cost or deemed cost:

	Computer software	Land rights	Total
Balance at January 1, 2013	$ 333	$ 24	$ 357
Additions in 2013	115	-	115
Balance at December 31, 2013	448	24	472
Additions in 2014	167	1	168
Balance at December 31, 2014	$ 615	$ 25	$ 640

(b) Accumulated amortization:

	Computer software	Land rights	Total
Balance at January 1, 2013	$ 43	$ -	$ 43
Amortization charges in 2013	78	-	78
Balance at December 31, 2013	121	-	121
Amortization charges in 2014	106	-	106
Balance at December 31, 2014	$ 227	$ -	$ 227

(c) Carrying amounts:

	Computer software	Land rights	Total
Balance at December 31, 2013	$ 327	$ 24	$ 351
Balance at December 31, 2014	$ 388	$ 25	$ 413

8. Income taxes:

The income tax expense varies from amounts which would be computed by applying the Corporation's combined statutory income tax rate as follows:

	2014	2013
Basic rate applied to loss before income tax	$ (205)	$ (834)
Increase (decrease) in income tax resulting from:		
Losses not recognized for tax	674	25
Loss carry forward expiry	293	-
Change in tax rate	-	(47)
Other	(34)	557
Income tax expense (recovery)	$ 728	$ (299)
Effective rate applied to profit (loss) before income taxes	94.1%	9.5%

Significant components of the Corporation's deferred tax balances are as follows:

	2014	2013
Deferred tax assets (liabilities):		
Plant and equipment	$ (4,647)	$ (3,187)
Cumulative eligible capital	648	754
Employee benefits	2,660	2,265
Deferred Revenue – Contributed Capital	4,097	3,581
Non-capital loss carry forwards	2,190	2,388
Net deferred tax asset	$ 4,948	$ 5,801

At December 31, 2014, based on substantively enacted income tax rates, future tax assets of $2,103 (2013 - $1,231) have not been recorded. These future tax assets relate to tax bases of depreciable capital assets and employee future benefits in excess of amounts recorded for accounting purposes. Such future tax assets have not been recorded in the accounts as there is uncertainty as to whether the Corporation will realize the benefits related to these assets which would be realized as relatively modest reductions of future tax liability over many future years.

At December 31, 2014, a future tax asset of $4,948 (2013 - $5,801) has been recorded. The utilization of this tax asset is dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. The Corporation believes that this asset should be recognized as it will be recovered through future distribution rates charged by GHESI.

9. Customer deposits:

Customer deposits represent cash deposits from electricity distribution customers and retailers, as well as construction deposits.

Deposits from electricity distribution customers are refundable to customers demonstrating 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.

Construction deposits represent cash prepayments for the estimated cost of capital projects recoverable from customers and developers. Upon completion of the capital project, these deposits are transferred to contributions in aid of construction.

Customer deposits comprise:

	2014	2013
Customer deposits	$ 4,040	$ 4,096
Construction deposits	4,411	2,220
Total customer deposits	$ 8,451	$ 6,316

10. Pension agreement:

The Corporation provides a pension plan for its employees through the Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employee Retirement Fund (the "Fund") and provides pensions for employees of Ontario municipalities 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. The Corporation uses defined contribution plan accounting as it is only liable for contributions to the Plan. The Corporation's contribution for employees' current service for the year ended December 31, 2014 was $1,054 (2013 - $976).

11. Employee future benefits:

Components of employee future benefits recognized are as follows:

	2014	2013
Post-retirement benefits - accrued benefit liability, as previously reported	$ 9,359	$ 7,929
Accrued sick leave benefit	681	620
	$ 10,040	$ 8,549

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, 2014 of $9,359 was based on an actuarial valuation completed in 2014 using a discount rate of 4.0%. The restated accrued benefit liability at December 31, 2013 of $7,929 (previously reported to be $7,940) and the expense for the year ended December 31, 2013, were based on an actuarial valuation completed in 2014, using a discount rate of 4.9%.

11. Employee future benefits (continued):

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

		2014		2013
Defined benefit obligation, beginning of year	$	7,929	$	7,940
Current service cost		211		229
Interest cost		387		317
Remeasurement of obligation		1,053		(306)
Benefits paid during the year		(221)		(251)
Accrued benefit liability, end of year	$	9,359	$	7,929

Components of net benefit expense recognized are as follows:

		2014		2013
Current service cost	$	211	$	229
Interest cost		387		317
Net benefit expense recognized	$	598	$	546

The full amount of the Corporation's net benefit expense was charged to operations in 2013 and 2014.

11. Employee future benefits (continued):

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

	2014	2013
Accrued benefit obligation:		
Discount rate	4.05%	4.90%
Benefit cost for the year:		
Withdrawal rate	1%	1%
Assumed health care cost trend rates:		
Initial health care cost trend rate	5%	5%

The approximate effect on the accrued benefit obligation of the entire plan and the estimated net benefit expense of the entire plan if the health care trend rate assumption was increased or decreased by 1%, and all other assumptions were held constant, is as follows:

	Defined Benefit Obligation	Periodic Benefit Cost
1% increase in health care trend rate	$ 10,994	$ 9,184
1% decrease in health care trend rate	8,047	6,957

Historical information

Amounts for the current and previous year, for the entire plan, are as follows:

	2014	2013
Defined benefit obligation	$ 9,359	$ 7,929
Experience adjustments	1,053	(1,376)

11. Employee future benefits (continued):

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

General inflation - future general inflation levels, as measured by the changes in the Consumer Price Index, were assumed 2.0% in 2014, and thereafter (2013 - 2.0%).

Discount (interest) rate - the discount rate used to determine the present value of future liabilities and the expense for the year ended December 31, 2014, was 4.05% (2013 - 4.9%).

Historical information

Salary levels - future general salary and wage levels were assumed to increase at 3.3% (2013 - 3.3%) per annum.

Medical costs - medical costs were assumed to increase 5% for 2013, 5% for 2014, 5% for 2014, 5% for 2014, and 5% thereafter.

Dental costs - dental costs were assumed to increase 5% for 2014, 5% for 2015, 5% for 2016, 5% for 2017, 5% for 2018, and 5% thereafter.

Accrued sick leave benefit:

The Corporation allows regular employees the equivalent of one and one-half days per month sick time credit to be applied in case of illnesses or accidents not covered by Workers' Compensation. A maximum of eighteen days sick time credit is accrued to each employee's credit each year and is reduced by the amount of sick time utilized each year. At the end of the year, the remaining credit if any is added to each employee's sick time credit accumulation. Any unused sick time credit is forfeited when employment ceases with the Corporation. As at December 31, 2014 the estimated valued of the expected future payment to be made as a result of the unused sick time credits amounted to $681 (2013 - $620).

12. Long-term debt:

(a) Loan payable to the Federation of Canadian Municipalities:

On May 17, 2014, Envida elected to retire its loan payable to the Federation of Canadian Municipalities which had a maturity date of June 30, 2018 and which bore interest at a rate of 2.37%. In addition to repaying the outstanding principal of $825.0, Envida also paid an early payment penalty of $16.5 plus accrued interest since the last interest payment of $7.4. In order to make this lump sum payment, Envida replaced this loan payable with a promissory note from its parent company Guelph Municipal Holdings Inc.

b) Senior unsecured debentures

The senior unsecured debentures issued by GHESI have a maturity date of December 6, 2030 and have an interest rate of 5.264% per annum. Interest is payable in equal semi-annual installments, in arrears, on June 6 and December 6 each year commencing June 6, 2014 until maturity. The debentures were issued on December 6, 2010. The Debentures are represented by a single Global Debenture Certificate registered in the name of CDS & Co. In order to put the debentures in place, GHESI incurred debt issuance costs in the amount of $500.

	2014	2013
Senior unsecured debentures	$ 65,000	$ 65,000
Less: cost of debt issuance	(400)	(425)
Senior unsecured debentures, net proceeds	$ 64,600	$ 64,575

13. Other income:

Other income comprises:

	2014	2013
Late payment charges	$ 116	$ 125
Pole and other rental income	343	360
Collection and other service charges	436	236
Waterworks revenue	1,172	1,156
Customer contributions	426	367
Conservation and Demand Management Performance Bonus	1,255	-
Miscellaneous	245	185
Total other income	$ 3,993	$ 2,429

14. Employee benefits:

	2014	2013
Salaries and wages	$ 10,000	$ 9,644
Contributions to multi-employer plan	1,054	976
Expenses related to defined benefit plans	598	546
	$ 11,652	$ 11,166

15. Finance income and expense:

	2014	2013
Interest income on bank deposits	$ (113)	$ (236)
Finance income	(113)	(236)
Interest expense on long-term debt	3446	3,433
Interest adjustment re: capitalized borrowing costs	(123)	(114)
Interest expense on deposits	27	15
Other	72	39
	3,422	3,373
Net finance costs recognized in profit or loss	$ 3,309	$ 3,137

16. Related party transactions:

a) Parent and ultimate controlling party:

The sole shareholder of the Corporation is Guelph Municipal Holdings Inc. ("GMHI"), which in turn is wholly-owned by the City of Guelph. The City produces financial statements that are available for public use.

b) Key management personnel:

The key management personnel of the Corporation has been defined as members of its board of directors and executive management team members and is summarized in the table below.

	2014	2013
Directors' fees	$ 196	$ 196
Salaries and other short-term benefits	2,778	3,098
Post-employment benefits	62	19
	$ 3,036	$ 3,313

c) Transactions with ultimate parent (the City):

The following summarizes the Corporation's related party transactions, recorded at the exchange amounts and balances with the City for the year ended December 31:

	2014	2013
Revenue:		
Energy sales (at commercial rates)	$ 8,238	$ 7,752
Waterworks revenue	1,172	1,156
Street light maintenance	303	331
Expenses:		
Subcontracting	16	68
Rent, percentage rent, land lease	60	63
Property taxes	327	332
Balances:		
Accounts receivable	1,612	1,300
Accounts payable and accrued charges	343	283

16. Related party transactions (continued):

d) Transactions with subsidiaries of the City:

A listing of the various entities under the control of the City is set out on the City's website.

The Corporation's transactions with subsidiaries of the City consist of sales of electricity at market rates.

17. Commitments and contingencies:

In November 2004, Envida entered into a renewable energy supply contract with the OEFC. In November 2005, the agreement was assigned by the OEFC to the Ontario Power Authority ("OPA"). Under this agreement, Envida has agreed to supply contract energy up to a maximum amount for twenty years at a price fixed by the contract.

In 2012, the renewable supply agreement with the OPA was amended by re-setting the capacity to be delivered under the contract. The amended agreement sets the contract capacity of the landfill generator to 2.5 MW for the seven contract-years, and 1.7 MW for each contract-year thereafter.

In September 2004, Envida entered into a land lease and gas utilization agreement with the City. Under the agreement, on an annual basis, Envida agrees to pay the City:

(a) $5 in advance of each fiscal year, for the use of the lands and access lands; and

(b) An amount for the cubic feet of landfill gas used by Envida for the preceding fiscal year based on a rate agreed upon at the time of signing the agreement adjusted annually by the Consumer Price Index – Ontario.

(c) A percentage rent based on 10% (2013 – 10%) of the difference between gross revenues arising from the sale of electricity and the value of electricity generated at a rate of $57/MWh. In 2014, the amount incurred was $ 15 (2013 - $15).

In June 2011, Envida commenced supplying the OPA with electrical energy under a twenty year Feed-in-Tariff power purchase agreement. The electrical energy is produced by a roof-top mounted array of photo-voltaic solar panels. The OPA will purchase all energy produced by photo-voltaic array. The price that the OPA pays for the electrical energy is fixed by the contract.

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. 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.

An action was commenced against GHESI in November, 2014 in the Ontario Superior Court of Justice with the plaintiff seeking damages in the amount of $2.0 million as compensation for damages allegedly suffered to the plaintiff's business and reputation in relation to the supply and installation of energy efficient lighting equipment, plus $1.0 million punitive damages as a result of

17. Commitments and contingencies (continued):

interference in economic relations or slander of goods. Effective August 25, 2014, this action was discontinued without prejudice.

The Corporation is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE). MEARIE is a pooling of property, casualty, and vehicle risks of many of the electrical utilities in Ontario. All members of the pool could potentially be subjected to an 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. It is anticipated that should such an assessment occur it would be funded over a period of up to 5 years. As at December 31, 2014, no assessments have been made.

18. Share capital:

	2014	2013
Authorized:		
Unlimited number of common shares		
Issued:		
67,530 common shares	$ 67,530	$ 67,530

19. Financial instruments and risk management:

Cash and cash equivalents are measured at fair value. The carrying values of receivables, and accounts payable and accrued charges 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.

The fair value of the senior unsecured debentures at December 31, 2014 is $75,008(2013 - $68,431). The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The interest rate used to calculate fair value at December 31, 2014 was 3,985% (2013 - 4.84%).

The Corporation's activities provide for a variety of financial risks, particularly credit risk, market risk and liquidity risk.

a) 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. No single customer accounts for revenue in excess of 10% of total revenue.

19. Financial instruments and risk management (continued):

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in the income statement. Subsequent recoveries of receivables previously provisioned are credited to the income statement. The balance of the allowance for impairment at December 31, 2014 is $375 (2013 - $231). An impairment loss of $135 (2013 - $226) 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, 2014, approximately $478 (2013 - $310) is considered 60 days past due. The Corporation has approximately 51 thousand customers, the majority of which are residential. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2014, the Corporation held security deposits in the amount of $4,411 (2013 - $4,096).

b) Market risk:

Market risks primarily refer to the risk of loss resulting from changes in commodity prices, foreign exchange rates, and interest rates. The Corporation currently does not have 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 and the credit spread of A-rated utility bonds. This rate of return is approved by the OEB as part of the approval of distribution rates.

A 1% increase in the interest rate at December 31, 2014 would have increased interest expense on the long-term debt by $650 (2013 - $650), assuming all other variables remain constant. A 1% decrease in the interest rate would have an equal but opposite effect.

(c) 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 a $10,000 credit facility and monitors cash balances daily to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due. As at December 31, 2014, no amounts had been drawn under GHESI's $10.0 million credit facility (2013, $nil).

The Corporation also has a bilateral facility for $5.0 million (the "LC" facility) for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which $4.0 million has been drawn and posted with the IESO (2013 - $nil).

The majority of accounts payable, as reported on the balance sheet, are due within 30 days.

19. Financial instruments and risk management (continued):

(d) 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, 2014, shareholder's equity amounts to $68,649 (2013 - $72,425) and long-term debt amounts to $64,600 (2013 - $64,575).

20. Guarantees:

GHESI has a Connection and Cost Recovery Agreement with Hydro One Networks Inc. (Networks) for the supply of two additional breaker positions at the Campbell transformer station (cost $599), and the installation of a new metal clad switchgear to the two existing idle windings at Cedar TS (transformer station) with eight new feeder positions (cost $5,582). The cost of the connections are debts owed to Networks that will be forgiven provided that GHESI meets or exceeds the specific load requirement and the incremental transformation connection revenue received by Networks. GHESI expects to meet the conditions of the guarantee and does not anticipate any payments to Networks.

GHESI has another Connection and Cost Recovery Agreement with Networks for the line connection of the Arlen municipal transformer station. The $1,688 cost of the connection is a debt owed to Networks that will be forgiven provided that GHESI meets or exceeds the specific load requirement and the incremental transformer connection revenue received by Networks. GHESI expects to meet the conditions of the guarantee and does not anticipate any payment to Networks.

Financial Statements of

GUELPH HYDRO ELECTRIC SYSTEMS INC.

Year ended December 31, 2014
(Expressed in thousands of dollars)

KPMG LLP
115 King Street South
2nd Floor
Waterloo ON N2J 5A3

Telephone 519-747-8800
Fax 519-747-8830
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the shareholder of Guelph Hydro Electric Systems Inc.

We have audited the accompanying financial statements of Guelph Hydro Electric Systems Inc., which comprise the balance sheet as at December 31, 2014 and the statements of comprehensive income, changes in equity and cash flows for the year ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Guelph Hydro Electric Systems Inc. as at December 31, 2014, and its results of operations and its cash flows for the year ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 16, 2015
Waterloo, Canada

GUELPH HYDRO ELECTRIC SYSTEMS INC.

Balance Sheets

December 31, 2014, with comparative information for 2013
(Expressed in thousands of dollars)

	2014	2013
Assets		
Current assets:		
Cash	$ -	$ 620
Accounts receivable (note 4)	17,887	19,501
Unbilled revenue	10,889	9,983
Income taxes recoverable	1,706	1,468
Inventory (note 5)	1,832	1,504
Other current assets	552	554
Total current assets	32,866	33,630
Property, plant and equipment (note 6)	141,277	134,275
Intangible assets (note 7)	388	327
Deferred income taxes (note 8)	2,758	3,247
Total non-current assets	144,423	137,849
Total assets	$ 177,289	$ 171,479

GUELPH HYDRO ELECTRIC SYSTEMS INC.

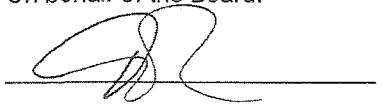
Balance Sheets

December 31, 2014, with comparative information for 2013
(Expressed in thousands of dollars)

	2014	2013
Liabilities and Shareholder's Equity		
Current liabilities:		
Bank indebtedness	$ 1,090	$ -
Accounts payable and accrued liabilities	22,556	21,160
Deferred credits - budget billing	1,142	1,059
Customer deposits - current portion (note 9)	5,577	3,442
Due to related parties	711	734
Total current liabilities	31,076	26,395
Senior unsecured debentures (note 12)	64,600	64,575
Employee future benefits (note 11)	10,039	8,549
Customer deposits - long-term portion (note 9)	2,874	2,874
Deferred revenue	15,460	13,514
Total non-current liabilities	92,973	89,512
Total liabilities	124,049	115,907
Shareholder's equity:		
Share capital (note 18)	43,374	43,374
Other comprehensive income (loss)	(933)	(159)
Retained earnings	10,799	12,357
	53,240	55,572
Commitments and contingencies (note 17)		
Guarantees (note 20)		
	$ 177,289	$ 171,479

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

On behalf of the Board:



Director

Director

GUELPH HYDRO ELECTRIC SYSTEMS INC.

Statements of Comprehensive Income

Year ended December 31, 2014, with comparative information for 2013
(Expressed in thousands of dollars)

	2014	2013
Electricity sales	$ 212,562	$ 195,186
Cost of electricity sold	190,844	174,871
	21,718	20,315
Other operating revenue (note 13)	4,718	3,243
Net operating revenue	26,436	23,558
Expenses:		
Operations and maintenance	11,861	11,901
General and administrative	9,373	10,350
	21,234	22,251
Earnings before the undernoted	5,202	1,307
Financial and other expenses (income):		
Interest on notes payable, less amounts capitalized	3,323	3,332
Interest income	(19)	(62)
Other	92	43
	3,396	3,313
Earnings (loss) from operations before income taxes	1,806	(2,006)
Income taxes: (note 8)		
Provision for payments in lieu of corporate taxes	(403)	(1,383)
Deferred income taxes	767	1,129
	364	(254)
Net earnings (loss) from operations for the year	1,442	(1,752)
Other Comprehensive Income (loss):		
Actuarial gains (losses) on employee future benefit plan	(774)	306
Total Comprehensive income (loss) for the year	$ 668	$ (1,446)

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

GUELPH HYDRO ELECTRIC SYSTEMS INC.

Statements of Changes in Equity
(In thousands of Canadian dollars)

Year ended December 31, 2014, with comparative information for 2013

	Share capital	Other Comprehensive Income (loss)	Retained earnings	Total
Balance at December 31, 2012	$43,374	(465)	15,509	$ 58,418
Dividends	-	-	(1,400)	(1,400)
Total comprehensive income (loss) for the year		306	(1,752)	(1,446)
Balance at December 31, 2013	43,374	(159)	12,357	55,572
Dividends	-	-	(3,000)	(3,000)
Total comprehensive income (loss) for the year		(774)	1,442	668
Balance, December 31, 2014	$43,374	$ (933)	$ 10,799	$ 53,240

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

GUELPH HYDRO ELECTRIC SYSTEMS INC.

Statements of Cash Flows

Year ended December 31, 2014, with comparative information for 2013
(Expressed in thousands of dollars)

	2014	2013
Cash flows from operating activities:		
Total Comprehensive income (loss) for the year	$ 668	$ (1,446)
Adjustments for:		
Income tax expense	85	(254)
Depreciation and amortization	6,041	6,153
Amortization of deferred revenue	(426)	(367)
Interest income	(19)	(62)
Interest expense	3,415	3,375
(Gain) / loss on disposal of property, plant and equipment	22	(55)
	9,786	7,344
Change in:		
Receivables	1,614	(1,367)
Unbilled revenue	(906)	1,662
Inventory	(328)	371
Other current assets	2	(159)
Accounts payable and accrued liabilities	1,395	3,766
Deferred credits - budget billing	83	(924)
Employee future benefits	1,490	36
	3,350	3,385
Income taxes refunded	165	942
Net cash from operating activities	13,301	11,671
Cash flows from investing activities:		
Purchase of property, plant and equipment	(12,924)	(11,396)
Purchase of intangible assets	(167)	(116)
Proceeds from disposal of property, plant and equipment	90	115
	(13,001)	(11,397)
Cash flows from financing activities:		
Contributions in aid of construction	2,372	3,270
Net change in customer deposits	2,135	(271)
Dividends paid	(3,000)	(1,400)
Interest received	19	62
Interest paid	(3,513)	(3,464)
Change in amounts due to related parties	(23)	(125)
	(2,010)	(1,928)
Decrease in cash	(1,710)	(1,654)
Cash, beginning of year	620	2,274
Cash / (bank indebtedness), end of year	$ (1,090)	$ 620

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

1. Reporting entity:

Guelph Hydro Electric Systems Inc. (the "Corporation" or "GHESI") became a wholly-owned subsidiary of Guelph Municipal Holdings Inc. ("GMHI") on September 6, 2014 when GMHI amalgamated with Guelph Hydro Inc. ("GHI"). GMHI is a wholly-owned subsidiary of the City of Guelph. GHESI was incorporated on October 31, 2000 under the laws of the Province of Ontario, Canada. The address of the Corporation's registered office is 395 Southgate Drive, Guelph, Ontario.

The principal activity of the Corporation is to distribute electricity to the residents and businesses in the City of Guelph and the Village of Rockwood, under a license issued by the Ontario Energy Board ("OEB"). The Corporation is regulated by the OEB and adjustments to the Corporation's distribution rates require OEB approval.

2. Basis of presentation:

(a) Statement of compliance:

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB") and interpretations as issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

(b) Approval of the financial statements:

The financial statements were approved by the Board of Directors on April 16, 2015.

(c) Change in accounting policy in 2013

As a result of amendments to IAS 19 "Employee Benefits", the Company has changed its accounting policy with respect to the basis for determining the income or expense related to its other post-employment defined benefit plans. These amendments are to be applied for annual periods beginning January 1, 2013. Under IAS19, actuarial gains and losses must be recognized when they occur in other comprehensive income as the option to defer the recognition of actuarial gains and losses, known as the "corridor method" is no longer available. These amendments are applied retrospectively by the Company, in accordance with IAS 19. See detailed impact of change in accounting policy in Note 11, Employee future benefits.

2. Basis of presentation (continued):

(d) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for the following:

(i) Where held, financial instruments at fair value through profit or loss, including those held for trading, are measured at fair value.

(ii) Contributed assets are initially measured at fair value.

The methods used to measure fair values are discussed further in note 3 (c) and note 20.

(e) Functional and presentation currency:

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

(f) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements is included in the following notes:

(i) Note 4 and note 20(a) - Receivables: allowance for impairment.
(ii) Note 6 - Property, plant and equipment: useful lives and the identification of significant components of property, plant and equipment.
(iii) Note 11 - Employee future benefits: measurement of the defined benefit obligation.
(iv) Note 19 - Financial instruments and risk management: valuation of long-term debt.

2. Basis of presentation (continued):

(g) Rate regulation:

Effect of rate-setting regulations on the Corporation's activities and on these financial statements:

The Corporation is regulated by the OEB, under the authority granted by the *Ontario Energy Board Act (1988)*. 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 rural and remote electricity consumers, and ensuring that distribution companies fulfill obligations to connect and service customers. In its capacity to approve or set rates, the OEB has the authority to specify regulatory accounting treatments that may differ from IFRS for enterprises operating in a non-rate regulated environment.

On March 14, 2011, the OEB approved a 0.18% price cap index adjustment to the Company's distribution rates effective May 1, 2012, in accordance with the OEB's 3rd Generation Incentive Rate Mechanism. The adjustment was applied to fixed and variable distribution rates uniformly across all customer classes.

On June 30, 2011, the Corporation submitted a rate rebasing application to the OEB for new distribution rates. On February 22, 2012, the Corporation received a Decision from the OEB that approved an overall increase of 7.86% to distribution rates effective January 1, 2012. The Decision incorporated the Corporation's increase in fixed assets and operating expenses since the last rate rebasing application in 2008 and established rates that allowed for return on invested capital of 6.80% and return on equity of 9.42% based on a deemed 60% debt-to-40% equity capital structure.

On July 24, 2012, GHESI filed its 2013 electricity distribution rates application using the OEB's 3rd Generation Incentive Regulation Mechanism ("IRM") as the basis for its application. The OEB rendered its Decision on December 6, 2012, which approved a distribution rate increase of 1.08 per cent for all customers.

On August 16, 2013, GHESI filed its 2014 electricity distribution rates application using the OEB's 4th Generation IRM as the basis for its application. The OEB rendered its Decision on December 5, 2013 which approved a distribution rate increase of 1.4 per cent for all customers.

On August 13, 2014, GHESI filed its 2015 electricity distribution rates application using the OEB's 4th Generation IRM as the basis for its application. The OEB rendered its Decision on December 4, 2014 which approved a distribution rate increase of 1.3 per cent for all customers.

2. Basis of presentation (continued):

The continuing restructuring of Ontario's electricity industry and other regulatory developments, including current and possible future consultation between the OEB and interested stakeholders, could affect the distribution rates that the Corporation may charge and the costs that the Corporation may recover, including the balance of its regulatory assets.

3. Significant accounting policies:

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

(a) Cash and cash equivalents:

Cash equivalents include short-term investments with maturities of three months or less when purchased.

(b) Revenue recognition:

Revenue for the Corporation is recognized as electricity is delivered to customers and 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.

The Corporation is licensed by the OEB to distribute electricity. 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. The Corporation has determined that it is acting as a principal for the electricity distribution and, therefore, has presented electricity revenue on a gross basis.

Customer billings for debt retirement charges are recorded on a net basis as the Corporation is acting as an agent for this revenue stream. The Corporation may file to recover uncollected debt retirement charges from Ontario Electricity Financial Corporation ("OEFC") once each year.

Deferred revenue relating to contributions in aid of construction is amortized to income on a straight-line basis over the terms of the agreement with the customer or the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

All other revenues are recorded on a gross basis and are recognized when services are rendered.

3. Significant accounting policies, continued:

(c) Inventory:

Inventory is valued at the lower of cost and net realizable value, with cost being determined on an average cost basis, and items considered major spare parts are recorded as capital assets.

(d) Property, plant and equipment:

Items of property, plant and equipment are measured at cost or deemed cost established on the transition date, or, where the item is transferred from customers, its fair value, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Borrowing costs on qualifying assets are capitalized as part of the cost of the asset and are based on the Corporation's average cost of borrowing.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing a part of an item of property, plant and equipment 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 property, plant and equipment is written off, and the related gain or loss is included in profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation 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 property, plant and equipment. Land is not depreciated. Construction-in-progress assets are not amortized until the project is complete and in service. The estimated useful lives are as follows:

Buildings and fixtures	15 - 50 years
Distribution lines	40 – 70 years
Distribution transformers	35 – 55 years
Distribution meters	30 years
Smart meters	15 years
General office equipment	5 - 10 years
Computer equipment	5 years
Major tools	5 - 15 years
Data acquisition system	5 years
Trucks and rolling stock	5 - 10 years
Other capital assets	10 - 25 years

3. Significant accounting policies, continued:

Depreciation methods, useful lives, and residual values are reviewed at each reporting date.

(e) 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 access 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. Land rights are measured at cost less accumulated amortization and accumulated impairment losses.

(iii) Amortization:

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

Computer software	5 years

Amortization methods and useful lives of all intangible assets are reviewed at each reporting date.

(f) Impairment:

(i) Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its current carrying amount (using prevailing interest rates), and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount.

3. Significant accounting policies, continued:

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

(ii) Non-financial assets:

The carrying amounts of the Corporation's non-financial assets, other than 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 "cash-generating unit"). The Corporation has determined that it is a single cash-generating unit. The recoverable amount of an asset or cash-generating unit 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.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

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.

(g) 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.

3. Significant accounting policies, continued:

Decommissioning or dismantling:

When there is a legal or constructive obligation to remove and dispose of property, plant and equipment at the end of their useful life, a provision is recorded to cover such future removal and disposal costs.

(h) Employee future benefits:

(i) Pension plan:

The Corporation provides a pension plan for all its full-time employees through 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 under-funded position, additional contribution rates may be assessed to participating employers and members. In this case, GHESI and its employees could face the prospect of higher contributions until the funded status of the Fund is restored. GHESI is only likely to recover additional contribution amounts in distribution rates if increased contribution rates are factored into GHESI's rebasing rates applications before the OEB.

(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. Any actuarial gains (losses) will require a re-measurement of the net defined benefit liability or asset and will be recognized as other comprehensive income or loss in the year that it is known.

(i) 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. Cash contributions are initially recorded as current liabilities. Once the distribution system asset is completed or modified as outlined in the terms of the contract, the contribution amount is transferred to contributions in aid of construction.

When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as contributions in aid of construction.

3. Significant accounting policies, continued:

The contributions in aid of construction account, which represents the Corporation's obligation to continue to provide the customers access to the supply of electricity, is reported as deferred revenue, and is amortized to income on a straight-line basis over the terms of the agreement with the customer or the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

(j) Leased assets:

Leases in terms of which the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized on the Corporation's balance sheet. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

(k) Finance income and finance costs:

Finance income is recognized as it accrues in profit or loss, using the effective interest method. Finance income comprises interest earned on cash and cash equivalents and on regulatory assets.

Finance costs comprise interest expense on borrowings, finance lease obligations, regulatory liabilities and unwinding of the discount on provisions and impairment losses on financial assets.

(l) Income 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 equity, in which case, it is recognized in equity.

Under the *Electricity Act, 1998*, the Corporation makes payments in lieu of corporate taxes to the OEFC. 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 regulations. Prior to October 1, 2001, the Corporation was not subject to income or capital taxes. Payments in lieu of taxes 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.

3. Significant accounting policies, continued:

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, that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

4. Accounts receivable:

	2014	2013
Revenue	$ 15,603	$ 17,462
Regulatory	1,047	970
Due from the City of Guelph	1,612	1,300
	18,262	19,732
Less allowance for doubtful accounts	(375)	(231)
	$ 17,887	$ 19,501

5. Inventory:

The amount of inventories consumed by the Corporation and recognized as an expense during 2014 was $285 (2013 - $295).

6. Property, plant and equipment:

(a) Cost or deemed cost:

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in- Progress	Total
Balance at January 1, 2013	$ 20,414	$ 114,446	$ 6,468	$ 1,061	$ 142,389
Additions	98	7,125	1,306	2,981	11,510
Transfers	-	1,061	-	(1,061)	-
Disposals/retirements	(38)	(8)	(35)	-	(81)
Balance at December 31, 2013	$ 20,474	$ 122,624	$ 7,739	$ 2,981	$ 153,818

6. Property, plant and equipment, continued:

(a) Cost or deemed cost, continued:

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in- Progress	Total
Balance at January 1, 2014	$ 20,474	$ 122,624	$ 7,739	$ 2,981	$ 153,818
Additions	484	5,403	2,487	4,675	13,049
Transfers	-	2,981	-	(2,981)	-
Disposals/retirements	-	-	(132)	-	(132)
Balance at December 31, 2014	$ 20,958	$ 131,008	$ 10,094	$ 4,675	$ 166,735

(b) Accumulated depreciation:

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in- Progress	Total
Balance at January 1, 2013	$ 1,295	$ 9,632	$ 2,562	$ -	$ 13,489
Depreciation charge for the year	690	4,265	1,120	-	6,075
Disposals/retirements	-	-	(21)	-	(21)
Balance at December 31, 2013	$ 1,985	$ 13,897	$ 3,661	$ -	$ 19,543

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in- Progress	Total
Balance at January 1, 2014	$ 1,985	$ 13,897	$ 3,661	$ -	$ 19,543
Depreciation charge for the year	700	3,616	1,619	-	5,935
Disposals/retirements	-	-	(20)	-	(20)
Balance at December 31, 2014	$ 2,685	17,513	$ 5,260	$ -	$ 25,458

(c) Carrying amounts:

	Land and buildings	Distribution equipment	Other fixed assets	Construction -in- Progress	Total
December 31, 2013	$ 18,489	$ 108,727	$ 4,078	$ 2,981	$ 134,275
December 31, 2014	$ 18,273	$ 113,495	$ 4,834	$ 4,675	$ 141,277

6. Property, plant and equipment, continued:

(d) Borrowing costs:

During the year, borrowing costs of $123 (2013 - $114) were capitalized as part of the cost of property, plant and equipment.

(e) Allocation of depreciation and amortization:

The depreciation of property, plant and equipment and the amortization of intangible assets have been allocated to profit or loss as follows:

	Cost of electricity sold	Distribution expenses	Administration expenses	Total
December 31, 2013:				
Depreciation of property, plant and equipment	$ -	$ 5,805	$ 270	$ 6,075
Amortization of intangible assets	-	-	78	78
	$ -	$ 5,805	$ 348	$ 6,153
December 31, 2014:				
Depreciation of property, plant and equipment	$ -	$ 5,778	$ 157	$ 5,935
Amortization of intangible assets	-	-	106	106
	$ -	$ 5,778	$ 263	$ 6,041

7. Intangible assets:

(a) Cost or deemed cost:

	Computer software	Land rights	Total
Balance at January 1, 2013	$ 331	$ -	$ 331
Additions in 2013	116	-	116
Balance at December 31, 2013	447	-	447
Additions in 2014	167	-	167
Balance at December 31, 2014	$ 614	$ -	$ 614

(b) Accumulated amortization:

	Computer software	Land rights	Total
Balance at January 1, 2013	$ 42	$ -	$ 42
Amortization charges in 2013	78	-	78
Balance at December 31, 2013	120	-	
		120	
Amortization charges in 2014	106	-	106
Balance at December 31, 2014	$ 226	$ -	$ 226

(c) Carrying amounts:

	Computer software	Land rights	Total
Balance at December 31, 2013	$ 327	$ -	$ 327
Balance at December 31, 2014	$ 388	$ -	$ 388

8. Income taxes:

The income tax expense varies from amounts which would be computed by applying the Corporation's combined statutory income tax rate as follows:

	2014	2013
Basic rate applied to profit before income tax	$ 479	$ (532)
Increase (decrease) in income tax resulting from:		
Change in tax rate	-	(47)
Other	(115)	325
Income tax expense (recovery)	$ 364	$ (254)
Effective rate applied to profit (loss) before income taxes	20.2%	12.6%

Significant components of the Corporation's deferred tax balances are as follows:

	2014	2013
Deferred tax assets (liabilities):		
Plant and equipment	$ (4,647)	$ (3,295)
Cumulative eligible capital	648	696
Employee benefits	2,660	2,265
Deferred revenue - contributed capital	4,097	3,581
Net deferred tax asset	$ 2,758	$ 3,247

As at December 31, 2014, a future tax asset of $2,758 (2013 - $3,247) has been recorded. The utilization of this tax asset is dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. The Corporation believes that this asset should be recognized as it will be recovered through future rates.

9. Customer deposits:

Customer deposits represent cash deposits from electricity distribution customers and retailers, as well as construction deposits.

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.

Construction deposits represent cash prepayments for the estimated cost of capital projects recoverable from customers and developers. Upon completion of the capital project, these deposits are transferred to contributions in aid of construction.

Customer deposits comprise:

	2014	2013
Customer deposits	$ 4,040	$ 4,096
Construction deposits	4,411	2,220
Total customer deposits	$ 8,451	$ 6,316

10. Pension agreement:

GHESI provides a pension plan for its employees through the Ontario Municipal Employees Retirement System ("OMERS"). OMERS is a multi-employer pension plan which operates as the Ontario Municipal Employee Retirement Fund ("the Fund") and provides pensions for employees of Ontario municipalities, local boards, public utilities, and school boards. 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. GHESI uses defined contribution plan accounting as it is only liable for contributions to the Plan. GHESI's contribution for employees' current service for the year ended December 31, 2014 was $1,054 (2013 - $976).

11. Employee future benefits:

Components of employee future benefits recognized are as follows:

	2014	2013
Post-retirement benefits - accrued benefit liability, as previously reported	$ 9,359	$ 7,929
Accrued sick leave benefit	680	620
	$ 10,039	$ 8,549

Post-retirement 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, 2014 of $9,359 for the year ended December 31, 2014, was based on an actuarial valuation completed in 2014 using a discount rate of 4.0%. The accrued benefit liability at December 31, 2013 of $7,929 was based on an actuarial valuation completed in 2013, using a discount rate of 4.9%.

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

	2014	2013
Defined benefit obligation, beginning of year	$ 7,929	$ 7,940
Current service cost	211	229
Interest cost	387	317
Re-measurement of obligation	1,053	(306)
Benefits paid during the year	(221)	(251)
Accrued benefit liability, end of year	$ 9,359	$ 7,929

11. Employee future benefits (continued):

Components of net benefit expense recognized are as follows:

	2014	2013
Current service cost	$ 211	$ 229
Interest cost	387	317
Net benefit expense recognized	$ 598	$ 546

The full amount of the Corporation's net benefit expense was charged to operations in 2013 and 2014.

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

	2014	2013
Accrued benefit obligation:		
Discount rate	4.05%	4.90%
Benefit cost for the year:		
Withdrawal rate	1%	1%
Assumed health care cost trend rates:		
Initial health care cost trend rate	5%	5%

The approximate effect on the accrued benefit obligation of the entire plan and the estimated net benefit expense of the entire plan if the health care trend rate assumption was increased or decreased by 1%, and all other assumptions were held constant, is as follows:

	Defined Benefit Obligation	Periodic Benefit Cost
1% increase in health care trend rate	$ 10,994	$ 703
1% decrease in health care trend rate	8,047	496

11. Employee future benefits (continued):

Historical information

Amounts for the current and previous year, for the entire plan, are as follows:

	2014	2013
Defined benefit obligation	$ 9,359	$ 7,929
Experience adjustments	1,053	(1,376)

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

General inflation - future general inflation levels, as measured by the changes in the Consumer Price Index, were assumed at 2.0% in 2014, and thereafter (2013 - 2.0%).

Discount (interest) rate - the discount rate used to determine the present value of future liabilities and the expense for the year ended December 31, 2014, was 4.05% (2013 - 4.9%).

Salary levels - future general salary and wage levels were assumed to increase at 3.3% (2013 - 3.3%) per annum.

Medical costs - medical costs were assumed to increase 5% for 2013, 5% for 2014, 5% for 2015, 5% for 2016, and 5% thereafter.

Dental costs - dental costs were assumed to increase 5% for 2013, 5% for 2014, 5% for 2015, 5% for 2016, and 5% thereafter.

Accrued sick leave benefit:

The Corporation allows regular employees the equivalent of one and one-half days per month sick time credit to be applied in case of illnesses or accidents not covered by Workers' Compensation. A maximum of eighteen days sick time credit is accrued to each employee's credit each year and is reduced by the amount of sick time utilized each year. At the end of the year, the remaining credit, if any, is added to each employee's sick time credit accumulation. Any unused sick time credit is forfeited when employment ceases with the Corporation. As at December 31, 2014, the estimated valued of the expected future payment to be made as a result of the unused sick time credits amounts to $681 (2013 - $620).

12. Long-term debt:

The senior unsecured debentures have a maturity date of December 6, 2030 and have an interest rate of 5.264% per annum. Interest is payable in equal semi-annual installments, in arrears, on June 6 and December 6 each year commencing June 6, 2013 until maturity. The debentures were issued on December 6, 2013. The debentures are represented by a single Global Debenture Certificate registered in the name of CDS & Co. In order to put the debentures in place, the Corporation incurred debt issuance costs in the amount of $500.

	2014	2013
Senior unsecured debentures	$ 65,000	$ 65,000
Less: cost of debt issuance	(400)	(425)
Senior unsecured debentures, net proceeds	64,600	$ 64,575

13. Other income:

Other income comprises:

	2014	2013
Late payment charges	$ 116	$ 125
Pole and other rental income	343	360
Collection and other service charges	436	236
Waterworks revenue	1,172	1,156
Intercompany services	734	848
Customer contributions	426	367
Conservation and Demand Management Performance Bonus	1,255	-
Miscellaneous	236	151
Total other income	$ 4,718	$ 3,243

14. Employee benefits:

	2014	2013
Salaries, wages and benefits	$ 8,182	$ 7,379
Contributions to multi-employer plan	1,054	976
Expenses related to defined benefit plans	598	546
	$ 9,834	$ 8,901

15. Finance income and expense:

	2014	2013
Interest income on bank deposits	$ (19)	$ (62)
Finance income	(19)	(62)
Interest expense on long-term debt	3,446	3,446
Interest adjustment re: capitalized borrowing costs	(123)	(114)
Interest expense on deposits	37	15
Other	55	28
	3,415	3,375
Net finance costs recognized in profit or loss	$ 3,396	$ 3,313

16. Related party transactions:

(a) Parent and ultimate controlling party:

The sole shareholder of the Corporation is Guelph Municipal Holdings Inc. ("GMHI"), effective September 8, 2014 when GMHI amalgamated with Guelph Hydro Inc. ("GHI"). GMHI is a wholly-owned subsidiary of the City of Guelph. The City produces financial statements that are available for public use.

(b) 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 is summarized below.

	2014	2013
Directors' fees	$ 115	$ 98
Salaries and other short-term benefits	2,024	1,967
Post-employment benefits	64	19
	$ 2,203	$ 2,084

(c) Transactions with ultimate parent (the City):

The following summarizes the Corporation's related party transactions, recorded at the exchange amounts and balances with the City for the years ended December 31:

	2014	2013
Revenue:		
Energy sales (at commercial rates)	$ 8,238	$ 7,752
Waterworks revenue	1,172	1,156
Street light maintenance	303	331
Expenses:		
Subcontracting	16	68
Property taxes	327	332
Balances:		
Accounts receivable	1612	1,300
Accounts payable and accrued charges	-	-

16. Related party transactions (continued):

(d) Transactions with subsidiaries of the City:

A listing of the various entities under the control of the City is set out on the City's website.

The Corporation had the following transactions with GMHI and its subsidiary, Envida Community Energy Inc.:

	2014	2013
Revenue:		
Energy sales (at commercial rates)	$ 14	$ 22
Multiple function support services	734	848
Expenses:		
Planning services through Board of Directors	93	163
Management services	648	658
Management fees	-	1,500
Balances:		
Accounts receivable	853	603
Accounts payable and accrued charges	2,654	1,352

17. Commitments and contingencies:

From time to time, the Corporation is involved in various litigation matters arising in the ordinary course of its business. 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.

The action that commenced against GHESI in November, 2013 in the Ontario Superior Court of Justice with the plaintiff seeking damages in the amount of $2.0 million as compensation for damages allegedly suffered to the plaintiff's business and reputation in relation to the supply and installation of energy efficient lighting equipment, plus $1.0 million punitive damages as a result of interference in economic relations or slander of goods has been discontinued without prejudice. The discontinuance was effective August 25, 2014.

17. Commitments and contingencies (continued):

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 electrical utilities 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, 2014, no assessments have been made.

18. Share capital:

	2014	2013
Authorized:		
Unlimited number of common shares		
Issued:		
1,000 common shares	$ 43,374	$ 43,374

19. Financial instruments and risk management:

Cash and cash equivalents are measured at fair value. The carrying values of receivables, and accounts payable and accrued charges 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.

The fair value of the senior unsecured debentures at December 31, 2014 was $75,008 (2013 - $68,431). The fair value is calculated based on the present value of future principal and interest cash flows, discounted at the current rate of interest at the reporting date. The interest rate used to calculate fair value at December 31, 2014 was 3.985% (2013 - 4.84%).

The Corporation's activities provide for a variety of financial risks, particularly credit risk, market risk and liquidity risk.

(a) 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. No single customer accounts for revenue in excess of 10% of total revenue.

19. Financial instruments and risk management (continued):

The carrying amount of accounts receivable is reduced through the use of an allowance for impairment and the amount of the related impairment loss is recognized in the income statement. Subsequent recoveries of receivables previously provisioned are credited to the income statement. The balance of the allowance for impairment at December 31, 2014 is $375 (2013 - $231). An impairment loss of $135 (2013 - $226) was recognized during the year. The Corporation's credit risk associated with accounts receivable is primarily related to payments from ratepayers. At December 31, 2014, approximately $478 (2013 - $310) was considered 60 days past due. The Corporation has over 53 thousand customers, the majority of whom are residential customers. Credit risk is managed through collection of security deposits from customers in accordance with directions provided by the OEB. As at December 31, 2014, the Corporation held security deposits amounting to $4,411 (2013 - $4,096).

(b) Market risk:

Market risks primarily refer 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.

The Corporation estimates that a 1% increase in interest rates at December 31, 2014 would have increased interest expense on the long-term debt by $650 (2013 - $650), assuming all other variables remained constant. A 1% decrease in the interest rate would have an equal but opposite effect.

(c) 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. As at December 31, 2014, the Corporation had access to a $10,000 credit facility. The Corporation monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they come due. As at December 31, 2014, no amounts had been drawn under GHESI's $10,000 credit facility (2013, $nil).

The Corporation also has a bilateral facility for $5.0 million (the "LC" facility) for the purpose of issuing letters of credit mainly to support the prudential requirements of the IESO, of which $4.0 million has been drawn and posted with the IESO (2013 - $nil).

The majority of accounts payable, as reported on the balance sheet, are due within 30 days.

20. Financial instruments and risk management (continued):

(d) 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, 2014, shareholder's equity amounted to $53,240 (2013 - $55,572) and long-term debt amounted to $64,600 (2013 - $64,575).

21. Guarantees:

GHESI has a Connection and Cost Recovery Agreement with Hydro One Networks Inc. (Networks) for the supply of two additional breaker positions at the Campbell transformer station (cost $599), and the installation of a new metal clad switchgear to the two existing idle windings at Cedar TS (transformer station) with eight new feeder positions (cost $5,582). The costs of the connections are debts owed to Networks that will be forgiven provided that GHESI meets or exceeds the specific load requirement and the incremental transformation connection revenue received by Networks. GHESI expects to meet the conditions of the guarantee and does not anticipate any additional payments to Networks.

GHESI has another Connection and Cost Recovery Agreement with Networks for the line connection associated with the Arlen municipal transformer station. The $1,688 cost of the connection is a debt owed to Networks that will be forgiven provided that GHESI meets or exceeds the specific load requirement and the incremental transformer connection revenue received by Networks. GHESI expects to meet the conditions of the guarantee and does not anticipate an additional payment to Networks.

Financial Statements of

ENVIDA COMMUNITY ENERGY INC.

Year ended December 31, 2014
(Expressed in thousands of dollars)

KPMG LLP
115 King Street South
2nd Floor
Waterloo ON N2J 5A3

Telephone 519-747-8800
Fax 519-747-8830
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the shareholder of Envida Community Energy Inc.

We have audited the accompanying financial statements of Envida Community Energy Inc., which comprise the balance sheet as at December 31, 2014 and the statements of comprehensive loss and deficit, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Envida Community Energy Inc. as at December 31, 2014, and its results of operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 22, 2015
Waterloo, Canada

ENVIDA COMMUNITY ENERGY INC.

Balance Sheets
(In thousands of dollars)

December 31, 2014, with comparative information for 2013

	2014	2013
Assets		
Current assets:		
Cash	$ 716	$ 252
Accounts receivable (note 5)	155	53
Other current assets	55	9
	926	314
Property, plant and equipment (note 6)	8,047	1,692
Deferred charges	40	40
	$ 9,013	$ 2,046
Liabilities and Shareholder's Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	$ 392	$ 297
Current portion of long-term debt (note 8)	-	317
	392	614
Due to related parties (note 7)	7,658	4,452
Long-term debt (note 8)	9,223	2,698
Total liabilities	17,273	7,764
Shareholder's deficiency:		
Share capital (note 10)	1	1
Contributed surplus	1,375	1,375
Deficit	(9,636)	(7,094)
	(8,260)	(5,718)
Commitments (note 11)		
Guarantees		
	$ 9,013	$ 2,046

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

On behalf of the Board:

Director

Director

ENVIDA COMMUNITY ENERGY INC.

Statements of Comprehensive Loss and Deficit
(In thousands of dollars)

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Revenue	$ 926	$ 921
Cost of gas	41	44
Net operating income	885	877
Expenses:		
Operations and maintenance	676	495
General and administrative	196	194
Management fee	2,120	156
	2,992	845
Income (loss) before financial items and income taxes	(2,107)	32
Financial expense:		
Interest expense	435	125
Total comprehensive loss for the year	(2,542)	(93)
Deficit, beginning of year	(7,094)	(7,001)
Deficit, end of year	$ (9,636)	$ (7,094)

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

ENVIDA COMMUNITY ENERGY INC.

Statements of Changes in Equity
(In thousands of dollars)

Year ended December 31, 2014, with comparative information for 2013

	Share capital	Contributed surplus	Accumulated deficit	Total
Balance at December 31, 2013	1	1,375	(7,001)	(5,625)
Total comprehensive loss for the year	-	-	(93)	(93)
Balance at December 31, 2013	1	1,375	(7,094)	(5,718)
Total comprehensive loss for the year	-	-	(2,542)	(2,542)
Balance, December 31, 2014	1	1,375	(9,636)	(8,260)

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

ENVIDA COMMUNITY ENERGY INC.

Statements of Cash Flows
(In thousands of dollars)

Year ended December 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (applied to):		
Operations:		
Total comprehensive loss for the year	$ (2,542)	$ (93)
Items not involving cash:		
Depreciation	311	213
Change in non-cash operating working capital	(53)	(41)
	(2,284)	79
Financing:		
Due to (from) related parties	3,206	(546)
Increase in related parties promissory notes	6,208	1,175
Repayment of long term debt	-	(825)
	9,414	(196)
Investments:		
Purchase of property, plant and equipment	(6,666)	(7)
Increase (decrease) in cash	464	(124)
Cash, beginning of year	252	376
Cash, end of year	$ 716	$ 252

The accompanying notes are an integral part of the financial statements

1. Reporting entity:

Envida Community Energy Inc. (the "Company" or "Envida") became a wholly-owned subsidiary of Guelph Municipal Holdings Inc. pursuant to an amalgamation between Guelph Holdings Inc. (the company's predecessor parent company) and Guelph Municipal Holdings Inc. on September 6, 2014. The Company was incorporated on April 19, 2005 under the laws of the Province of Ontario, Canada. The address of the Company's registered office is 395 Southgate Drive, Guelph, Ontario.

The principal activities of the Company are the generation of electricity from a landfill gas field and from solar photovoltaic projects, and to manage and operate district energy facilities located in the City of Guelph.

2. Basis of presentation:

(a) Statement of compliance:

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB") and interpretations as issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

(b) Approval of the financial statements:

The financial statements were approved by the Board of Directors on April 22, 2015.

(c) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for the following:

Where held, financial instruments at fair value through profit or loss, including those held for trading, are measured at fair value.

(d) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

(e) Use of estimates and judgements:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

2. Basis of presentation (continued):

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements is included in the following notes:

(i) Note 6 - Property, plant and equipment: useful lives and the identification of significant components of property, plant and equipment.

(ii) Note 9 - Income taxes: utilization of tax losses.

3. Significant accounting policies:

(a) Revenue recognition:

Revenue is recorded on the basis of regular meter readings recording electricity production at the generation plants.

(b) Property, plant and equipment:

Buildings and fixtures	10 years
Electricity generation equipment	10 - 15 years
District energy equipment	10 – 50 years
Other assets	15 - 45 years

(c) Impairment:

(i) Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Interest on the impaired assets continues to be recognized through the unwinding of the discount.

3. Significant accounting policies (continued):

(c) Impairment (continued):

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than 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 "cash-generating unit"). The Company has determined that it has two cash generating units. The recoverable amount of an asset or cash generating unit 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.

An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

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.

3. Significant accounting policies (continued):

(d) Leased assets:

Leases for which the Company assumes substantially all the risks and rewards of ownership are classified as capital leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized on the Company's balance sheet. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

4. Continuity of Operations:

A significant portion of the Company's liabilities are comprised of an amount due to its parent company of $16,028 (2013 - $6,865) which is made up of $6,805 (2013 - $3,850) non-interest bearing with no fixed terms of repayment and a new $9,223 Promissory Note repayable in full on the maturity date of January 1, 2024, bearing interest at a fixed rate of 5.264%, payable in semi-annual installments of $243 on each 6 month anniversary. The current Promissory Note replaced an existing note with a December 31, 2013 outstanding balance of $3,015, a maturity date of May 17, 2023, and semi-annual principal payments of $159, at a fixed rate of 5.264%. If the Company does not receive continuing financial support from its parent or if the Company does not raise additional funds, it may not be able to continue as a going concern and realize its assets and pay its liabilities as they fall due. The parent company has indicated its intention to not call for repayment of the non-interest bearing amounts due to it for at least one year from December 31, 2014.

5. Accounts receivable:

	2014	2013
Revenue	$ 155	$ 53
Other	-	-
	$ 155	$ 53

6. Property, plant and equipment:

(a) Cost:

	Buildings and fixtures	Electricity generation equipment	Solar panels	District energy equipment	Total
Balance at January 1, 2013	$ 1,676	$ 1,472	$ 706	$ -	$ 3,854
Additions	-	7	-	-	7
Balance at December 31, 2013	$ 1,676	$ 1,479	$ 706	$ -	$ 3,861

	Buildings and fixtures	Electricity generation equipment	Solar panels	District energy equipment	Total
Balance at January 1, 2014	$ 1,676	$ 1,479	$ 706	-	$ 3,861
Additions	-	-	343	6,323	6,666
Balance at December 31, 2014	$ 1,676	$ 1,479	$ 1,049	$ 6,323	$ 10,527

(b) Accumulated depreciation:

	Buildings and fixtures	Electricity generation equipment	Solar panels	District energy equipment	Total
Balance at January 1, 2013	$ 1,012	$ 890	$ 54	$ -	$ 1,956
Depreciation charge for the year	94	83	36	-	213
Balance at December 31, 2013	$ 1,106	$ 973	$ 90	$ -	$ 2,169

	Buildings and fixtures	Electricity generation equipment	Solar panels	District energy equipment	Total
Balance at January 1, 2014	$ 1,106	$ 973	$ 90	$ -	$ 2,169
Depreciation charge for the year	94	83	45	89	311
Balance at December 31, 2014	$ 1,200	$ 1,056	$ 135	$ 89	$ 2,480

6. Property, plant and equipment (continued):

(c) Carrying amounts:

	Buildings and fixtures	Electricity generation equipment	Solar panels	District energy equipment	Total
December 31, 2013	$ 570	$ 506	$ 616	$ -	$ 1,692
December 31, 2014	$ 476	$ 423	$ 914	$ 6,234	$ 8,047

(d) Borrowing costs:

During the year, borrowing costs of $ nil (2013: $ nil) were capitalized as part of the cost of property, plant and equipment.

7. Related party transactions:

Guelph Municipal Holdings Inc. ("GMHI"), the Company's parent, develops, manages and operates the District Energy business on behalf of the Company. Fees for these management services amounted to $2,120 (2013 - $156). The Company also has financed its investment in this new business through GMHI which generated interest expense of $428 (2013 - $115). The Company maintains its liability insurance through the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). The name of the insured is GMHI and the Company is a named additional insured on the policy.

Guelph Hydro Electric System Inc. ("GHESI"), a sister company, performs the review of settlement statements and associated reports regarding the generation output of the Company from the Eastview landfill gas generation plant. GHESI also performs services related to the collection of revenues, payment of purchases and government remittances, engineering, information services, accounting, financial reporting and treasury of the Company. During the year, the Company incurred expenses of $140 (2013 - $143) for these services.

Related party transactions (continued):

Amounts due to related parties at December 31, 2014, for transactions in the normal course of operations, are as follows:

	2014	2013
Due to GMHI	$ 6,805	$ 3,850
Due to GHESI	853	602
	$ 7,658	$ 4,452

8. Long-term debt:

	2014	2013
Promissory note payable to GMHI	$ 9,223	$ 3,015
	9,223	3,015
Less: current portion	-	(317)
	$ 9,223	$ 2,698

a) Promissory note payable to GMHI:

The Company's parent company, ("GMHI"), has provided financial support by way of a promissory note in the amount of $9,223. The purpose of the Note was to finance the company's investment in its new district energy initiative and to retire the company's previous promissory note, which had an outstanding balance of 2,856. The new promissory note is payable in full on its maturity date of January 1, 2024 and bears a fixed rate of interest of 5.264% which is payable semi-annually on each 6-month anniversary date.

9. Future income taxes:

As at December 31, 2014, the Company had $ 7,935 (2013: $4,646) of unused non-capital loss carry-forwards, available to reduce taxable income in future years. Future income tax assets related to these unused tax losses will be recorded when taxable income is generated or management makes the assessment that it is more likely than not that the Company will generate taxable income sufficient to realize the benefit of these unused deductions.

10. Share capital:

	2014	2013
Authorized:		
Unlimited number of common shares		
Issued:		
1 common share	$ 1	$ 1

11. Commitments:

In November 2004, the Company entered into a renewable energy supply contract with the Ontario Electricity Financial Company ("OEFC"). In November 2005, the agreement was assigned by the OEFC to the Ontario Power Authority ("OPA"). Under this agreement, the Company has agreed to supply contract energy up to a maximum amount for twenty years at a fixed contract price. In 2015, the OPA was merged with the Independent Electricity System Operator ("IESO").

In 2012, the renewable supply agreement with the IESO was amended by re-setting the capacity to be delivered under the contract. The amended agreement sets the contract capacity of the landfill generator to 2.5 MW for the seven contract-years, and 1.7 MW for each contract-year thereafter.

In September 2004, the Company entered into a lease and gas utilization agreement with the City of Guelph. Under the agreement, on an annual basis, the Company agrees to pay the City:

a) $5 in advance of each fiscal year, for the use of the Lands and Access Lands.

b) An amount for the cubic feet of landfill gas used by the Company for the preceding fiscal year based on a rate agreed upon at the time of signing the agreement adjusted annually by the Consumer Price Index - Ontario.

c) A percentage rent based on 10% (2013 – 10%) of the difference between gross revenues arising from the sale of electricity and the value of electricity generated at a rate of $57/MWh. In 2014, the amount incurred was $15 (2013 - $15).

11. Commitments continued:

In June 2011, the Company commenced supplying the IESO with electrical energy under a twenty-year Feed-in-Tariff power purchase agreement. The electrical energy is produced by a roof-top mounted array of photo-voltaic solar panels with a total capacity of 125 kW. The IESO purchases all the energy produced by photo-voltaic array. The price that the IESO pays for the electrical energy is fixed by the contract.

The Company also earns revenue from 8 solar photo-voltaic projects that are operated and managed for the City of Guelph. The projects supply electrical energy to the grid under twenty-year MicroFit Feed-in-Tariff power purchase agreements that the City of Guelph has with the IESO. Under the terms of the Agreement between the Company and the City, 96% of the payments from the IESO to the City of Guelph are remitted to the Company.

12. Financial instruments:

At December 31, 2014, the estimated fair market value of cash, accounts receivable, due to related parties, and accounts payable and accrued liabilities was equal to the book value, given the short-term nature of the items.

(a) Credit risk:

The energy generated by the Company is sold to one buyer, the IESO. As an Agency of the Government of Ontario, there is low credit risk associated with this customer.

(b) Market risk:

Market risks primarily refer to the risks of loss that result from changes in commodity prices, foreign exchange rates, and interest rates. The Company currently does not have commodity or foreign exchange risk and all debt has a fixed interest rate.

(c) Liquidity risk:

The Company monitors its liquidity risk to ensure access to sufficient funds to meet operational and investing requirements. The Company's objective is to ensure that sufficient liquidity is on hand to meet obligations as they fall due while minimizing interest exposure. The Company will obtain advances from GMHI and monitor cash balances to ensure that sufficient levels of liquidity are on hand to meet financial commitments as they come due.

The majority of accounts payable, as reported on the balance sheet, are due within 30 days.

12. Financial instruments continued:

(d) Capital disclosures:

The main objectives of the Company when managing capital are to ensure ongoing access to funding to maintain its assets, compliance with covenants related to its credit facilities, prudent management of its capital structure, and to deliver the appropriate financial returns.

The Company's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2014, shareholder's deficit amounts to $8,260 (2013 - $5,718) and long-term debt amounts to $9,223 (2013 - $3,015).

GUELPH MUNICIPAL HOLDINGS INC.

Report to Shareholder | Date of Meeting: June 15, 2015

Re: Appointment of the 2015 Auditors

RESOLVED that:

The recommendation of the Guelph Municipal Holdings Inc. (GMHI) Board of Directors regarding the appointment of auditors for GMHI is received.

AND that:

KMPG LLP are appointed as auditors for Guelph Municipal Holdings Inc. for its 2015 fiscal year.

REPORT:

Section 7.02 (c) of the GMHI-City of Guelph Shareholder Declaration requires GMHI to obtain the approval of the City of the appointment of auditors for GMHI.

At its meeting on May 14, 2015, the GMHI Board approved a recommendation being made to the City for the re-appointment of KPMG LLP, as the auditor of GMHI for the fiscal year 2015.

Pankaj Sardana
Chief Financial Officer, GMHI

GUELPH MUNICIPAL HOLDINGS INC.

Advancing Innovation and Prosperity

Guelph Municipal Holdings Inc.
2014 Annual Report

Guelph Hydro Electric Systems Inc.

ENVIDA community energy

Corporate Profile

VISION

An adaptive, agile and creative corporation focused on value-added public asset management in support of municipal innovation, revenue generation and community prosperity.

MISSION

To actively explore opportunities, establish stakeholder partnerships and act as a vehicle for leveraging and implementing innovative delivery models.

Stay connected with us:

@GuelphHoldings
@GuelphHydro
@EnvidaEnergy

Guelph Municipal Holdings Inc.
Guelph Hydro Electric Systems Inc.
Envida Community Energy Inc.

GUELPH MUNICIPAL HOLDINGS INC.

www.guelphholdings.com

Wholly owned by the City of Guelph, Guelph Municipal Holdings Inc. manages selected City of Guelph assets to maximize value, drive municipal innovation, generate revenue, create jobs and strengthen community prosperity. The company's present portfolio includes Guelph Hydro Electric Systems Inc. and Envida Community Energy Inc.

Guelph Municipal Holdings Inc. actively seeks out partnerships, investments and acquisitions that will add value, improve service, and support effective and forward-thinking city-building. While the focus to date has been on energy-related corporations supporting the *Guelph Community Energy Initiative*, Guelph Municipal Holdings Inc. is currently investigating land development and other strategic interests.

GUELPH HYDRO ELECTRIC SYSTEMS INC.

www.guelphhydro.com

Guelph Hydro Electric Systems Inc., the local distribution company that delivers electricity to more than 53,000 customers in Guelph and Rockwood, is the largest affiliate of Guelph Municipal Holdings Inc. The company is regulated by the Ontario Energy Board, a Crown corporation that regulates the Province of Ontario's electricity and natural gas sectors in the public interest.

Guelph Hydro Electric Systems Inc. is one of the top performers in Ontario's electricity distribution sector in terms of safety, customer service, reliability and energy conservation. Employee performance excellence during day-to-day operations and when responding to emergencies is evidence of a healthy, productive and caring culture.

The company currently provides Control Room services for Milton Hydro and is seeking to expand service offerings in 2015.

ENVIDA COMMUNITY ENERGY INC.

www.envida.ca

Envida Community Energy Inc. is a non-regulated, diversified infrastructure company that develops and operates sustainable energy projects (solar, district energy, combined heat and power/cogeneration and bioenergy) to further the City of Guelph's internationally renowned *Guelph Community Energy Initiative*, help reduce greenhouse gases and shrink the community's carbon footprint.

The operating assets of Envida Community Energy Inc. include the Galt District Energy System in downtown Guelph, photovoltaic solar installations including a 100-kilowatt rooftop solar facility, and the 1.8-megawatt Eastview Landfill Biogas Plant. Other assets include thermal energy contracts and a 20-year contract to supply electricity to the Ontario grid from a natural gas-fired combined heat and power plant to be located in the Hanlon Creek Business Park.

Message from the Chair

On behalf of the Boards of Directors, management teams and the 125 employees of Guelph Municipal Holdings Inc. and its subsidiaries, Guelph Hydro Electric Systems Inc. and Envida Community Energy Inc., I am pleased to provide this 2014 Annual Report to our shareholder, the City of Guelph.

Ted Sehl
Chair
Guelph Municipal Holdings Inc.

Creating Long-Term Economic, Environmental and Social Value

The Guelph Municipal Holdings Inc. 2014 Annual Report will provide our shareholder and other stakeholders with an update on the corporation's progress against its Strategic Plan which, it should be noted, aligns and supports key aspects of the City of Guelph 2012-2016 Strategic Plan.

Our goal in publishing this report is to detail the long-term economic, social and environmental value Guelph Municipal Holdings Inc. brings to the community as an important municipal asset that:

- Provides vital electricity distribution services
- Develops sustainable energy infrastructure in support of the *Guelph Community Energy Initiative*
- Maximizes the value of current and future City-owned assets
- Drives economic growth and community resiliency
- Functions as a profitable investment

2014 Major Accomplishments

Formed in 2011 by Guelph City Council, Guelph Municipal Holdings Inc. advanced key elements of the company's business strategy in 2014 including:

- Finalizing a corporate and governance restructuring which included amalgamating Guelph Hydro Inc. and Guelph Municipal Holdings Inc. and establishing a new Shareholder Declaration
- Appointing new Board members
- Maintaining an investment-grade credit rating
- Delivering a dividend payment of $1.5 million to the City of Guelph, bringing the total amount of dividends paid to the City over the past five years by Guelph Municipal Holdings Inc. and its predecessor organization, Guelph Hydro Inc., to $9.0 million
- Cultivating and leveraging relationships with private sector, community and government representatives
- Ranked 6th* for peak electricity demand and 9th* for energy conservation savings among 76 Ontario utilities
- Signed district energy thermal contracts to provide heating and cooling to Würth Canada's new facility in the Hanlon Creek Business Park and The Tricar Group's River Mill Condominiums in downtown Guelph
- Received a 20-year contract from Ontario's Independent Electricity System Operator to supply electricity to the Ontario grid from a combined heat and power plant to be located in the Hanlon Creek Business Park

(Continued on page 3)

*Based on the Independent Electricity System Operator preliminary unverified 2014 results report

2014 Financial Performance

Guelph Municipal Holdings Inc. reports its financial results using International Financial Reporting Standards (IFRS) which, among other things, obligate the company to report changes in regulatory account balances on its income statement.

The regulated electricity distribution company, Guelph Hydro Electric Systems Inc., which accounts for 99 per cent of the annual earnings of Guelph Municipal Holdings Inc., participates in the Ontario electricity spot market. Certain aspects of the spot market give rise to significant changes in regulatory account balances on an annual basis.

Conversely, the Ontario Energy Board, the regulator of Guelph Hydro Electric Systems Inc., permits these regulatory account balances (and the annual changes to these balances) to be recorded on the balance sheet; thus, mitigating the annual earnings volatility.

Nevertheless, because of the obligations conferred under IFRS and the significant build up in regulatory account balances, Guelph Municipal Holdings Inc. experienced a net loss of $2.3 million in 2014 as reported under IFRS.

GUELPH MUNICIPAL HOLDINGS INC. FINANCIAL HIGHLIGHTS
(in millions of dollars)

	2014	2013
Revenue - Net operating	$26.6	$23.6
Expenses	$28.1	$26.6
Other comprehensive income (loss)	$(0.8)	$0.3
Net comprehensive loss for the year	$(2.3)	$(2.7)

(Message from the Chair – Continued from page 1)

Shaping a Cleaner, More Efficient and Sustainable Energy Future with District Energy

The *Guelph Community Energy Initiative*, a Municipal Energy Plan that was endorsed by Guelph City Council in 2006, sets out ambitious goals for reductions in energy use and greenhouse gas emissions by 2031.

Currently, the energy required to heat and cool homes and buildings accounts for about half of Guelph's total energy use and is a major contributor to greenhouse gas emissions. In order to achieve the energy and emissions reduction targets set out in the *Guelph Community Energy Initiative*, the efficiency of the heating and cooling of homes and buildings must be greatly improved.

Recognizing this, in 2013 Guelph Municipal Holdings Inc. and its subsidiary, Envida Community Energy Inc., collaborated with the City of Guelph to draft a *District Energy Strategic Plan*. This landmark document sets out a vision for a community-wide district energy grid that would help combat climate change through a significant drop in energy use and greenhouse gases.

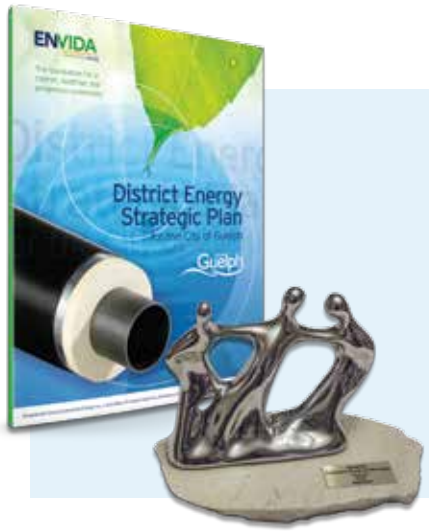
Moreover, in terms of economic development, a city-wide district energy network would provide Guelph with a distinct competitive advantage, positioning the City as one of the top energy performers in Canada and establishing the community as Canada's District Energy Centre of Excellence.

Envida Community Energy Inc. now has two "nodes" of the district energy grid in operation. A temporary district energy plant supplies heating and cooling to the new Würth Canada facility constructed in the Hanlon Creek Business Park in 2014. Other buildings are expected to connect to the system as the business park is developed.

In the downtown area, the Galt District Energy System currently supplies heating and cooling for the Sleeman Centre. In the spring of 2015, construction commenced on an expansion of the system to supply The Tricar Group's River Mill Condominium building.

Subsidiaries Delivered a Wide Range of Operational Achievements

Highlighted in this report are the many achievements and details on the material issues of our two subsidiary companies: Envida Community Energy Inc. and Guelph Hydro Electric Systems Inc.



ENVIDA community energy HIGHLIGHTS

In addition to developing district energy projects, Envida Community Energy Inc. operated a number of rooftop solar facilities and the Eastview Landfill Biogas Plant.

Of particular note, Envida Community Energy Inc. was awarded a 20-year contract to supply electricity to the Ontario grid from a highly efficient, natural gas-fired combined heat and power facility planned for construction in the Hanlon Creek Business Park.

Combined heat and power (or cogeneration) systems address a number of the community's priorities—increasing energy efficiency, reducing greenhouse gas emissions, strengthening the resiliency of the City's energy infrastructure, improving energy security, growing the local economy and improving the competitiveness of local industries. As such, the 20-year contract from Ontario's Independent Electricity System Operator is a significant milestone in realizing the vision of the *Guelph Community Energy Initiative*.

(Continued on page 5)

COMMUNITY ENERGY BUILDER AWARD

By publishing the District Energy Strategic Plan, Guelph became the first community in North America to establish and announce a plan for an interconnected thermal grid to serve buildings across the city. Envida Community Energy's pioneering work in this field was acknowledged by QUEST (Quality Urban Energy Systems of Tomorrow) with a 2014 Community Energy Builder Award for demonstrating leadership and innovation in advancing smart energy communities in Canada.

2014 Highlights

Awards – Enhancing Community Reputation

- Awarded the Quality Urban Energy Systems of Tomorrow (QUEST) 2014 Community Energy Builder Award
- Guelph Hydro Inc.* ranked 16th on Corporate Knights 2015 Future 40 Responsible Corporate Leaders in Canada
- Received an eleventh President's Award from the Infrastructure Health and Safety Association for achieving 500,000 hours without a Lost Time Incident
- The Guelph Hydro Inc. 2013 Sustainability Report was honoured with three Pinnacle Awards from the Canadian Public Relations Society, one Virtuoso Award from the International Association of Business Communicators, and a Gold Level Hermes Creative Award

Contributing Economic Value

- Paid a dividend of $1.5 million to the City of Guelph
- Generated $65.9 million in local economic benefits
- Paid out $2.5 million to customers in energy conservation incentives
- Invested $18.1 million in capital projects
- Paid more than $325,000 in property taxes

Providing Social Benefits

- Provided 125 local jobs
- Achieved 666,953 hours without a lost-time injury
- Contributed $31,000 to the Low-Income Energy Assistance Program (LEAP) delivered through local social service agencies
- Provided electrical safety presentations to students in 12 local elementary schools
- Presented four Electrical Safety for First Responders seminars to Guelph Police Service 911 Operators
- Provided two $1,000 bursaries to Powerline Technician students at Conestoga College
- The Guelph Hydro Employees' United Way campaign raised a record-setting $63,512
- Employees contributed $11,780 to fundraising efforts for the Guelph & Wellington Children's Foundation, the Canadian Cancer Society, Hospice Wellington and the Humane Society

Improving the Environment

- By promoting saveONenergy™ programs, Guelph Hydro reduced electricity consumption between 2011 and 2014 by more than 36.5 million kilowatt hours,** saving enough energy to power 3,800 homes for one year
- Helped reduce greenhouse gas emissions by providing district heating and cooling to the Sleeman Centre in downtown Guelph and Würth Canada's new facility in the Hanlon Creek Business Park
- Guelph Hydro Electric Systems Inc. connected one Feed-in-Tariff (FIT) and 39 microFIT solar installations to the electrical grid
- Generated 9,552 megawatt hours of renewable energy for the Ontario grid

* Guelph Hydro Inc. and the parent company, Guelph Municipal Holdings Inc., were amalgamated in 2014. ** Incremental annual energy savings

(Message from the Chair – Continued from page 3)

Guelph Hydro Electric Systems Inc. HIGHLIGHTS

Guelph Hydro Electric Systems Inc., the local distribution company (LDC) that delivers electricity to over 53,000 customers in Guelph and Rockwood, contributed 99 per cent of the annual earnings of Guelph Municipal Holdings Inc.

Guelph Hydro Electric Systems Inc. continues to be one of the top performers in Ontario's regulated electricity distribution sector in terms of safety, customer service, reliability and energy conservation.

However, looking forward, Ontario's electrical utility industry is changing. Factors combining to transform the industry include advances in smart grid and renewable technologies; evolving customer expectations; increasing regulatory pressures; growing demands for system reliability, resiliency, and capacity; and, most recently, Ontario government policy changes focused on increasing efficiency and affordability that are expected to drive rapid consolidation of Ontario's 76 local distribution companies.

These changes will have a profound impact on the utility sector and may require local distribution companies to develop new strategies and business models to address and adapt to the evolving industry landscape.

At Guelph Municipal Holdings Inc., we believe change brings opportunity. We are confident that with Guelph Hydro Electric Systems Inc.'s solid reputation as an industry leader, workforce of skilled and dedicated employees and track record of performance excellence, the company is well positioned for future success.

In 2015, Guelph Municipal Holdings Inc. and its subsidiary companies will be closely monitoring developments in the Ontario utility industry, ready and willing to address new challenges, embrace new opportunities as they arise and explore new business models; continually striving to enhance the value we bring to our shareholder, our customers and the community.

Commercial Approach to Sustainable Community Investment

One of the principle benefits that Guelph Municipal Holdings Inc. provides to the City of Guelph is a model for governance and a corporate structure that supports a commercial approach to sustainable investment in community infrastructure and services.

In 2014, the company spent time actively seeking out partnerships and investments that will optimize value, innovate for the future, drive community sustainability and maximize collaborative city-building opportunities.

While the focus to date has been on energy-related entities supporting the *Guelph Community Energy Initiative*, looking forward, Guelph Municipal Holdings Inc. will be investigating land development and other strategic interests that will generate increased value by supporting the evolving needs of the community.

In summary, the Board of Directors of Guelph Municipal Holdings Inc. is very pleased with the company's progress and performance in 2014 delivering economic, social and environmental benefits to the community through the achievement of its business strategies.

Thank you to the employees and Board members of Guelph Municipal Holdings Inc. and its subsidiaries for their dedication and efforts providing essential utility services and developing important sustainable energy projects that are advancing innovation and prosperity in Guelph.

Ted Sehl

Chair
Guelph Municipal Holdings Inc.

POSITIVELY IMPACTING THE LOCAL ECONOMY

Guelph Municipal Holdings Inc. Delivered

$65.9 MILLION

in Direct Economic Value in 2014*

Guelph Municipal Holdings Inc. and its subsidiaries are an integral part of the Guelph community, delivering direct and indirect economic benefits to help the community grow and prosper.

In 2014, Guelph Municipal Holdings Inc. and its subsidiaries contributed $65.9 million in direct economic value* to the communities of Guelph and Rockwood and the Province of Ontario.

$24.9 M

Operating Expenses

Property taxes, water costs, facility costs, professional fees, local purchasing, employee compensation and benefits, etc.

$18.1 M

Capital Expenditures

Investments in electricity distribution and thermal energy infrastructure to serve the needs of the growing community

$18.0 M

Energy Incentives and Rebates

Includes the Ontario Clean Energy Benefit, rebates for customers who generate renewable electricity, and electricity conservation and demand management incentives paid to local residents and businesses

$3.3 M

Payments to Capital Providers and Government

Interest and payments in lieu of taxes

$1.5 M

Dividends

Dividends paid to our shareholder, the City of Guelph

$0.1 M

Corporate Giving

Employer and employee contributions to the United Way and other not-for-profit and community organizations

*To measure our financial impact, Guelph Municipal Holdings Inc. has used the key Global Reporting Initiative (GRI) metric of direct economic value. This metric calculates the value generated and distributed including revenues, operating costs, employee compensation, donations, other community investments, retained earnings and payments to capital providers and government.

Photo credit (top): Guelph Tourism Services
Photo credit (bottom): Independent Electricity System Operator (formerly Ontario Power Authority)

Maximizing Collaborative City-Building Opportunities

The Municipal Act governs the extent of powers and duties, internal organization and structure of municipalities in Ontario. Today, municipalities face the challenge of maintaining infrastructure, enhancing municipal service levels and investing in city-building, all the while maintaining affordable tax rates and user fees. Recognizing the difficulties this presents, the Ontario government amended the Municipal Act in 2006; thus, creating the conditions for the creation of Guelph Municipal Holdings Inc.

Guelph Municipal Holdings Inc. and its subsidiary companies have a unique business opportunity. As companies governed under the Ontario Business Corporations Act, Guelph Municipal Holdings Inc. and its subsidiaries may take steps to address complex city-building challenges by using City of Guelph assets as its contribution in developing partnerships with the private sector, community stakeholders and other levels of government.

When managed properly, and with appropriate oversight by the Guelph Municipal Holdings Inc. Board of Directors as well as City Council as the company's shareholder, these activities have the potential to have a profound impact on local economic sustainability and community well-being. Moreover, the City can derive a direct benefit from successful business ventures of this type in the form of dividends.

Sustainable energy projects completed by Envida Community Energy Inc. and listed below provide some excellent examples of how leveraging City assets under Guelph Municipal Holdings Inc. is benefiting the City of Guelph by supporting the City's economic development objectives and furthering the goals of the *Guelph Community Energy Initiative*:

- Installing photovoltaic solar facilities on the roofs of City buildings
- Installing ground-mounted solar panels under the Speedvale water tower
- Constructing the Galt District Energy System in the City-owned Sleeman Centre to provide heating and cooling to the Sleeman Centre and The Tricar Group River Mill Condominiums
- Constructing a district energy system on leased City land to provide heating and cooling in the Hanlon Creek Business Park and help attract businesses to locate in this greenfield site
- Operating the Eastview Landfill Biogas Plant that generates electricity from landfill gas at the City of Guelph's Eastview Landfill site

Looking forward, Guelph Municipal Holdings Inc. will be looking beyond energy for opportunities to collaborate with the City to maximize city-building without burdening the taxpayer.

Photo credit: Independent Electricity System Operator

2014 Fast Facts

Total Full-Time Employees	125
Guelph Municipal Holdings Inc.	9
Guelph Hydro Electric Systems Inc.	116
Envida Community Energy Inc.	0

Service Territory	Guelph & Rockwood
Population – Guelph and Rockwood	134,744
Total service area	93 square kilometres

Non-Electricity Customers	4

Electricity Customers	53,007
Total Electricity Consumed	**1,765 gigawatt hours**
Residential	
Number of customer accounts	48,384
Total electricity consumption	376 gigawatt hours
Average monthly consumption	648 kilowatt hours
Commercial (includes scattered loads, sentinel lighting and street lighting)	
Number of customer accounts	4,619
Total electricity consumption	1,105 gigawatt hours
Large industrial users >5,000 kilowatts	
Number of customer accounts	4
Total electricity consumption	284 gigawatt hours

Total assets	$193 million
Overhead lines/underground cable	431 kilometres / 672 kilometres
Total circuit length	1,103 kilometres
Municipal transformer stations/substations	1 transformer station /2 substations
Transformers	5,856
Poles	11,166
Fleet vehicles	43 (includes 1 hybrid bucket truck, 1 all-electric service van)
LEED® –certified office building and service centre	1
Electricity generation facilities	3 with a capacity of 2 megawatts of energy (MWe)
Thermal energy generation facilities	2 with a capacity of 18 million British thermal units (BTU) per hour of hot water and 470 tonnes of chilled water

Distribution System Performance	
System peak demand	
2014 peak demand	
Summer	280 megawatts
Winter	270 megawatts
Historical peak demand	
Summer	303 megawatts in 2013
Winter	270 megawatts in 2014

Distribution System Reliability	
Index of reliability	
Excluding upstream loss of supply	99.9941%
Including upstream loss of supply	99.9915%
SAIDI – System Average Interruption Duration Index	
Excluding upstream loss of supply	0.52 = average customer without power: 31 minutes
Including upstream loss of supply	0.75 = average customer without power: 45 minutes
SAIFI – System Average Interruption Frequency Index	
Excluding upstream loss of supply	1.05 interruptions
Including upstream loss of supply	1.24 interruptions
CAIDI – Customer Average Interruption Duration Index	
Excluding upstream loss of supply	0.49 = 29 minutes per average customer interrupted
Including upstream loss of supply	0.61 = 37 minutes per average customer interrupted
MAIFI - Momentary Average Interruption Frequency Index	
Number of momentary interruptions	185
Month(s) with the highest number of momentary interruptions	August

RELIABILITY INDICATORS

Distribution system reliability indices (SAIFI, SAIDI, CAIDI) include all planned and unplanned interruptions lasting more than one minute. Momentary interruptions (MAIFI) last less than one minute.

Loss of supply refers to the customer interruptions caused by an outage that occurs upstream of the Guelph Hydro Electric System Inc. distribution system.

Calculation Formulas:
SAIFI = Total customer interruptions / Total customers served
SAIDI = Total hours of customer interruptions / Total customers served
CAIDI = SAIDI/SAIFI
Average amount of time customers were without power = CAIDI * 60

Index of Reliability = (# of hours in the year – SAIDI) / (# of hours in the year)

Electricity Generated by Guelph Municipal Holdings Inc. and Subsidiaries	
Total electricity generated	9,563,345 kilowatt hours
Envida Community Energy Inc. – Southgate Rooftop Solar Facility – 100 kWe	
Total electricity generated	74,154 kilowatt hours
Average monthly generation	6,180 kilowatt hours
Guelph Hydro Electric Systems Inc. – Arlen Transformer Station Rooftop Solar Facility – 10 kWe	
Total electricity generated	10,766 kilowatt hours
Average monthly generation	897 kilowatt hours
Envida Community Energy Inc. – Eastview Landfill Biogas Facility – 1.85 MWe	
Total electricity generated	9,467 megawatt hours
Average monthly generation	789 megawatt hours
Guelph Hydro Electric Systems Inc. – Emergency Backup Generator	
Total electricity generated	11,073 kilowatt hours

Electricity Generated by Customers	
Feed-in-Tariff (FIT) installations	**28**
Total electricity generated	8,207,554 kilowatt hours
Average monthly generation	683,963 kilowatt hours
MicroFIT installations	**281**
Total electricity generated	2,144,223 kilowatt hours
Average monthly generation	178,685 kilowatt hours
Renewable Energy Standard Offer Program (RESOP)	
Number of installations	2
Nameplate capacity	5 kilowatts
Cogeneration installations	**4**
Nameplate capacity	4.6 megawatts

kWe = Kilowatt of electrical energy / MWe = Megawatt of electrical energy

"Guelph Hydro Electric Systems Inc. is accountable for providing a safe, reliable and cost-effective supply of electricity to the Guelph and Rockwood communities. In the face of a rapidly evolving industry, we strive to integrate economic, environmental and social values within the framework of good governance practices to continually enhance the value we provide to the communities we serve."

Jasmine Urisk
Chair
Guelph Hydro Electric Systems Inc.

Creating Value for Customers and our Shareholder

Guelph Hydro Electric Systems Inc. continues to fulfill its goal of supplying safe, reliable and affordable electricity to more than 53,000 customers in the City of Guelph and the Village of Rockwood.

Within the energy industry, Guelph Hydro Electric Systems Inc. enjoys a reputation as a leader—notably in terms of safety and energy conservation—and staff are frequently invited to contribute as trusted advisors to government and industry, serving on councils and task forces or speaking at industry events.

Solid Financial Performance

Guelph Hydro Electric Systems Inc. completed a very strong year in 2014, meeting financial and key operational objectives while positioning the company for future challenges.

The company's strong balance sheet, investment-grade credit rating and commitment to effective cost control and prudent capital investment, continue to provide value to its shareholder, Guelph Municipal Holdings Inc., and customers.

Fostering a Safe Work Environment

Maintaining reliable and efficient energy infrastructure requires a well-trained, dedicated staff willing to work in severe weather and potentially hazardous conditions to handle repairs as well as to conduct upgrades and maintenance. As such, Guelph Hydro Electric Systems Inc. is committed to protecting the health, safety and well-being of employees, contractors, customers and the communities in which we operate.

Thanks to the individual efforts of all employees to work safely every day, good safety management practices and proactive due diligence, Guelph Hydro Electric Systems Inc. recorded no Lost Time Incidents in 2014. By year-end, employees had achieved 666,953 hours of work without a Lost Time Incident.

"In 2014, Guelph Hydro Electric Systems Inc. expanded its Control Room to provide services for Milton Hydro under a shared services agreement. The Guelph Hydro Control Room will extend its hours from five-days-per-week to seven-days-per-week coverage in 2015."

Kazi Marouf
Chief Operating Officer
Guelph Hydro Electric Systems Inc.

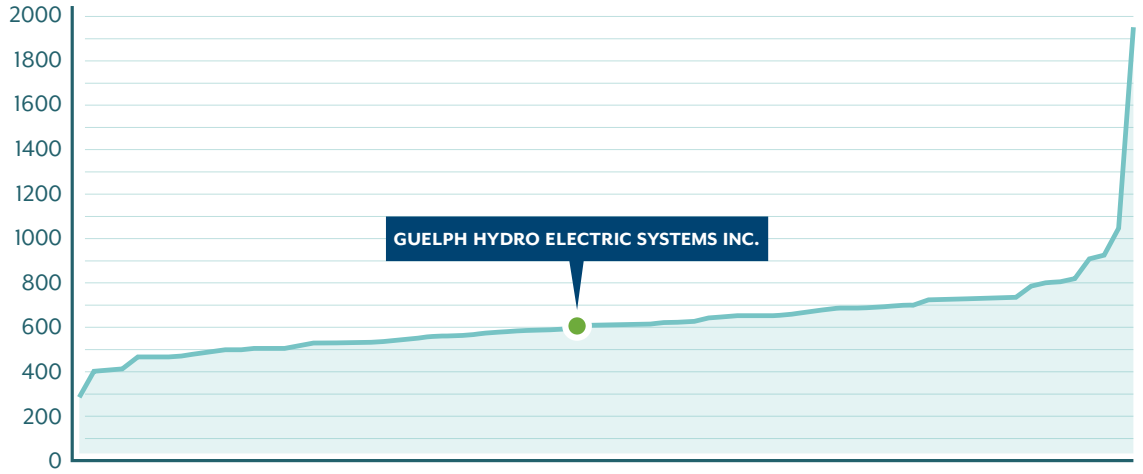
Keeping Electricity Affordable

The Ontario Energy Board is responsible for setting electricity rates across the province. However, electricity distribution rates for each of Ontario's local electricity distribution companies, like Guelph Hydro Electric Systems Inc., vary widely, reflecting each utility's unique operational structure and costs. As a result, customer electricity bills differ depending on the utility service territory in which they are located.

When applying for new electricity distribution rates, Guelph Hydro strives to strike a balance between "keeping the lights on" and keeping rates affordable. For companies looking to locate a new business or expand a current operation, affordable electricity rates are one of the factors they consider in making a decision.

Recognizing this, Guelph Hydro Electric Systems Inc. continually seeks out ways to improve efficiency and reduce costs. In 2014 alone, cost savings in telephone systems, employee benefits and technology improvements totalled more than $249,000.

COST COMPARISON: OPERATING, MAINTENANCE & ADMINISTRATION COSTS PER CUSTOMER INCLUDING CAPITAL COSTS – 2013



Guelph Hydro's ability to run an efficient and productive operation can be measured by comparing the company's operating, maintenance and administration (OM&A) costs per customer against those of other utilities. Because we have invested in smart, cost-efficient technologies and worked hard to keep operating costs down, the bill of a typical Guelph Hydro Electric Systems Inc. residential customer using 800 kilowatt hours of electricity per month compares favourably against that of other utilities.

Source: Ontario Energy Board

Addressing Infrastructure Capacity and Resiliency

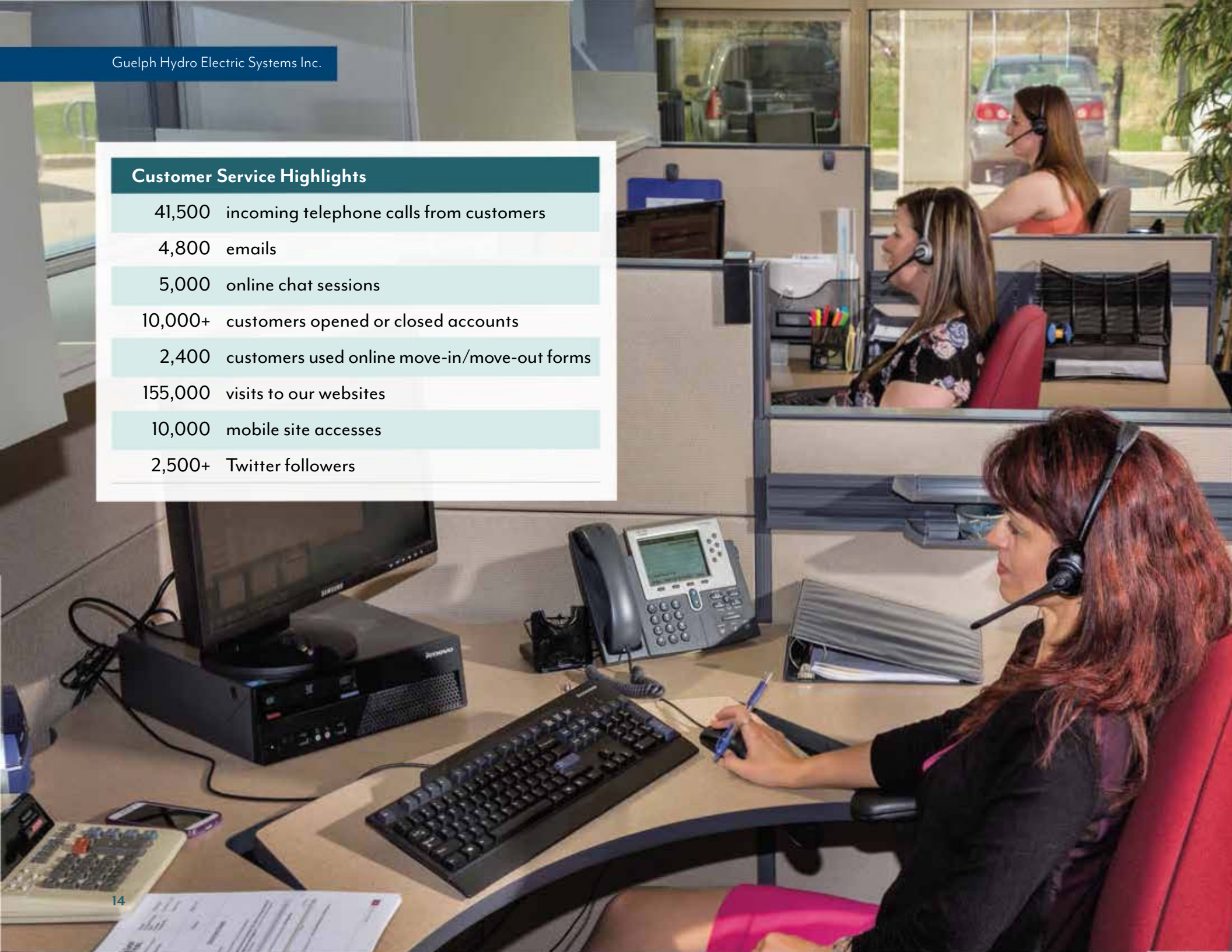
Guelph Hydro Electric Systems Inc. serves one of Ontario's fastest growing communities. In 2014, the company connected 660 single-family dwellings and multi-residential units to the electricity distribution network.

Although many utilities are struggling to upgrade aged infrastructure, Guelph Hydro's highly reliable, complex electricity distribution network is evidence of a long history of applying quality engineering design standards, conscientious preventive equipment maintenance, and proactive system upgrades.

Prudent investments made in recent years in advanced smart grid, distribution system and communication technologies are, today, benefiting customers by reducing the number and length of power outages, enabling faster power restoration after severe storms and improving outage communications through the use of dynamic outage maps on the company's website and mobile site.

The impact of our capital investments is significant. Over the past five years, Guelph Hydro Electric Systems Inc. has invested $13 million in critical infrastructure improvements focused on growth, system reliability and customer care. As a result, Guelph Hydro Electric Systems Inc. achieved a system reliability index of 99.9941 per cent in 2014, evidence that the company operates one of the most reliable electricity distribution networks in the Province.

Meanwhile, Hydro One is adding transmission capacity to the area under its Guelph Area Transmission Reinforcement project. Guelph Hydro Electric Systems Inc. staff members have been working with Hydro One on this project with the support of the City of Guelph.



Customer Service Highlights	
41,500	incoming telephone calls from customers
4,800	emails
5,000	online chat sessions
10,000+	customers opened or closed accounts
2,400	customers used online move-in/move-out forms
155,000	visits to our websites
10,000	mobile site accesses
2,500+	Twitter followers

Engaging Customers to Determine Wants and Needs

Recognizing that the utility sector is undergoing a major transformation driven by changes in public policy, advances in smart grid and renewable technologies, changing consumer expectations, and the ever-increasing need for affordability, Guelph Hydro Electric Systems Inc. devoted considerable time in 2014 and early 2015 reaching out and engaging all classes of customers in person, on the telephone, online and via social media to better understand their evolving wants and needs.

As a result, a new "We are Listening" Customer Centric Service Strategy was developed and is responding to the rising demand for self-service options, online chat functionality, 24/7 accessibility, up-to-the-minute power outage reporting, mobile connectivity and social media interaction. These improved processes and services are simultaneously enhancing the customer experience, increasing productivity and lowering costs.

An online customer survey conducted in 2014/2015 solicited input from customers to help determine how to improve customer services.

Investing in our Employees

In order to best serve our customers and our communities, Guelph Hydro Electric Systems Inc. works hard to attract, develop and retain an engaged, high-performing workforce—one of the best in the industry. We take pride in providing a safe and respectful workplace where employees are highly valued, treated fairly, provided with challenging and meaningful work, and recognized and rewarded for their skills, talent and dedication.

We invest in the future of our employees by providing a wide range of skills training. In 2014, skilled trade workers, technicians and technologists received an average of 64 hours of training while management/professional and administrative staff received an average of 23 hours and 10 hours of training respectively.

Employees pursuing college or university level courses in work-related programs on their own time can benefit from an educational funding program.

Leading in Energy Conservation

Reducing the amount of electricity used by homes and businesses saves customers money on their electricity bills and helps avoid the need to build expensive new electricity generation and transmission capacity. Recognizing this, the Ontario Energy Board set energy conservation targets for all local distribution companies in the province to be achieved by the end of 2014.

The efforts of Guelph Hydro Electric Systems Inc. to promote energy conservation have been so effective that, in 2014, the company ranked 6th* in the province for demand reductions and 9th* in the province for energy savings among 76 Ontario utilities and maintained its reputation as a leader in the effort to achieve Ontario's full energy efficiency potential.

In 2014 alone, residential and commercial energy conservation programs saved more than 5.1 million kilowatt hours of electricity, enough energy to power more than 530 homes for one year. This brings the total of incremental annual electricity savings achieved between 2011 and 2014 as a result of Guelph Hydro's efforts, to 36.5 million kilowatt hours of electricity savings—enough energy to power 3,800 homes for one year.

CHAMPIONING ENERGY CONSERVATION

Guelph Hydro Electric Systems Inc. excels in promoting energy conservation to customers.

	Reduction in Peak Demand	Reduction in Electricity Consumption
Provincial Energy Conservation Target 2011-2014	1,330 megawatts	6,000 gigawatt hours
Guelph Hydro Portion of the Provincial Target 2011-2014	16.71 megawatts**	79.53 gigawatt hours
Energy Conservation Savings Forecast by Guelph Hydro in 2014***	16.5 megawatts	107.2 gigawatt hours
% of Guelph Hydro's Target	99%	135%
Provincial Ranking (# of 76 utilities)	Ranked 6th*	Ranked 9th*

* Based on the Independent Electricity System Operator preliminary unverified 2014 results report

** 2014 net annual peak demand savings which is equivalent to removing one of Guelph Hydro's largest customers from the grid

*** Unverified Guelph Hydro results forecast

Why Should We Care About Reducing Greenhouse Gases in Guelph?

Climate change and a reduction of greenhouse gas emissions (GHG) are often discussed as a global issue. While this may be true, many aspects of climate change and greenhouse gas emissions directly relate to challenges experienced at the local level.

Building a Resilient Community and Prosperous Economy

Current and potential future activities of Guelph Municipal Holdings Inc. may not only mitigate the effects of climate change on the community but also take advantage of Ontario's anticipated 'cap-and-trade' system for carbon pricing. For example:

- Communities across Canada are already dealing with the impact of climate change[1]. In Ontario, more intense storms are challenging local infrastructure, resulting in increased costs to taxpayers to maintain roads, sewers, water infrastructure, etc. Guelph Municipal Holdings Inc. can play a significant role in mitigating these impacts and enhancing community resilience by developing energy infrastructure (district energy grids, combined heat and power facilities, solar installations) that reduces the need for fossil fuels and is resilient to such weather extremes.
- Carbon-based, greenhouse gas-emitting energy sources (oil, natural gas) are subject to increasing price volatility and unpredictability. Reducing greenhouse gases through accelerated energy conservation and the use of local renewable generation sources (solar, bioenergy) will provide stability and support a more stable local economy in the future.
- A 'cap-and-trade' system for carbon trading will put a market value on greenhouse gas reductions. A city-wide district energy system will offer companies the benefit of being able to take advantage of the emission reductions offered by district energy; thereby strengthening the business case for district energy and helping to increase investment in Guelph.
- Fuel sources for community energy systems can be renewable or non-renewable. As an added benefit, district energy systems can be adapted or changed over to new, more advantageous, energy sources as they become available.

FCM FEDERATION OF CANADIAN MUNICIPALITIES FÉDÉRATION CANADIENNE DES MUNICIPALITÉS

Enhancing Community Resilience to Climate Change

"Actions taken by towns and cities today to enhance community resilience to climate change will greatly influence their ability to meet future sustainability goals, as well as their ability to underwrite the human and economic costs of climate-related effects. Their decisions can increase or decrease vulnerability to future climate change."

Federation of Canadian Municipalities[2]

[1] Federation of Canadian Municipalities – Climate Change Adaptation - http://www.fcm.ca/home/issues/environment/climate-change-adaptation.htm

[2] Federation of Canadian Municipalities – Climate Change Adaptation – Taking Action - http://www.fcm.ca/home/issues/environment/climate-change-adaptation/taking-action.htm

ENVIDA community energy

District Energy in Downtown Guelph

The Galt District Energy System in downtown Guelph consists of a central thermal energy facility located in the Sleeman Centre and a network of insulated, underground pipes that will transport hot water and chilled water to buildings in the area for space heating and cooling as well as for heating hot water.

Clients of a district energy system do not need to purchase or operate their own furnaces, boilers, air conditioning systems or cooling towers; thus, saving on up-front capital equipment and ongoing maintenance costs.

Supplying heating and cooling for the 13,378-square metre (144,000 square foot) Sleeman Centre since December 2013, the system is being expanded to serve the Tricar Group's River Mill Condominium building under construction at the corner of Macdonell and Wellington Streets.

The natural gas-fuelled thermal energy plant located in the Sleeman Centre, Guelph's premier sports and entertainment facility located in downtown Guelph, went into commercial operation in December 2013. The district energy system provides heating and cooling to the Sleeman Centre and is being expanded to service The Tricar Group's River Mill Condominium development.

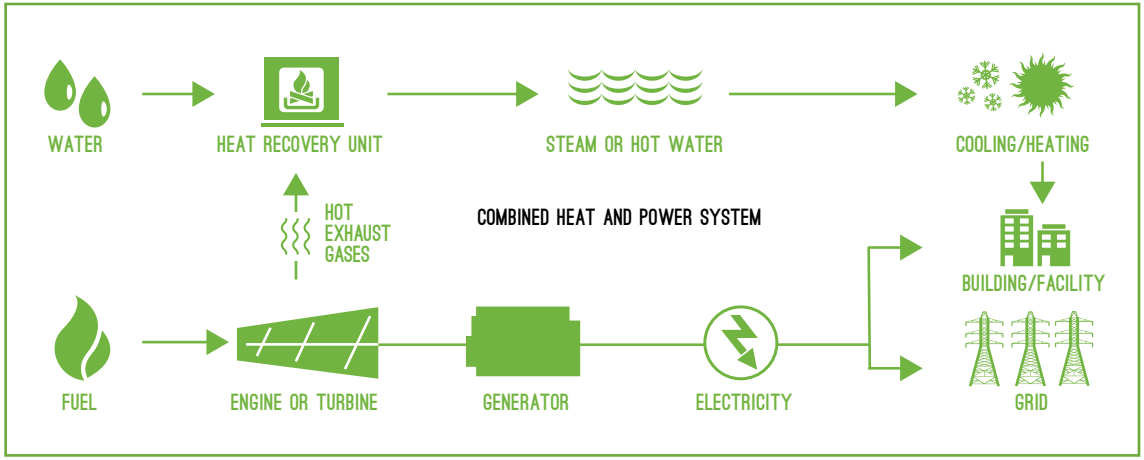
Combined Heat and Power in the Hanlon Creek Business Park

Combined heat and power (also called CHP or cogeneration) is one of the most efficient ways to generate electricity and is, therefore, an important component of the City of Guelph's energy plan and a key area of focus for Envida Community Energy Inc.

In 2014, Envida Community Energy Inc. was awarded a 20-year contract to supply electricity to the Ontario grid from a natural gas-fired combined heat and power plant to be located in the Hanlon Creek Business Park. Currently under development, this plant will generate 10.2 megawatts of electricity and serve as a heat source for a district energy plant that will supply economical heating, cooling and domestic hot water via a network of underground pipes to commercial and industrial companies in the vicinity.

Waste heat from fuel burned to generate electricity that is normally exhausted into the atmosphere is captured and used directly as hot air for heating buildings or drying purposes or to produce steam, hot water or chilled water.

One application particularly relevant to the Guelph community is to use the waste heat from a combined heat and power facility to heat water for a district energy system.



Combined heat and power refers to the simultaneous production of electricity and thermal energy from a single renewable or non-renewable fuel source such as biogas, biomass or, more commonly, natural gas.

District Energy in the Hanlon Creek Business Park

Designed to service Guelph's growing population and employment needs, the 675-acre Hanlon Creek Business Park is expected to attract 10,000 jobs by 2031.

In 2014, Würth Canada became the first customer to connect to the Envida Community Energy Inc. district energy system located in the Hanlon Creek Business Park. Currently a temporary thermal plant capable of providing 1.3 million British thermal units per hour of hot water and 128 tons of chilled water is supplying heating and cooling for 2,415-square metres (26,000 square feet) of office space in Würth Canada's new state-of-the-art facility.

Photo credit: City of Guelph

"Guelph's forward-thinking energy plan has had an impact on us. We believe anything that will help sustain the environment is something we should work towards. The clean thermal energy delivered to our new facility from Envida Community Energy's district energy system, will provide us with a more stable, reliable and affordable energy service for years to come."

Ernie Sweeney
President and Chief Executive Officer, Würth Canada

Solar Photovoltaic Installations

The *Guelph Community Energy Initiative* calls for the implementation of 1,000 solar roofs. Envida Community Energy Inc. is supporting this effort by leasing the rooftops of municipal, industrial, commercial and institutional buildings for solar panel installations.

Envida Community Energy Inc. has installed and operates the following solar installations :

- Guelph Hydro Electric Systems Inc. Head Office – 100 kilowatt rooftop solar*
- Guelph Fire Department
  - Headquarters Building - 10 kilowatt rooftop solar**
  - Firehall Number 3 - 10 kilowatt rooftop solar**
  - Firehall Number 5 - 10 kilowatt rooftop solar**
- River Run Centre – 10 kilowatt rooftop solar**
- City of Guelph Public Works Building – 10 kilowatt rooftop solar**
- Speedvale Water Tower – 10 kilowatt ground-mounted solar**
- Guelph Lawn Bowling Club – 8 kilowatt rooftop solar**

Solar panels on the roof of the Guelph Lawn Bowling Club are visible from Gordon Street in Guelph.

The 100 kilowatt solar installation on the roof of the Guelph Hydro building on Southgate Drive feeds electricity into the Ontario grid under a 20-year Feed-in Tariff (FIT) contract.

*Feed-in-Tariff (FIT) contract owned by Guelph Municipal Holdings Inc. ** microFIT contracts owned by the City of Guelph

Corporate Governance

Guelph Municipal Holdings Inc. is a company set up by Guelph City Council in August 2011 to manage selected City of Guelph-owned assets for the purpose of maximizing their revenue potential and contributing to community well-being and prosperity.

Guelph Municipal Holdings Inc. is structured under the Business Corporations Act (Ontario) under Section 203 of the Municipal Act 2001 (Ontario) and related regulations. The City of Guelph is the sole shareholder of all issued shares of Guelph Municipal Holdings Inc.

To ensure alignment with the City's strategic plan, the City communicates its expectations of and objectives for the Corporation and establishes the mandate, scope of responsibility, reporting requirements and a framework of corporate governance for Guelph Municipal Holdings Inc.

Guelph Municipal Holdings Inc. is the sole shareholder of Guelph Hydro Electric Systems Inc. and Envida Community Energy Inc. and shares its core operating principles with its subsidiary companies. Such principles include, but are not limited to, collaboration, transparency, efficiency and effectiveness.

Effective corporate governance is essential to the success of all organizations, regardless of whether they exist in the public, private or not-for-profit sectors. Strong governance practices can generate a variety of benefits including revenue maximization through strategic resource deployment, minimization of risk, and higher levels of trust and confidence for all stakeholders including citizens and employees.

Since its inception, Guelph Municipal Holdings Inc. has been working to establish a strong governance structure, assemble a talented management team and develop a skills-based Board with the capacity to effectively manage City-owned assets and evaluate risk. Major advances were made in all these areas in 2014, with the amalgamation of Guelph Hydro Inc. and Guelph Municipal Holdings Inc., the appointment of Barry Chuddy as Chief Executive Officer and the recruitment of three new highly skilled Board members.

Guelph Municipal Holdings Inc., its Board and its management are committed to the highest standards of corporate governance and business ethics. While Guelph Municipal Holdings Inc. is not a publicly traded company, the Corporation targets compliance with the corporate governance guidelines of the Canadian Securities Administrators.

With regard to risk management, the Board and Board Committees have specific oversight responsibility for evaluating risks associated with major investments and strategic initiatives. The Board oversees the implementation and effectiveness of programs within all subsidiaries to ensure safety, ethics, and compliance with all legal, financial, regulatory and environmental obligations.

GUELPH MUNICIPAL HOLDINGS INC. BOARD OF DIRECTORS

Guelph Municipal Holdings Inc. is guided by the community vision and strategic priorities of Guelph City Council and its Board reports directly to Council and, thus, to Guelph citizens. It operates as an independent and self-funding corporation governed by a Board comprised of municipal officials, including the Mayor of Guelph and one City Councillor, and private citizens who serve as independent directors and contribute their broad experience, expertise and oversight.

Municipal members do not receive any remuneration for serving on the Board of Guelph Municipal Holdings Inc. or its subsidiaries other than monies expressly approved by the City and expenses related to their role on the Board. Private citizens who serve on the Board of Guelph Municipal Holdings Inc. or its subsidiaries receive compensation and expenses.

Ted Sehl
Chair

Cam Guthrie
Mayor of Guelph

Curt Hammond

William Koornstra

Mary Ellen Richardson

R.L. Bud Smith

Karl Wettstein
City Councillor

GUELPH MUNICIPAL HOLDINGS INC. CORPORATE OFFICERS*

R.L. Bud Smith
President and
Chief Executive Officer

Pankaj Sardana
Chief Financial Officer

Seymour Trachimovsky
Corporate Secretary

*As at May 25, 2015

GUELPH HYDRO ELECTRIC SYSTEMS INC. BOARD OF DIRECTORS

Guelph Hydro Electric Systems Inc., its Board and its management are committed to the highest standards of corporate governance and business ethics. Although not publicly traded, the Board and management team target compliance with the corporate governance guidelines of the Canadian Securities Act and the requirements of the Ontario Energy Board's Affiliate Relationships Code.

The Guelph Hydro Electric Systems Inc. skills-based Board is made up of members fully independent of management. Although the Ontario Energy Board's Affiliate Relationships Code requires that three members are independent of the Guelph Municipal Holdings Inc. Board, the Guelph Hydro Electric Systems Inc. Board currently has six independent members.

Jasmine Urisk
Chair

Jane Armstrong

Brian Cowan
Vice-Chair

Rob Fennell

Judy Fountain

Ted Sehl

Rick Thompson

GUELPH HYDRO ELECTRIC SYSTEMS INC. CORPORATE OFFICERS

Kazi Marouf
Chief Operating Officer

Nicole Mailloux
Vice-President
Human Resources

Pankaj Sardana
Chief Financial Officer

Seymour Trachimovsky
Corporate Secretary

ENVIDA COMMUNITY ENERGY INC. BOARD OF DIRECTORS**

William Koornstra

Pankaj Sardana
Chief Financial Officer

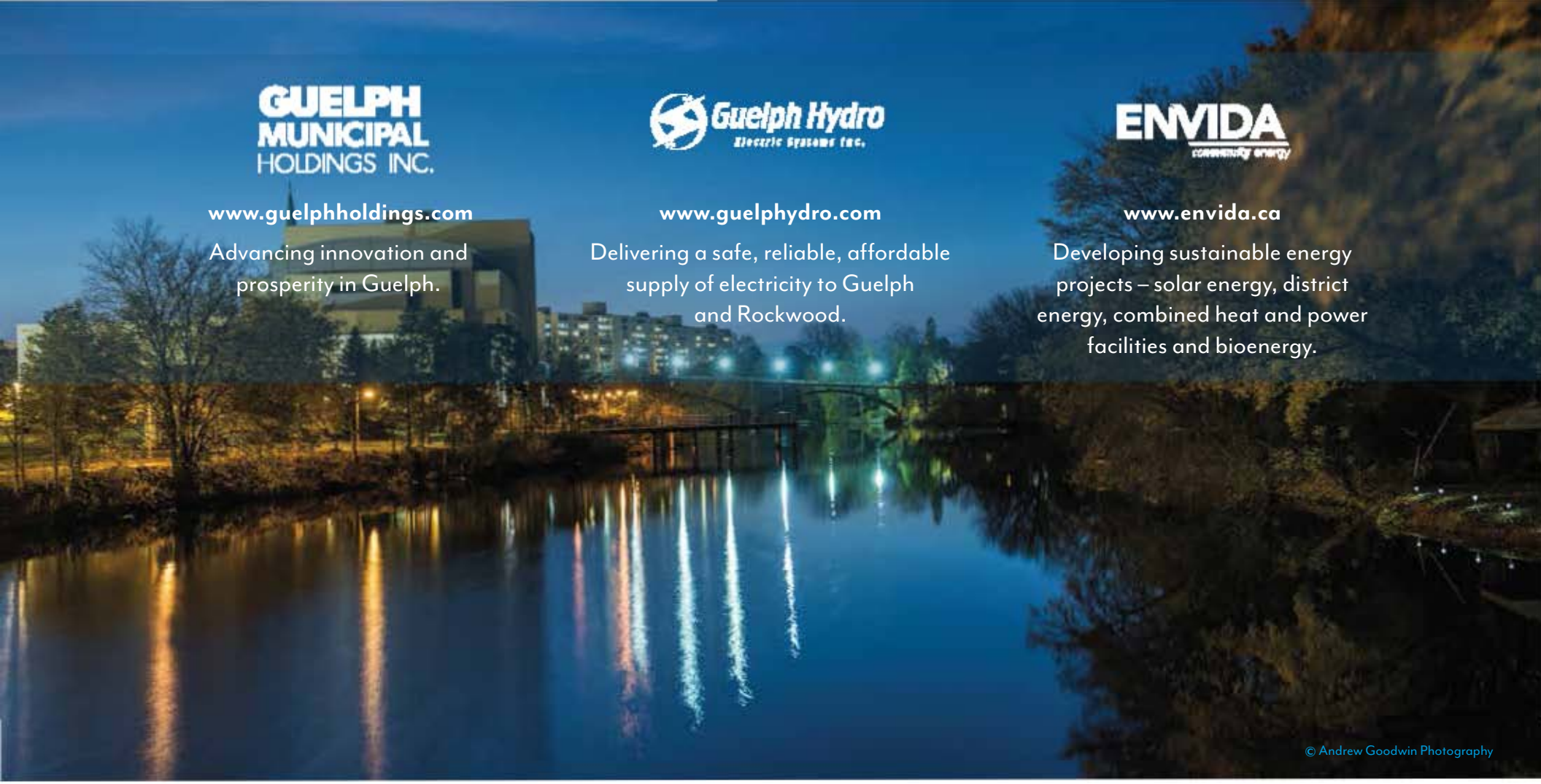
Karl Wettstein
City Councillor

ENVIDA COMMUNITY ENERGY INC. CORPORATE OFFICERS***

Pankaj Sardana
Chief Financial Officer

Seymour Trachimovsky
Corporate Secretary

** As at March 2, 2015
*** As at May 25, 2015



www.guelphholdings.com

Advancing innovation and prosperity in Guelph.

www.guelphydro.com

Delivering a safe, reliable, affordable supply of electricity to Guelph and Rockwood.

www.envida.ca

Developing sustainable energy projects – solar energy, district energy, combined heat and power facilities and bioenergy.

© Andrew Goodwin Photography

GUELPH MUNICIPAL HOLDINGS INC.

Guelph Municipal Holdings Inc. is wholly owned by the City of Guelph.

395 Southgate Drive
Guelph, Ontario N1G 4Y1 CANADA

(519) 822-3017

info@guelphholdings.com

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@ GuelphHoldings
@ GuelphHydro
@ EnvidaEnergy

Guelph Municipal Holdings Inc.
Guelph Hydro Electric Systems Inc.
Envida Community Energy Inc.

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