

Financial Statements of

Enova Power Corp.

Year ended December 31, 2025
(Expressed in thousands of dollars)



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Enova Power Corp.

Opinion

We have audited the financial statements of Enova Power Corp. (the Entity), which comprise:

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

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

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

Basis for Opinion

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

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kitchener, Canada

April 17, 2026

ENOVA POWER CORP.

Statement of Financial Position

As at December 31, 2025, with comparative information for 2024
(Expressed in thousands of dollars)

	Note	December 31, 2025	December 31, 2024
ASSETS			
Current			
Cash		\$ 1,477	\$ -
Accounts receivable	4	44,617	43,204
Unbilled revenue		40,727	35,911
Income tax receivable		-	513
Inventories		10,282	8,265
Prepaid expenses		2,360	2,146
Total current assets		\$ 99,463	\$ 90,039
Non-current assets			
Property, plant and equipment	5	643,738	618,278
Intangible assets	6	21,325	15,992
Goodwill	7	140,077	140,077
Total non-current assets		\$ 805,140	\$ 774,347
Total assets		\$ 904,603	\$ 864,386
Regulatory deferral account debit balances	9	53,564	56,972
Total assets and regulatory deferral account debit balances		\$ 958,167	\$ 921,358

ENOVA POWER CORP.

Statement of Financial Position

As at December 31, 2025, with comparative information for 2024
(Expressed in thousands of dollars)

	Note	December 31, 2025	December 31, 2024
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current			
Bank overdraft		\$ -	\$ 15,717
Accounts payable and accrued liabilities		61,732	55,965
Demand loan payable	10	150,000	-
Current portion of lease liabilities	17	75	72
Income tax payable		935	-
Current portion of deferred revenue	15	2,744	2,527
Current portion of customer deposits	13	13,364	14,751
Total current liabilities		\$ 228,850	\$ 89,032
Long-term			
Long-term debt	10	-	120,000
Notes payable to shareholders	11	110,476	110,476
Long term portion of customer deposits	13	6,710	7,623
Long term portion of lease liabilities	17	1,011	1,036
Deferred revenue	15	93,411	87,271
Employee future benefits	12	9,261	8,097
Deferred tax liability	8	33,296	31,150
Total long-term liabilities		\$ 254,165	\$ 365,653
Total liabilities		\$ 483,015	\$ 454,685
Shareholder's equity			
Share capital	14	321,747	321,747
Retained earnings		135,222	128,162
Accumulated other comprehensive income	12	657	1,289
Total shareholder's equity		\$ 457,626	\$ 451,198
Total liabilities and shareholder's equity		\$ 940,641	\$ 905,883
Regulatory deferral account credit balances	9	5,522	4,311
Deferred taxes associated with regulatory accounts	8	12,004	11,164
Total equity, liabilities and regulatory deferral account credit balances		\$ 958,167	\$ 921,358

Subsequent event 10

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

On behalf of the Board:

Sandra MacGillivray

Sandra MacGillivray, Chair

J. Reitsma

Jacinda Reitsma, Vice-Chair

ENOVA POWER CORP.

Statement of Comprehensive Income

For the year ended December 31, 2025, with comparative information for 2024
(Expressed in thousands of dollars)

	<i>Note</i>	2025	2024
REVENUES			
Energy sales	15	\$ 435,077	\$ 404,551
Cost of energy sold		427,015	413,302
		8,062	(8,751)
Other operating revenue			
Distribution revenue	15	97,166	103,675
Other income	15	6,098	6,165
Net operating revenue		\$ 111,326	\$ 101,089
EXPENSES			
Operations and maintenance		21,026	21,171
Customer services		8,941	8,924
Administration		17,052	18,021
Amortization	5	24,616	24,610
		71,635	72,726
Other			
Energy conservation program revenue		(134)	(117)
Energy conservation program expense		120	168
Net energy conservation programs		(14)	51
Finance income	16	(255)	(258)
Finance charges	16	9,868	11,883
Net finance costs		9,613	11,625
Income before income taxes		\$ 30,092	\$ 16,687
Income tax expense	8	5,496	3,939
Income for the period before movements in regulatory deferral account balances and other comprehensive income		\$ 24,596	\$ 12,748
Net movement in regulatory deferral account balances related to profit or loss and the related deferred tax movement	9	(5,459)	2,205
Other comprehensive loss, net of taxes	12	(632)	(18)
Net comprehensive income for the period		\$ 18,505	\$ 14,935

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

ENOVA POWER CORP.

Statement of Changes in Equity

For the year ended December 31, 2025, with comparative information for 2024
(Expressed in thousands of dollars)

	<i>Note</i>	Share Capital	Accumulated Other Comprehensive Income (loss)	Retained Earnings	Total
Balance at December 31, 2023		\$ 321,747	\$ 1,307	\$ 124,780	\$ 447,834
Net income and net movement in regulatory balances		-	(18)	14,953	14,935
Dividends paid	14	-	-	(11,571)	(11,571)
Balance at December 31, 2024		\$ 321,747	\$ 1,289	\$ 128,162	\$ 451,198
Net income and net movement in regulatory balances		-	(632)	19,137	18,505
Dividends paid	14	-	-	(12,077)	(12,077)
Balance at December 31, 2025		\$ 321,747	\$ 657	\$ 135,222	\$ 457,626

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

ENOVA POWER CORP.

Statement of Cash Flows

For the year ended December 31, 2025, with comparative information for 2024
(Expressed in thousands of dollars)

	<i>Note</i>	2025	2024
OPERATING ACTIVITIES			
Net income		\$ 18,505	\$ 14,935
Add (deduct) charges to operations not requiring a current cash payment:			
Amortization	5	26,049	26,184
Amortization of deferred revenue	15	(2,632)	(2,447)
Gain on disposal of property, plant and equipment	15	(120)	(308)
Income tax expense	8	5,496	3,939
Income tax expense included in OCI		(228)	(7)
Interest on lease liability	16	49	50
Increase (decrease) in employee future benefits liability	12	1,164	(10)
		<u>48,283</u>	<u>42,336</u>
Net change in non-cash operating working capital			
Accounts receivable		(1,413)	(4,776)
Unbilled revenue		(4,816)	(2,434)
Inventories		(2,017)	411
Income taxes paid		(1,676)	(1,448)
Prepaid expenses		(214)	(85)
Accounts payable and accrued liabilities		5,768	7,877
Regulatory deferral account debit balances		3,410	(6,334)
Regulatory deferral account credit balances		2,051	4,129
Cash provided by operating activities		\$ 49,376	\$ 39,676
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(49,271)	(48,051)
Purchase of intangible assets	6	(7,571)	(4,785)
Proceeds on disposal of property, plant and equipment		120	424
Cash used in investing activities		\$ (56,722)	\$ (52,412)
FINANCING ACTIVITIES			
Net change in customer deposits		(2,300)	(1,001)
Withdrawal of long-term debt	10	30,000	10,000
Dividends paid		(12,077)	(11,571)
Capital contributions received	15	8,989	6,472
Payment of lease liability		(72)	(70)
Cash provided by financing activities		\$ 24,540	\$ 3,830
Net cash provided (used) during period		17,194	(8,906)
Cash and cash equivalents (bank overdraft), beginning of period		(15,717)	(6,811)
Cash and cash equivalents (bank overdraft), end of period		\$ 1,477	\$ (15,717)

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

ENOVA POWER CORP.

Notes to Financial Statements

For the year ended December 31, 2025, with comparative information for 2024
(Expressed in thousands of dollars)

1. Reporting Entity

Enova Power Corp. (the "Company") is a rate regulated, municipally owned electricity distribution company incorporated under the Business Company's Act (Ontario) on September 1, 2022. The incorporation was required in accordance with the provincial government's Electricity Competition Act (Bill 35). The Company is located in the Regional Municipality of Waterloo. The address of the Company's registered head office is 301 Victoria Street South, Kitchener, Ontario, Canada. The Company has an operating facility at 526 Country Squire Rd, Waterloo, Ontario.

The Company delivers electricity and related energy services to residential and commercial customers in the Cities of Kitchener and Waterloo, and the Townships of Wellesley, Wilmot and Woolwich.

The Company is wholly owned by Enova Energy Corporation whose shareholders are the Cities of Kitchener and Waterloo, and the Townships of Wellesley, Wilmot and Woolwich.

The financial statements are for the Company as at and for the period ended December 31, 2025.

2. Basis of Presentation

(a) Statement of compliance

The Company's financial statements have been prepared following IFRS Accounting Standards ("IFRS").

The financial statements were approved by the Board of Directors of Enova Power Corp. on April 10, 2026.

(b) 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 23.

(c) 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.

(d) 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.

ENOVA POWER CORP.

Notes to Financial Statements

For the year ended December 31, 2025, with comparative information for 2024
(Expressed in thousands of dollars)

2. Basis of Presentation (continued)

(d) Use of estimates and judgments (continued)

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

Information about judgments made in applying accounting policies that have the most material effect on the amounts recognized in these financial statements is included in the following notes:

- (i) Note 3(b) – Revenue Recognition – determination of the performance obligation for contributions from customers and the related amortization period
- (ii) Note 3(d) – Capital assets (Property, plant and equipment) – determination of the useful life of assets and the related amortization period
- (iii) Note 12 – Employee future benefits – determination of discount rate, benefit cost increase trends and sick time utilization
- (iv) Note 18 – Commitments and contingencies – determination of the likelihood of loss realization and estimate of present value of anticipated losses

Management has classified the shareholder debentures as non-current liabilities based on the requirement that at least twelve months' notice must be provided prior to demand for repayment. Management has determined that it has the right to defer settlement for more than twelve months as at the reporting date.

Revenue recognition for electricity sales involves estimates of customer consumption for the period between meter readings. Management applies judgment in estimating unbilled revenue and believes that it is highly probable that a significant reversal of recognized revenue will not occur.

(e) Rate regulation

The Company is regulated by the Ontario Energy Board ("OEB"), under the authority granted by the *Ontario Energy Board Act, 1998*. Among other things, the OEB has the power and responsibility to approve or set rates for the transmission and distribution of electricity, providing continued rate protection for electricity consumers in Ontario, and ensuring that transmission and distribution companies fulfill obligations to connect and service customers. The OEB may also prescribe license requirements and conditions of service to local distribution companies ("LDCs"), such as the Company, which may include, among other things, record keeping, regulatory accounting principles, separation of accounts for distinct businesses, and filing and process requirements for rate setting purposes.

ENOVA POWER CORP.

Notes to Financial Statements

For the year ended December 31, 2025, with comparative information for 2024
(Expressed in thousands of dollars)

2. Basis of Presentation (continued)

(e) Rate regulation (continued)

Rate setting

Distribution revenue

For the distribution revenue included in electricity sales, the Company files a “Cost of Service” (“COS”) rate application with the OEB every five years where rates are determined through a review of the forecasted annual amount of operating and capital expenses, debt and shareholder’s equity required to support the Company’s business. The Company estimates electricity usage and the costs to service each customer class to determine the appropriate rates to be charged to each customer class. The COS application is reviewed by the OEB and intervenors. Rates are approved based on this review including any required revisions.

In the intervening years, an Incentive Rate Mechanism application (“IRM”) is filed. An IRM application results in a formulaic adjustment to distribution rates set under the last COS application. The previous year’s rates are adjusted for the annual change in the Gross Domestic Product Implicit Price Inflation for Final Domestic Demand (“GDP IPI-FDD”) net of a “stretch factor” determined by the relative efficiency of an electricity distributor.

As a licensed distributor, the Company 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 Company is required, under regulation, to remit such amounts to these third parties, irrespective of whether the Company ultimately collects these amounts from customers.

In February 2022, KWHI and WNHI filed a Mergers, Acquisitions, Amalgamations and Divestitures (“MAADs”) application (the “MAADs Application”) with the OEB under the Handbook to Electricity Distributor and Transmitter Consolidation (the “MAADs Handbook”) seeking approval for the Amalgamation Transaction. The MAADs Application included a request for OEB approval for the continuation of regulated rates and charges of the predecessor LDCs of the Company.

On June 28, 2022, the OEB issued its Decision and Order in respect of the MAADs Application. The OEB granted the requested approvals and also approved a rebasing deferral period of 10 years, under which the Company will operate individual “rate zones” (based on the continuing rates and underlying cost structures of the predecessor LDCs).

As provided within the OEB Report of the Board: Rate-Making Associated with Distributor Consolidation, the rate zones of the Company will continue on the Price Cap IR method. At its option, Enova Power Corp. is permitted to apply for: (a) inflationary increases to rates, adjusted for an efficiency factor; and (b) ICM rate adjustments that provide financing and recovery of incremental discrete capital projects.

The predecessor utilities to the Company filed separate applications for the approval of electricity distribution rates as follows:

- KWHI filed an annual Cost of Service Application with the OEB on April 30, 2019 for distribution rates effective January 1, 2020 to December 31, 2020.

ENOVA POWER CORP.

Notes to Financial Statements

For the year ended December 31, 2025, with comparative information for 2024
(Expressed in thousands of dollars)

2. Basis of Presentation (continued)

(e) Rate regulation (continued)

- WNHI filed an annual Cost of Service Application with the OEB on June 30, 2020 for distribution rates effective January 1, 2021 to December 31, 2021.

In 2024, the Company filed its joint 2025 IRM application requesting new rates effective January 1, 2025. The application also included requests for recovery of the latest flowthrough retail service and transmission rates, disposition of Group 1 Deferral and Variance accounts and other regulatory balances. On December 17, 2024, the OEB issued its Decision and Order approving the annual adjustment of 3.30% and disposition of deferral and variance accounts as requested, effective January 1, 2025.

In 2025, the Company filed its joint 2026 IRM application requesting new rates effective January 1, 2026. The application also included requests for recovery of the latest flowthrough retail service and transmission rates, disposition of Group 1 Deferral and Variance accounts and other regulatory balances. On December 11, 2025, the OEB issued its Decision and Order approving the annual adjustment of 3.40% and disposition of deferral and variance accounts as requested, effective January 1, 2026.

Electricity rates

The OEB sets electricity prices for low-volume consumers based on an estimate of how much it will cost to supply the province with electricity for the next year. All low-volume customers without a contract with an energy retailer are charged the OEB-mandated rate for electricity. If a customer (regardless of volume) has a retailer agreement, then retailer rates are charged instead. All remaining consumers pay the market price for electricity. The Company is billed for the cost of the electricity that its customers use and passes this cost on to the customer at cost without a markup.

3. Material Accounting Policies

The accounting policies set out below have been applied consistently in all periods presented in these financial statements, except where otherwise described in Note 25 – Changes in Accounting Policies.

(a) Financial instruments

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

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

ENOVA POWER CORP.

Notes to Financial Statements

For the year ended December 31, 2025, with comparative information for 2024
(Expressed in thousands of dollars)

3. Material Accounting Policies (continued)

(a) Financial instruments (continued)

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

(b) Revenue Recognition

Sale and distribution of electricity

The performance obligations for the sale and distribution of electricity are recognized over time using an output method to measure the satisfaction of the performance obligation. The value of the electricity services transferred to the customer is determined based on cyclical meter readings plus estimated customer usage from the last meter reading date to the end of the period and represents the amount that the Company has the right to bill. Revenue includes the cost of electricity supply, distribution, and any other regulatory charges. The related cost of power is recorded based on power used.

For customer billings related to electricity generated by third parties and the related costs of providing electricity service, such as transmission services and other services provided by third parties, the Company has determined that it is acting as a principal for these electricity charges and, therefore, has presented electricity revenue on a gross basis.

Capital contributions

Developers are required to contribute towards the capital cost of construction of distribution assets to provide ongoing service. The developer is not a customer and therefore the contributions are scoped out of IFRS 15 *Revenue from Contracts with Customers*. Cash contributions, received from developers are recorded as deferred revenue. When an asset other than cash is received as a capital contribution, the asset is initially recognized at its fair value, with a corresponding amount recognized as deferred revenue. The deferred revenue, which represents the Company's obligation to continue to provide the customers access to the supply of electricity, is amortized to income on a straight-line basis over the useful life of the related asset.

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

Other revenue

Revenue earned from the provision of services is recognized as the service is rendered.

ENOVA POWER CORP.

Notes to Financial Statements

For the year ended December 31, 2025, with comparative information for 2024
(Expressed in thousands of dollars)

3. Material Accounting Policies (continued)

(b) Revenue recognition (continued)

Contract balances

Contract assets primarily relate to unbilled revenue arising from satisfied performance obligations for which the Company does not yet have an unconditional right to consideration. Due to the timing of billing cycles, these balances are typically owed and collected in full in during the following year, with the new balance represent balances earned in the previous month.

Contract liabilities primarily relate to deferred revenue representing capital contributions received from customers that are recognized as revenue over time as the related obligations are satisfied.

(c) Inventory

Inventories consist of repair parts, supplies, and materials held for future capital expansion and are valued at lower of weighted average cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

(d) Property, Plant and Equipment

Property, plant and equipment ("PP&E") are measured at cost, or, where the item is transferred from customers, its fair value, less accumulated depreciation.

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

When parts of an item of PP&E have different useful lives, they are accounted for and depreciated as separate items (major components) of PP&E.

Gains and losses on the disposal of an item of PP&E are determined by comparing the proceeds from disposal, if any, with the carrying amount of the item of PP&E and are recognized net within other income. Major spare parts and standby equipment are recognized as items of PP&E.

Depreciation is calculated on the cost basis of the asset and is recognized in profit or loss on a straight-line basis over the estimated useful life of each part or component of an item of PP&E. Land and land rights are not depreciated. Construction-in-progress assets are not depreciated until the projects are complete and in service. Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted prospectively if appropriate.

The estimated useful lives are as follows:

Buildings	20-50 years
Transformer and substation equipment	15-50 years
Supervisory control and data acquisition (SCADA) equipment	15 years
Distribution system	25-60 years
Meters	15-25 years
General equipment	3-10 years

ENOVA POWER CORP.

Notes to Financial Statements

For the year ended December 31, 2025, with comparative information for 2024
(Expressed in thousands of dollars)

3. Material Accounting Policies (continued)

(e) Intangible assets

(i) Computer Software

Computer software that is acquired or developed by the Company, including software that is not integral to the functionality of equipment purchased which has finite useful lives, is measured at cost less accumulated amortization.

(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 Company does not hold title and are not amortized. 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 are:

Computer software	3-10 years
Land rights	100 years

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

(f) Goodwill

Goodwill arising on the acquisition of subsidiaries or on amalgamation is measured at cost and not amortized.

(g) Impairment

(i) Financial assets measured at amortized cost:

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

(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. Goodwill

ENOVA POWER CORP.

Notes to Financial Statements

For the year ended December 31, 2025, with comparative information for 2024
(Expressed in thousands of dollars)

3. Material Accounting Policies (continued)

(g) Impairment (continued)

and intangible assets with indefinite lives are tested annually for impairment and when circumstances indicate that the carrying value may be impaired.

For impairment testing, assets are grouped 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" or "CGU"). Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses relating to CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs and then to reduce the carrying amounts of the other assets in the CGUs on a pro-rata basis.

(h) Provisions

A provision is recognized if, as a result of a past event, the Company 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.

(i) Regulatory deferral accounts

Regulatory deferral account debit balances represent costs incurred over amounts billed to the customer at OEB-approved rates. These amounts have been accumulated and deferred in anticipation of their future recovery in electricity distribution rates. Regulatory deferral account credit balances represent amounts billed to the customer at OEB-approved rates over costs incurred by the Company.

Regulatory deferral account debit balances are recognized if it is probable that future billings in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes. The offsetting amount is recognized in profit and loss. The debit balance is reduced by the amount of customer billings as electricity is delivered to the customer and the customer is billed at rates approved by the OEB for the recovery of the capitalized costs.

Regulatory deferral account credit balances are recognized if it is probable that future billings in an amount at least equal to the credit balance will be reduced as a result of rate-making activities. The offsetting amount is recognized in profit and loss. The credit balance is reduced by the amounts returned to customers as electricity is delivered to the customer at rates approved by the OEB for the return of the regulatory account credit balance.

ENOVA POWER CORP.

Notes to Financial Statements

For the year ended December 31, 2025, with comparative information for 2024
(Expressed in thousands of dollars)

3. Material Accounting Policies (continued)

(i) Regulatory deferral accounts (continued)

The probability of recovery or repayment of the regulatory account balances is assessed annually based on the likelihood that the OEB will approve the change in rates to recover or repay the balance. Any resulting impairment loss is recognized in profit and loss in the period incurred.

Regulatory deferral accounts attract interest at OEB-prescribed rates. Except for the regulatory deferral account for Pension and Other Future benefits (OPEBs), from January to March 2025 the rate was 3.64%, from April to June the rate was 3.16% and from July to December the rate was 2.91%.

The interest rate for the regulatory OPEB account from January to December 2025 was 4.23%.

(j) Employee future benefits

(i) Pension Plan

The Company 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 Employees Retirement Fund (the "Fund") and provides pensions for employees of Ontario municipalities, local boards, public utilities, and school boards. To the extent that the Fund finds itself in an underfunded position, additional contribution rates may be assessed to participating employers and members.

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 (Note 21). The Company recognizes the expense related to this plan as contributions are made.

(ii) Future Benefits, other than pension

Future benefits provided by the Company include health, dental, and life insurance benefits. These plans provide benefits for some of its retired employees. Future benefit expense is recognized in the period in which the employees render the services.

Future benefits are recorded on an accrual basis. The accrued benefit obligations and current service cost are calculated using the projected benefits method pro-rated on service and based on assumptions that reflect management's best estimate. The current service cost for a period is equal to the actuarial present value of benefits attributed to employees' services rendered in the period. Gains and losses are recognized in the current period. Actuarial gains and losses arising from defined benefit plans are recognized immediately in other comprehensive income and reported in accumulated other comprehensive income.

The future health, dental, and life insurance benefits were provided to retired employees of KWHI and WNHI as separate entities and as such, are not identical offerings. These plans have been maintained in their original offerings.

ENOVA POWER CORP.

Notes to Financial Statements

For the year ended December 31, 2025, with comparative information for 2024
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3. Material Accounting Policies (continued)

(k) Deferred revenue and assets transferred from customers

Certain customers and developers are required to contribute towards the capital cost of construction to provide ongoing service. When an asset is received as a capital contribution, the asset is initially recognized at its fair value, with the corresponding amount recognized as deferred revenue. Deferred revenue represents the Company's obligation to continue to provide customers access to the supply of electricity and is amortized to income on a straight-line basis over the economic useful life of the acquired or contributed asset, which represents the period of ongoing service to the customer.

(l) Leased assets

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

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of a right-of-use asset is determined on the same basis as those for property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

(m) Interest income and interest costs

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

Interest costs comprise interest expense on borrowings, finance lease obligations, customer deposits and regulatory liabilities, and unwinding of the discount on provisions and impairment losses on financial assets. Interest costs are recognized as an expense unless they are capitalized as part of the cost of qualifying assets.

ENOVA POWER CORP.

Notes to Financial Statements

For the year ended December 31, 2025, with comparative information for 2024
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3. Material Accounting Policies (continued)

(n) Corporate 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.

The current tax-exempt status of the Company under the Income Tax Act (Canada) and the Companies Tax Act (Ontario) reflects the fact that the Company is wholly owned by municipalities. This tax-exempt status might be lost in a number of circumstances, including if the shareholder (municipalities) ceases to own 90% or more of the shares or capital of the Company, or if a non-government entity has rights immediately or in the future, either absolutely or contingently, to acquire more than 10% of the shares of the Company.

Commencing October 1, 2001, the Company is required, under the Electricity Act, 1998, to make payments in lieu of corporate taxes to the Ontario Electricity Financial Company. These payments are calculated under the rules for computing income and other relevant amounts contained in the Income Tax Act (Canada) and the Companies Tax Act (Ontario) as modified by the Electricity Act, 1998 and related regulations.

As a result of becoming subject to payments in lieu of corporate income taxes ("PILs"), the Company's taxation period was deemed to have ended immediately beforehand and a new taxation period was deemed to have commenced immediately thereafter. The Company was therefore deemed to have disposed of each of its assets at its then fair market value and to have reacquired such assets at that same amount for purposes of computing its future income subject to PILs. For purposes of certain provisions, the Company was deemed to be a new company and, as a result, tax credits or tax losses not previously utilized by the Company would not be available to it after the change in tax status. Essentially, the Company was taxed as though it had a "fresh start" at the time of its change in tax status.

Current tax is the tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

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 periods that are likely to be realized. Deferred tax assets and liabilities are measured using enacted or substantively enacted rates, at the reporting date, expected to apply to taxable income in the periods 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 period that includes the date of enactment or substantive enactment.

ENOVA POWER CORP.

Notes to Financial Statements

For the year ended December 31, 2025, with comparative information for 2024
(Expressed in thousands of dollars)

4. Accounts Receivable

	December 31, 2025	December 31, 2024
Trade receivables	\$ 35,732	\$ 36,744
IESO receivable	134	-
Miscellaneous receivables	5,248	4,174
Allowance for bad debt	(700)	(800)
Other	4,006	3,072
Customer & other trade receivables	\$ 44,420	\$ 43,190
Trade receivables from related parties	197	14
Total Accounts Receivable	\$ 44,617	\$ 43,204

5. Property, Plant and Equipment

(a) Cost or deemed cost

	Distribution Equipment	Land & Building	Other Fixed Assets	Construction in Progress	Right-of-use assets	Total
Balance at January 1, 2025	\$ 639,355	\$ 54,506	\$ 19,743	\$ 10,043	\$ 1,145	\$ 724,792
Additions	39,937	691	1,995	6,648	-	49,271
Disposals / retirements	(1,426)	(9)	(2,108)	-	-	(3,543)
Balance at December 31, 2025	\$ 677,866	\$ 55,188	\$ 19,630	\$ 16,691	\$ 1,145	\$ 770,520

	Distribution Equipment	Land & Building	Other Fixed Assets	Construction in Progress	Right-of-use assets	Total
Balance at January 1, 2024	\$ 606,128	\$ 53,714	\$ 18,570	\$ 10,868	\$ 601	\$ 689,881
Additions	44,548	821	3,507	(825)	544	48,595
Disposals / retirements	(11,321)	(29)	(2,334)	-	-	(13,684)
Balance at December 31, 2024	\$ 639,355	\$ 54,506	\$ 19,743	\$ 10,043	\$ 1,145	\$ 724,792

ENOVA POWER CORP.

Notes to Financial Statements

For the year ended December 31, 2025, with comparative information for 2024
(Expressed in thousands of dollars)

5. Property, Plant and Equipment (continued)

(b) Accumulated depreciation

	Distribution Equipment	Land & Building	Other Fixed Assets	Construction in Progress	Right-of-use Assets	Total
Balance at January 1, 2025	\$ 92,820	\$ 8,333	\$ 5,225	\$ -	\$ 136	\$ 106,514
Depreciation charge	19,349	1,621	2,785	-	56	23,811
Disposals / retirements	(1,426)	(9)	(2,108)	-	-	(3,543)
Balance at December 31, 2025	\$ 110,743	\$ 9,945	\$ 5,902	\$ -	\$ 192	\$ 126,782

	Distribution Equipment	Land & Building	Other Fixed Assets	Construction in Progress	Right-of-use Assets	Total
Balance at January 1, 2024	\$ 84,769	\$ 6,756	\$ 4,578	\$ -	\$ 80	\$ 96,183
Depreciation charge	19,372	1,606	2,865	-	56	23,899
Disposals / retirements	(11,321)	(29)	(2,218)	-	-	(13,568)
Balance at December 31, 2024	\$ 92,820	\$ 8,333	\$ 5,225	\$ -	\$ 136	\$ 106,514

(c) Carrying amounts

	Distribution Equipment	Land & Building	Other Fixed Assets	Construction in Progress	Right-of-use Assets	Total
At December 31, 2025	\$ 567,123	\$ 45,243	\$ 13,728	\$ 16,691	\$ 953	\$ 643,738
At December 31, 2024	\$ 546,535	\$ 46,173	\$ 14,518	\$ 10,043	\$ 1,009	\$ 618,278

(d) Leased plant and equipment

In May 2021, the Company entered into a lease agreement with Grand River Energy Solutions Corp., an associated company, for the construction and lease of solar PV roof-top equipment located at the Company's registered head office of 301 Victoria Street South, Kitchener. A right-of-use asset and corresponding lease liability of \$601 were recorded.

In November 2023, the Company entered into a lease agreement with Grand River Energy Solutions Corp., an associated company, for the lease of solar PV equipment located at the Company's service centre located at 526 County Squire Road, Waterloo. The agreement came into effect on January 1, 2024. A right-of-use asset and corresponding lease liability of \$544 were recorded.

(e) Security

At December 31, 2025, the Company had zero properties subject to a general security agreement.

(f) Borrowing costs

During the period, borrowing costs of \$ nil were capitalized as part of the cost of property, plant and equipment.

ENOVA POWER CORP.

Notes to Financial Statements

For the year ended December 31, 2025, with comparative information for 2024
(Expressed in thousands of dollars)

5. Property, Plant and Equipment (continued)

(g) 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:

	Operations and maintenance expense	Customer services expense	General and administration expense	Amortization	Total
December 31, 2025:					
Depreciation of property, plant and equipment	\$ 1,427	\$ -	\$ 6	\$ 22,378	\$ 23,811
Amortization of intangible assets				2,238	2,238
	\$ 1,427	\$ -	\$ 6	\$ 24,616	\$ 26,049
December 31, 2024:					
Depreciation of property, plant and equipment	\$ 1,568	\$ -	\$ 6	\$ 22,325	\$ 23,899
Amortization of intangible assets	-	-	-	2,285	2,285
	\$ 1,568	\$ -	\$ 6	\$ 24,610	\$ 26,184

6. Intangible Assets

(a) Cost or deemed cost

	Computer Software	Land Rights	Work in Progress	Total
Balance at January 1, 2025	\$ 16,622	\$ 1,320	\$ 3,898	\$ 21,840
Additions	1,496	25	6,050	7,571
Disposals / retirements	(933)			(933)
Balance at December 31, 2025	\$ 17,185	\$ 1,345	\$ 9,948	\$ 28,478
	Computer Software	Land Rights	Work in Progress	Total
Balance at January 1, 2024	\$ 16,080	\$ 1,303	\$ 252	\$ 17,635
Additions	1,122	17	3,646	4,785
Transfers	(580)	-	-	(580)
Balance at December 31, 2024	\$ 16,622	\$ 1,320	\$ 3,898	\$ 21,840

ENOVA POWER CORP.

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For the year ended December 31, 2025, with comparative information for 2024
(Expressed in thousands of dollars)

6. Intangible Assets (continued)

(b) Accumulated amortization

	Computer Software	Land Rights	Work in Progress	Total
Balance at January 1, 2025	\$ 5,840	\$ 8	\$ -	\$ 5,848
Amortization charge	2,238			2,238
Disposal/retirements	(933)			(933)
Balance at December 31, 2025	\$ 7,145	\$ 8	\$ -	\$ 7,153

	Computer Software	Land Rights	Work in Progress	Total
Balance at January 1, 2024	\$ 4,135	\$ 8	\$ -	\$ 4,143
Amortization charge	2,285	-	-	2,285
Disposal/retirements	(580)	-	-	(580)
Balance at December 31, 2024	\$ 5,840	\$ 8	\$ -	\$ 5,848

(c) Carrying amounts

	Computer Software	Land Rights	Work in Progress	Total
At December 31, 2025	\$ 10,040	\$ 1,337	\$ 9,948	\$ 21,325
At December 31, 2024	\$ 10,782	\$ 1,312	\$ 3,898	\$ 15,992

ENOVA POWER CORP.

Notes to Financial Statements

For the year ended December 31, 2025, with comparative information for 2024
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7. Goodwill

Goodwill Impairment Assessment

As at December 31, 2025, the Company's goodwill of \$140,077 (2024 - \$140,077) has been allocated in full to a single cash-generating unit ("CGU"). Management has determined that the Company operates as a single CGU as the operations are fully integrated, cash inflows are generated on a consolidated basis, and internal management reporting does not distinguish cash flows at a lower level.

The Company performs an annual impairment test of goodwill as at December 31, or more frequently if events or changes in circumstances indicate that goodwill may be impaired. The impairment test compares the carrying amount of the CGU, including goodwill, with its recoverable amount.

The recoverable amount of the CGU has been determined based on a value-in-use calculation. The value-in-use model is based on projected cash flows derived from management-approved budgets and forecasts covering a five-year period. Cash flows beyond the forecast period are extrapolated using a terminal growth rate.

The key assumptions used in the value-in-use calculation are as follows:

Pre-tax discount rate: 5.57% (2024 – 4.93%)

Terminal enterprise value as a multiple of rate base: 1.37x (2024 – 1.37x)

Forecast period: five years

The discount rate reflects management's assessment of the time value of money and the risks specific to the CGU. The terminal multiple rate does not exceed the long-term average growth rate for the electricity distribution industry in which the Company operates.

Management believes that the assumptions used in the impairment assessment are reasonable and consistent with external sources of information and historical performance.

As at December 31, 2025, the recoverable amount of the CGU exceeded its carrying amount. No impairment loss was recognized.

Management has determined that no reasonably possible change in the key assumptions would cause the carrying amount of the CGU to exceed its recoverable amount.

ENOVA POWER CORP.

Notes to Financial Statements

For the year ended December 31, 2025, with comparative information for 2024
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8. Income Tax Expense

	2025	2024
Current period	\$ 2,963	\$ 967
Adjustment for prior periods	161	(741)
Deferred	2,372	3,713
Income tax expense	\$ 5,496	\$ 3,939

Reconciliation of effective tax rate:

	2025	2024
Income from operations before income taxes	\$ 30,092	\$ 16,687
Statutory Canadian federal and provincial income tax rate	26.50%	26.50%
Expected taxes on income	\$ 7,974	\$ 4,422
Changes in income taxes resulting from:		
Permanent differences	33	37
Other temporary differences	(2,672)	221
Adjustment for prior periods	161	(741)
	\$ (2,478)	\$ (483)
Income tax expense	\$ 5,496	\$ 3,939

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

	December 31, 2025	December 31, 2024
Deferred tax assets (liabilities):		
Plant and equipment	\$ (61,716)	\$ (57,422)
Deferred revenue	25,481	23,797
Employee future benefits	2,454	2,146
Non-vested sick leave	307	307
Allowance for doubtful accounts	186	212
Other - regulated	(6)	(3)
Other - non-regulated	(2)	(187)
	\$ (33,296)	\$ (31,150)
Regulatory deferred tax asset	\$ 45,298	\$ 42,127
Deferred taxes associated with regulatory accounts	(12,004)	(11,164)

ENOVA POWER CORP.

Notes to Financial Statements

For the year ended December 31, 2025, with comparative information for 2024
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8. Income Tax Expense (continued)

In 2022, the legacy WNHI entity underwent a PILs audit from the Ministry of Finance (the “Ministry”) for the taxation years of 2017 and 2018. The audit resulted in two significant adjustments. The following items were previously accrued as uncertain tax treatments and remain so at December 31, 2025:

CCA classification of meters

The Ministry disagreed with WNHI’s assessment that these assets should be reported under Class 8 and made an adjustment to move the assets to Class 47. This is a similar adjustment that was made to taxation years 2013 to 2016 which were audited in previous periods. WNHI made an accrual in fiscal year 2021 to accrue future adjustments for the years 2017 to 2020. Since this time, the Ministry has completed audits of years 2017 to 2020 and made similar adjustments. WNHI issued a joint court appeal with KWHI to overrule the decision with other distributors in Ontario who had similar adjustments made. The appeal remains unresolved as of the date of these statements.

Disallowed interest expense to the parent company

The Ministry determined that the amount of interest paid during 2017 and 2018 to WNHC exceeded a reasonable amount. Therefore, the Ministry adjusted the interest expense allowable to the OEB-deemed rate that was applicable during the period of 4.54%. WNHI appealed the decision through a Notice of Objection which remains unresolved as of the date of these statements. Since this time, the Ministry has completed audits of years 2019 to August 2022 and made similar adjustments which have been added to the outstanding Objection.

ENOVA POWER CORP.

Notes to Financial Statements

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9. Regulatory Deferral Account Balance

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

	2025 Opening	Balances arising in the period	Transfer between accounts	Recovery / reversal	2025 Ending	Recovery / reversal period (years)
Regulatory deferral account debit balances						
Group 1 accounts	\$ 12,993	\$ 1,931	\$ (7,770)	\$ (920)	\$ 6,234	Note 1
Regulatory asset recovery account	231	(57)	-	(114)	60	Note 1
Regulatory asset associated with deferred tax liability	42,127	3,171	-	-	45,298	Note 2
Other regulated accounts	1,621	351	-	-	1,972	5 - 9 years
Total amount related to regulatory deferral account debit balances	\$ 56,972	\$ 5,396	\$ (7,770)	\$ (1,034)	\$ 53,564	
Regulatory deferral account credit balances						
Group 1 accounts	\$ 3,714	\$ 9,861	\$ (7,770)	\$ (897)	\$ 4,908	Note 1
Regulatory asset recovery account	-	-	-	-	-	Note 1
Other regulated accounts	597	17	-	-	614	5 - 9 years
Total amount related to regulatory deferral account credit balances	\$ 4,311	\$ 9,878	\$ (7,770)	\$ (897)	\$ 5,522	

ENOVA POWER CORP.

Notes to Financial Statements

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9. Regulatory Deferral Account Balance (continued)

	2024 Opening	Balances arising in the period	Transfer between accounts	Recovery / reversal	2024 Ending	Recovery / reversal period (years)
Regulatory deferral account debit balances						
Group 1 accounts	\$ 12,000	\$ 9,109	\$ (4,230)	\$ (3,886)	\$ 12,993	Note 1
Regulatory asset recovery account	-	10,968	(28)	(10,709)	231	Note 1
Regulatory asset associated with deferred tax liability	37,278	4,849			42,127	Note 2
Other regulated accounts	1,360	261			1,621	5 - 9 years
Total amount related to regulatory deferral account debit balances	\$ 50,638	\$ 25,187	\$ (4,258)	\$ (14,595)	\$ 56,972	

	2024 Opening	Balances arising in the period	Transfer between accounts	Recovery / reversal	2024 Ending	Recovery / reversal period (years)
Regulatory deferral account credit balances						
Group 1 accounts	\$ 856	\$ 254	\$ (4,230)	\$ 6,834	\$ 3,714	Note 1
Regulatory asset recovery account	28	-	(28)		-	Note 1
Other regulated accounts	583	14			597	5 - 9 years
Total amount related to regulatory deferral account credit balances	\$ 1,467	\$ 268	\$ (4,258)	\$ 6,834	\$ 4,311	

	2025	2024
Movements in regulatory accounts		
Net change in regulatory deferral account debit and credit balances	\$ (4,619)	\$ 3,490
Less movement related to the balance sheet		
Change in regulatory asset associated with deferred tax liability	(3,171)	(4,849)
Deferred income tax	2,331	3,564
Deferred revenue	-	-
Net movement in regulatory deferral account balances	\$ (5,459)	\$ 2,205

Note 1: The Company has been approved for collection of these amounts in its 2025 filings for 2026 rates.

Note 2: The Company has not sought approval for the disposition of this amount as changes in underlying assumptions may reduce the amounts recorded in the account. Enova may seek refunds in the future.

ENOVA POWER CORP.

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10. Bank Debt

The Company has a credit facility with a Canadian Chartered bank. The facility includes a demand revolving loan with a maximum of \$200,000 inclusive of an overdraft component of \$45,000 (note 23(c)). The Corporation amended the facility in June 2024 to amend the withdrawals to be by of Prime Rate Advances or Term CORRA advances at Adjusted Term CORRA + 0.8%. It was also amended to require 12 months advance notice of demand. Principal is due on maturity, June 13, 2026, with interest payments due monthly. As at December 31, 2025, the Corporation had drawn \$150,000 as a revolving demand loan at CORRA + 0.8% (2024 - \$120,000).

Subsequent to December 31, 2025, on January 21, 2026, the Company issued \$250,000 principal amount of 3.596% Senior Unsecured Debentures, Series 2026-1, maturing on January 21, 2031. Interest on the debentures is payable semi-annually in arrears.

This financing transaction occurred after the reporting period and, as such, has not been reflected in the Company's statement of financial position as at December 31, 2025.

Net proceeds after issuance costs of approximately \$888 were \$249,112.

The net proceeds from the debenture issuance were used to repay in full the Company's \$150,000 revolving demand loan, together with accrued interest, and for general corporate purposes.

Concurrent with the repayment of the revolving demand loan, the Company resized its existing credit facility. The amended facility has a maximum availability of \$50,000 and matures on June 13, 2026.

Following the debenture issuance and repayment of the revolving demand loan, the Company remains in compliance with all financial covenants.

Bank loan	Swap Rate	Monthly Payments	Maturity	2025	2024
Revolving Demand	variable	N/A	June 13, 2026	\$ 150,000	\$ 120,000
Total				\$ 150,000	\$ 120,000
Less: Current portion of long-term debt				150,000	-
Total long-term debt				\$ -	\$ 120,000

The credit agreement contains the following financial covenants:

- i) Maximum ratio of Senior Funded Debt to Capitalization of $\leq 50\%$
- ii) Minimum Interest Coverage Ratio of $\geq 3.0x$
- iii) Maximum ratio of Total Funded Debt to Capitalization of $\leq 60\%$

Enova is obligated to issue a certificate of compliance on a quarterly basis. Enova consistently monitors the financial ratios and incorporates them in financial planning. As of December 31, 2025, Enova is in compliance with the above covenants and there are no facts or circumstances that suggest Enova will have difficulty with compliance in the future.

ENOVA POWER CORP.

Notes to Financial Statements

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11. Notes Payable to Shareholder

	2025	2024
Senior unsecured debentures:		
City of Kitchener (a)	\$ 70,998	\$ 70,998
Township of Wilmot (a)	5,965	5,965
Enova Energy Corporation (b)	33,513	33,513
Senior unsecured debentures, net proceeds	\$ 110,476	\$ 110,476
Less: Current portion	-	-
Total notes payable	\$ 110,476	\$ 110,476

Note (a) Unsecured promissory notes, which have an interest rate of 3.23% per annum. Interest is payable in quarterly installments, in arrears, on March 31, June 30, September 30, and December 31. Due on demand with at least 12 months notice.

Note (b) Unsecured promissory note, with an interest rate of 3.23% per annum. Interest is payable in quarterly installments, in arrears, on March 31, June 30, September 30, and December 31. Due on demand with at least 12 months notice.

ENOVA POWER CORP.

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12. Employee Future Benefits

The Company pays certain medical and life insurance benefits on behalf of some of its retired employees. These benefits are provided through group-defined benefit plans. There are two defined benefit plans for the retirees of the legacy companies. A full actuarial valuation of the plans was performed as at December 31, 2025. The Company recognizes these post-retirement costs in the period in which employees' services were rendered. The accrued benefit liability at December 31, 2025 is \$9,261 and includes both legacy plans.

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

	2025	2024
Accrued benefit obligation		
Balance, beginning of period	\$ 8,097	\$ 8,107
Current service cost	247	247
Interest cost	363	363
Benefits paid	(766)	(645)
Past service cost	472	-
Actuarial loss recognized in other comprehensive income	848	25
Accrued benefit liability, end of period	\$ 9,261	\$ 8,097

Components of net benefit expense recognized are as follows:

	2025	2024
Current service cost	\$ 247	\$ 247
Interest cost	363	363
Past service cost	472	-
Net benefit expense recognized	\$ 1,082	\$ 610

Actuarial losses recognized in other comprehensive income

	2025	2024
Cumulative amount, beginning of period	\$ 1,289	\$ 1,307
Recognized during the period (net of tax)	(632)	(18)
Net benefit expense recognized	\$ 657	\$ 1,289

ENOVA POWER CORP.

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12. Employee Future Benefits (continued)

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

		2025	2024
General inflation:			
Changes in the Consumer Price Index		2.75%	3.00%
Accrued obligation:			
Discount rate		4.90%	4.70%
Salary increases		2.75%	3.00%
Benefit cost for the period:			
	<u>Age</u>		
Withdrawal rate	18-29	3.10%	2.75%
	30-34	2.50%	2.20%
	35-39	2.20%	1.65%
	40-49	1.80%	1.40%
	50-54	1.25%	1.20%
Assumed health care cost trend rates:			
Initial health care cost trend rate	Health	4.20%	4.70%
	Dental	4.30%	4.90%

The Company expects to make contributions of \$687 in the next fiscal year with respect to its group defined benefit plan and contributions of \$103 related to its non-vested sick leave.

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:

	2025	2024
1% increase in trend rate	\$ 667	\$ 526
1% decrease in trend rate	(547)	(442)

ENOVA POWER CORP.

Notes to Financial Statements

For the year ended December 31, 2025, with comparative information for 2024
(Expressed in thousands of dollars)

13. Customer Deposits and IESO 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 Company under 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 deferred revenue.

Customer deposits comprise:

	2025	2024
Current		
Customer deposits	\$ 1,438	\$ 1,432
Construction deposits	11,726	13,119
Performance bond	200	200
	\$ 13,364	\$ 14,751
Long-term		
IESO deposit for energy conservation programs	-	-
Customer deposits - long-term	6,710	7,623
	\$ 6,710	\$ 7,623

14. Share Capital

	2025	2024
Authorized		
Unlimited Common shares		
Issued		
Common shares	\$ 321,747	\$ 321,747
	\$ 321,747	\$ 321,747

Dividends

The holder of the common shares is entitled to receive dividends as declared from time to time.

The Company declared and paid \$12,077 in dividends during the period.

ENOVA POWER CORP.

Notes to Financial Statements

For the year ended December 31, 2025, with comparative information for 2024
(Expressed in thousands of dollars)

15. Revenue

	2025	2024
Revenue from contracts with customers	\$ 532,243	\$ 508,226
Other revenue		
Specific service charges	2,528	2,580
Deferred revenue recognized	2,632	2,447
Scrap sales	310	376
Net gain on disposal of capital assets	120	308
Non-Utility operations	280	214
Retailer services	67	67
Sundry	161	173
Total other revenue	\$ 6,098	\$ 6,165
Total revenues	\$ 538,341	\$ 514,391

In the following table, revenue from contracts with customers is disaggregated by type of customer.

	2025	2024
Residential	\$ 210,727	\$ 210,568
Commercial	299,537	277,300
Large users	11,900	11,437
Other	10,079	8,921
	\$ 532,243	\$ 508,226

In the following table, deferred revenues are broken down by contributions received and revenues recognized:

	2025	2024
Balance, beginning of period	\$ 89,798	\$ 85,773
Capital contributions received	8,989	6,472
Deferred revenue recognized	(2,632)	(2,447)
Balance, end of period	\$ 96,155	\$ 89,798
Current portion	\$ 2,744	\$ 2,527
Long-term portion	93,411	87,271
Total Deferred Revenues	\$ 96,155	\$ 89,798

ENOVA POWER CORP.

Notes to Financial Statements

For the year ended December 31, 2025, with comparative information for 2024
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16. Interest Income and Expense

	2025	2024
Interest income on bank deposits	\$ (255)	\$ (258)
	\$ (255)	\$ (258)
Interest on shareholder debt	3,569	3,576
Interest expense on long term debt	5,609	6,893
Interest expense on short term debt	324	842
Interest expense on deposits	317	522
Interest expense on capital lease	49	50
	\$ 9,868	\$ 11,883
Net interest cost	\$ 9,613	\$ 11,625

17. Lease Liabilities

The Company has entered into a lease agreement for solar PV roof-top equipment representing right-of-use assets (Note 5). The right-of-use assets are recognized at the present value of the minimum lease payments, plus any extensions estimated to be exercised, with the corresponding equivalent lease liability recognized. The Company has determined the lease terms based on all available information as at the reporting date.

Maturity analysis - contractual undiscounted cash flows	2025	2024
Less than one year	\$ 75	\$ 72
One - five years	321	312
More than five years	1,192	1,276
Total undiscounted lease liabilities at period end	\$ 1,588	\$ 1,660
Interest included on the liabilities included in the statement of financial position	(502)	(552)
Lease Liabilities - current	\$ 75	\$ 72
Lease Liabilities - non-current	\$ 1,011	\$ 1,036

ENOVA POWER CORP.

Notes to Financial Statements

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18. Commitments and Contingencies

General

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. The Company 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 Company's financial position, results of operations, or ability to carry on any of its business activities.

General Liability Insurance

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange ("MEARIE"). MEARIE is a pooling of public liability insurance risks of many of the LDCs in Ontario. All members of the pool are subjected to assessment for losses experienced by the pool for the periods in which they were members, on a pro-rata basis based on the total of their respective service revenues. As at December 31, 2025, no assessments have been made.

19. Guarantees

In May 2023, the Company provided a guarantee on its parent company, Enova Energy Corporation, in order to facilitate a line of credit of \$5,000 with BMO. As of December 31, 2025, Enova Energy Corporation has drawn \$4,500 on the line.

20. Pension Agreement

The Company provides a pension plan for its employees through OMERS. The plan is a multi-employer, contributory defined pension plan with equal contributions by the employer and its employees. From January 1, 2025 to December 31, 2025, the Company made employer contributions of \$3,499 to OMERS and estimates contributions of \$3,554 in 2026. In total, the OMERS pension fund has net assets of \$145,200,000 and accrued obligations of \$146,700,000 for a deficit of \$1,500,000. The Company's net benefit expense has been allocated as follows:

- (a) \$1,050 capitalized as part of labour in PP&E and
- (b) \$2,449 recorded as an expense against net income.

ENOVA POWER CORP.

Notes to Financial Statements

For the year ended December 31, 2025, with comparative information for 2024
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21. Employee Benefits

	2025	2024
Salary, wages and benefits	\$ 44,159	\$ 37,195
CPP and EI remittances	1,795	1,700
Contributions to OMERS	3,499	3,235
Expenses related to employee future benefits	1,082	611
Total employee expenditures	\$ 50,535	\$ 42,741
Employee costs capitalized	12,554	10,133
Employee costs in Operations, Maintenance, Customer Service and Administration expenses	\$ 37,981	\$ 32,608

22. Related Party Transactions

(a) Parent and ultimate controlling party

The sole shareholder of the Company is Enova Energy Corporation which in turn is owned by the Cities of Kitchener and Waterloo and the Townships of Wellesley, Wilmot and Woolwich.

(b) Entity with significant influence

The Cities of Kitchener and Waterloo control and exercise significant influence over the Company through their indirect ownership interest in the Company of 53.4% and 30.8% respectively.

(c) Key management personnel

The key management personnel of the Company have been defined as members of its Board of Directors and executive management team members, and are summarized below:

	2025	2024
Directors' fees	\$ 293	\$ 308
Executive compensation and benefits	2,054	2,169
	\$ 2,347	\$ 2,477

(d) Transactions with entities with significant influence

In the ordinary course of business, the Company delivers electricity to the Cities of Kitchener and Waterloo and the Townships of Wilmot, Wellesley and Woolwich. Electricity is billed to the Cities of Kitchener and Waterloo and the Townships of Wilmot, Wellesley and Woolwich at prices and under terms approved by the OEB.

ENOVA POWER CORP.

Notes to Financial Statements

For the year ended December 31, 2025, with comparative information for 2024
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22. Related Party Transactions (continued)

(e) Transactions with ultimate shareholders (the Cities and Townships)

In 2025 the Company had the following significant transactions with its ultimate shareholders, all of which are government entities:

The Company delivers electricity to the Cities of Kitchener and Waterloo and the Townships of Wellesley, Wilmot and Woolwich and its related organizations throughout the period for their electricity needs. Electricity delivery charges are at prices and under terms approved by the OEB.

The Company also provides the following services to the Cities of Kitchener and Waterloo and the Townships of Wellesley, Wilmot and Woolwich:

- streetlight maintenance services
- streetlight construction services

These services are contracted through Enova Energy Services Inc. The Company conducted transactions with related parties during the period ended December 31, 2025. These transactions are in the normal course of operations and are measured at fair value.

(f) Transactions with affiliate companies

The Company has entered into lease agreements for solar PV roof-top equipment representing right-of-use assets with its affiliate, Grand River Energy Solutions Corp. Note 5 & Note 17 describe the accounting treatment of the related right-of-use assets and lease liabilities.

The Company also provides contracted services for its affiliate, Alliance Metering Solutions Inc.. The services provided include:

- customer service and billing functions for submetering locations
- meter testing and maintenance for submetering locations
- accounting and bookkeeping
- general administrative and management services

These transactions are in the normal course of operations and are measured at fair value.

ENOVA POWER CORP.

Notes to Financial Statements

For the year ended December 31, 2025, with comparative information for 2024
(Expressed in thousands of dollars)

23. Financial Instruments and Risk Management

Fair value disclosure

Cash and cash equivalents are measured at fair value. The carrying value of receivables, unbilled receivable, accounts payable, and accrued charges approximate fair value due to the short maturity of these instruments. The carrying value of the customer deposits approximates fair value since the amounts are payable on demand.

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

The fair value of the Company's bank debt approximates its carrying value due to the variable interest rates and short contractual maturity of the instruments.

The fair value of the notes payable to shareholders has been estimated by discounting future contractual cash flows using interest rates currently available to the Company for debt instruments with similar terms, maturities, and credit risk. Management has determined that the resulting fair value does not differ materially from the carrying amount at December 31, 2025.

The Company's debt instruments are classified as Level 2 within the fair value hierarchy, as the valuation techniques use observable market inputs.

Financial risks

The Company understands the risks inherent in its business and defines them broadly as anything that could impact its ability to achieve its strategic objectives. The Company's exposure to a variety of risks such as credit risk, interest rate risk and liquidity risk, as well as related mitigation strategies, are discussed below.

(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 Company, such as accounts receivable, expose it to credit risk. The Company earns its revenue from a broad base of customers located in the Cities of Kitchener and Waterloo, and the Townships of Wellesley, Wilmot and Woolwich. No single customer accounts for a balance over 2.53% of total accounts receivable.

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 net income. Subsequent recoveries of receivables previously provisioned are credited to net income. The balance of the allowance for expected credit losses at December 31, 2025 is \$700 (2024 - \$800).

The Company's credit risk associated with accounts receivable is primarily related to payments from distribution customers. At December 31, 2025, approximately \$1,770 is considered 60 days past due. The Company has over 163,000 customers, the majority of whom are residential. Credit risk is managed through collection of security deposits from customers under directions provided by the OEB. As at December 31, 2025, the Company holds security deposits in the amount of \$8,148.

ENOVA POWER CORP.

Notes to Financial Statements

For the year ended December 31, 2025, with comparative information for 2024
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23. Financial Instruments and Risk Management (continued)

Financial risks (continued)

(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 Company currently does not have any material commodity or foreign exchange risk. The Company is exposed to fluctuations in interest rates as the regulated rate of return for the Company'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. The Company's debt as of December 31, 2025 is at a variable interest rate.

A 100 basis point increase or decrease in interest rates would have increased or decreased net income by approximately \$143 (2024 – \$118), assuming all other variables remain constant.

(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 has access to a \$45M credit facility and monitors cash balances daily to ensure that a sufficient level of liquidity is on hand to meet financial commitments as they come due. As at December 31, 2025, \$nil (2024 - \$15,717) had been drawn under BMO's \$45M operating credit facility.

In 2025 the Company was assigned an Issuer Rate of A, Stable, from DBRS Limited. The Company's financial risk profile is reasonable with key metrics supporting the "A" rating.

The Company also has a bilateral facility for \$5,000 (the "LC" facility) to issue letters of credit mainly to support the prudential requirements of the IESO of which the \$5,000 has been drawn and posted with the IESO.

The Company manages liquidity risk by maintaining sufficient cash balances, monitoring forecast cash flows, and maintaining access to committed credit facilities.

As at December 31, 2025, the Company's bank debt represents amounts drawn under a revolving demand loan facility and is contractually due on demand. Management monitors compliance with all related covenants on an ongoing basis and does not anticipate the exercise of demand features. However, it has a maturity date of June 13, 2026 and therefore has been presented as a current liability.

Notes payable to shareholders are repayable on demand; however, the terms of the agreements require a minimum of twelve months' notice prior to repayment. Management does not expect repayment of these notes within the next twelve months and has therefore classified them as non-current liabilities.

Customer deposits and accounts payable are generally non-interest-bearing and are expected to be settled in the normal course of operations within the upcoming fiscal period.

ENOVA POWER CORP.

Notes to Financial Statements

For the year ended December 31, 2025, with comparative information for 2024
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23. Financial Instruments and Risk Management (continued)

Financial risks (continued)

Management believes that the Company has sufficient liquidity to meet its obligations as they fall due.

(d) Capital disclosures

The main objectives of the Company, 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 Company's definition of capital includes shareholder's equity and long-term debt. As at December 31, 2025, shareholder's equity amounts to \$457,626 (2024 - \$451,198) and long-term debt including shareholder debt amounts to \$110,476 (2024 - \$110,476).

24. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

25. Changes in Accounting Policies

The International Accounting Standards Board (IASB) has issued the following Standards, Interpretations and Amendments to Standards that were adopted by the Company effective January 1, 2025:

- i. Lack of Exchangeability - Amendments to IAS 21

The amendments and clarifications did not have a material impact on the financial statements.

26. Future Changes in Accounting Policy and Disclosures

The following new and amended standards are effective for annual periods beginning after January 1, 2026 and earlier application is permitted. The Company has not early adopted any of these new and amended standards and does not expect that they will have a significant impact on the Company's financial statements when become effective.

- i. Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)
- ii. Presentation and disclosure in financial statements (IFRS 18)
- iii. Subsidiaries without public accountability disclosures (IFRS 19)
- iv. Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)