

To: Mark Hunter and the Finance and Labour Relations Committee
From: Alyson Conrad, CFO
Re: Preliminary FHSI Financial Statement Commentary for the year ended December 31, 2024

Balance Sheet Commentary

Capital asset additions: Additions to the end of 2024 are \$156K, or 72% of budget. Due to lower-than-expected revenues, capital spend was deferred where appropriate. Details on the capital spend to date are as noted below:

Computer Hardware and Software: Total Computer Hardware and Software spend for 2024 is \$15K which is \$7K under budget. Capital spend includes the expansion of the Adtran chassis to support the downtown expansion and faster speeds being offered to customers as well as upgrades to equipment serving the City of Stratford Rotary complex to support more customers.

Fibre Capital: Total spend on fibre capital for 2024 was \$136K which was over budget by \$32K but under projections by \$24K. The downtown fibre expansion projects contributed to approximately 50% of total spend. The 2024 budgeted asset remediation work, pole line moves and adjustments based on FHI and civil work contributed to the remaining additions.

WiFi Capital: Total capital WiFi spend for 2024 is \$3K which is \$77K under budget and below projections by \$12K. Capital spend and labour resources in other areas were prioritized and prevented significant projects from being completed. FHSI also planned to capitalize its Aruba WiFi controller/manager in projections, but more favourable terms were presented with a cloud-based solution.

Due from FHI: The balance due from FHI is \$94K as compared to the prior year receivable balance of \$29K. Throughout 2024, the balance was in a large receivable position due to lower-than-expected capital additions however this balance has decreased by \$62K since the end of Q3.

Deferred Revenue and Long-Term Debt: The deferred revenue is comparable to budget. The deferred revenue will be brought into income over the life of the customer contract or the life of the asset depending on the agreement. Long-term debt aligns with the budget which is in accordance with the loan amortization schedule.

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From: Alyson Conrad, CFO
Re: Preliminary FHSI Financial Statement Commentary for the year ended December 31, 2024 – cont'd

Income Statement Commentary

The net income for the period is \$18K, which is \$13K below budget.

Revenues: Revenues are \$60K below budget.

Dark Fibre is down \$13K from budget. FHSI did not meet budget projections on customer growth, however FHSI was able to renegotiate an expiring contract which allowed for improved results against projections. ISP revenue is down by \$55K from budget. A significant portion of the decrease from budget is based on declining revenues through a third party contract. These decreases were partially offset by the addition of downtown customers which were added near the end of 2024. Consulting revenue is down from budget by \$19K. This was trending lower most of the year due to lower than planned work for FHI.

Operating Expenses: Operating expenses are \$7K below. Fibre costs were under budget by \$32K. The decrease from budget was due to joint pole costs being lower than anticipated as well as less contract labour being required. Employee costs and business development were over budget by \$19K. These are due to staffing changes after the budget was prepared but before the end of 2023 so these costs were anticipated throughout 2024. Outside services were lower than budget but the same as projection due to lower than typical professional services required in the year.

FESTIVAL HYDRO SERVICES INC.

Balance Sheet For the period ending December 31, 2024

	YTD as at Dec 31, 2023	YTD as at Dec 31, 2024		YTD as at Dec 31, 2023	YTD as at Dec 31, 2024
ASSETS			LIABILITIES		
Current Assets			Current Liabilities		
Cash	6,194	10,654	Accounts Payable	22,849	56,259
Accounts Receivable & Prepaids	14,348	27,978	Current Portion of LTD	44,156	45,004
Income Tax Receivable	3,859	1,615	Promissory Note	372,000	372,000
Inventory	7,131	7,059			
Due from Festival Hydro Inc.	29,355	94,301			
Total Current Assets	60,888	141,606	Total Current Liabilities	439,004	473,262
Fixed Assets			Other Liabilities		
Gross Book Value	5,464,038	5,620,453	Deferred Revenue	480,259	398,347
Accumulated Depreciation	-2,810,234	-3,142,723	Deferred Tax Liabilities	248,000	227,000
Net Book Value	2,653,805	2,477,730	Long Term Debt		
			POP Loan Long Term Portion	233,825	188,821
			TOTAL LIABILITIES	1,401,088	1,287,430
			EQUITY		
			Share Capital	249,236	249,236
			Retained Earnings	1,064,368	1,082,670
			TOTAL EQUITY	1,313,604	1,331,906
TOTAL ASSETS	2,714,692	2,619,336	TOTAL LIABILITIES AND EQUITY	2,714,692	2,619,336

FESTIVAL HYDRO SERVICES INC.

Statement of Capital For the period ending December 31, 2024

	YTD Budget at Dec 31, 2024	YTD as at Dec 31, 2024	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
CAPITAL				
Computer Hardware & Software	22,000	14,776	-7,224	-33%
Buildings	10,000	3,113	-6,887	-69%
Fibre	104,000	135,706	31,706	30%
WiFi	80,000	2,820	-77,180	-96%
TOTAL CAPITAL	216,000	156,414	-59,586	-28%

FESTIVAL HYDRO SERVICES INC.

Statement of Operations For the period ending December 31, 2024

	YTD as at Dec 31, 2023	YTD Budget at Dec 31, 2024	YTD as at Dec 31, 2024	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
TOTAL REVENUE	1,408,059	1,478,426	1,418,545	-59,881	-4%
TOTAL OPERATING EXPENSES	936,591	1,035,707	1,028,843	-6,864	-1%
NET INCOME BEFORE DEPRECIATION & INTEREST	471,469	442,719	389,702	-53,017	-12%
Depreciation	373,188	340,340	332,489	-7,851	-2%
Interest Expense	38,566	46,969	33,237	-13,732	-29%
Interest Income	-1,544	—	-326	-326	—
NET INCOME FOR THE PERIOD BEFORE TAXES	61,259	55,410	24,302	-31,108	-56%
Current Tax Provision	21,000	1,000	27,000	9,500	54%
Future Tax Provision	1,000	6,500	-21,000	-27,500	-423%
NET INCOME(LOSS) FOR THE PERIOD	39,259	31,410	18,302	-13,108	-42%

FESTIVAL HYDRO SERVICES INC.

Cash Flow Statement

For the period ending December 31, 2024

	YTD as at Dec 31, 2023	YTD Bdgt. as at Dec 31, 2024	YTD as at Dec 31, 2024
Cash from Operations			
Net Income	39,259	31,410	18,302
Future Tax Provision	1,000	6,500	-21,000
Current Tax Provision	21,000	2,500	27,000
Depreciation	373,188	340,340	332,489
Amortization of Contributed Capital	-63,735	-63,735	-77,900
Amortization of Deferred Revenue	-6,167	-19,440	-4,012
Accretion of interest	—	-2,500	—
Due to/from QR Fibre Co.	49,500	—	—
Net Change in Receivables/Payables	-53,981	2,500	-4,903
Net Cash Provided	360,064	297,575	269,976
Cash from Financing			
Capital Expenditures	-165,384	-216,000	-156,414
Loan - Wightman	-43,324	-44,156	-44,156
Loan to/from Festival Hydro Inc.	-151,502	125,000	-64,946
Net Cash Used	-360,211	-135,156	-265,516
Increase (Decrease) in Cash Position	-146	162,419	4,459
Cash Beg of Period	6,341	70,615	6,194
Cash End of Period	6,194	233,035	10,654