

# **COLLUS SOLUTIONS CORP.**

## **FINANCIAL STATEMENTS DECEMBER 31, 2005**

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**GAVILLER & COMPANY LLP**  
**CHARTERED ACCOUNTANTS**

**AUDITORS' REPORT**

To the Shareholder of **COLLUS Solutions Corp.**:

We have audited the balance sheet of **COLLUS Solutions Corp.** as at December 31, 2005, and the statements of income and retained income and cash flows for the year then ended. These financial statements are the responsibility of the company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Gaviller & Company LLP*

Chartered Accountants  
Collingwood, Ontario  
March 20, 2006

# COLLUS SOLUTIONS CORP.

## BALANCE SHEET AS AT DECEMBER 31

	2005	2004
	\$	\$
<b>Assets</b>		
Current		
Cash	131,665	46,868
Accounts receivable (Note 2)	326,555	363,898
	458,220	410,766
Future taxes	38,142	30,363
	496,362	441,129
<b>Liabilities</b>		
Current		
Accounts payable and accruals (Note 2)	154,025	177,279
Taxes payable	13,475	4,200
	167,500	181,479
Employee future benefits (Note 6)	200,746	184,680
Total liabilities	368,246	366,159
<b>Shareholder's equity</b>		
Capital stock		
Authorized		
Unlimited common shares		
Issued		
100 common shares	100	100
Retained income	128,016	74,870
Total shareholder's equity	128,116	74,970
	496,362	441,129

Approved on behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

See accompanying notes to the financial statements

# COLLUS SOLUTIONS CORP.

## STATEMENT OF INCOME AND RETAINED INCOME FOR THE YEAR ENDED DECEMBER 31

	2005	2004
	\$	\$
Revenue (Note 2)		
Accounting and administrative services	1,515,019	1,401,411
Miscellaneous	59,538	32,774
	1,574,557	1,434,185
Operating expenses (Note 2)		
Administration	30,018	61,331
Miscellaneous	4,457	3,280
Wages and benefits	1,480,548	1,390,580
	1,515,023	1,455,191
Net income (loss) before taxes	59,534	(21,006)
Provision for (recovery of) taxes		
Current	14,281	4,073
Future	(7,893)	(4,002)
	6,388	71
<b>Net income (loss) for the year</b>	<b>53,146</b>	<b>(21,077)</b>
Retained income, beginning of year	74,870	95,947
<b>Retained income, end of year</b>	<b>128,016</b>	<b>74,870</b>

See accompanying notes to the financial statements

# COLLUS SOLUTIONS CORP.

## STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31

	2005	2004
	\$	\$
<b>Cash flows from (for):</b>		
<b>Operating activities</b>		
Net income (loss)	53,146	(21,077)
Items not providing funds		
Future taxes	(7,779)	(4,002)
	45,367	(25,079)
Changes in		
Accounts receivable	37,343	(158,230)
Taxes payable	9,275	4,200
Accounts payable and accruals	(23,254)	12,193
Employee future benefits	16,066	49,032
<b>Change in cash</b>	<b>84,797</b>	<b>(117,884)</b>
Cash position, beginning of year	46,868	164,752
<b>Cash position, end of year</b>	<b>131,665</b>	<b>46,868</b>

See accompanying notes to the financial statements

# COLLUS SOLUTIONS CORP.

## NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2005

### 1. Tax status

The company is exempt from income tax under section 149 of the Income Tax Act. The company is required to make payments in lieu of tax calculated on the same basis as the Income Tax Act.

### 2. Related party transactions

The company, COLLUS Power Corp. and Collingwood Public Utilities Service Board are controlled by the council of the Town of Collingwood.

Related party transactions include the following:

	2005	2004
	\$	\$
Amounts receivable from COLLUS Power Corp.	<b>58,164</b>	117,915
Amounts payable to COLLUS Power Corp.	<b>5,184</b>	-
Amounts receivable from Collingwood Public Utilities Service Board	<b>159,991</b>	169,483
Amounts receivable from the Town of Collingwood	<b>62,229</b>	45,750
Amounts payable to the Town of Collingwood	<b>10,057</b>	15,076
Revenues include amounts charged to the following parties:		
Town of Collingwood	<b>44,211</b>	24,228
COLLUS Power Corp.	<b>910,719</b>	856,969
Collingwood Public Utilities Service Board	<b>604,300</b>	544,442
Revenue noted above is shown net of expenses:		
COLLUS Power Corp.	<b>318,913</b>	207,946
Collingwood Public Utilities Service Board	<b>221,451</b>	236,925
Expenses include information technology assistance to the Town of Collingwood	<b>17,192</b>	16,778
The COLLUS Solutions Corp. is leasing computer equipment from Collingwood Public Utilities Service Board. This amount is included in the above netted expenses.	<b>96,000</b>	96,000

# COLLUS SOLUTIONS CORP.

## NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2005

### 3. Economic dependence

As the company's sole source of income is derived from providing processing services to related parties its ability to continue viable operations is dependent upon COLLUS Power Corp. and Collingwood Public Utilities Service Board.

### 4. Financial instruments

The company's financial instruments consist of cash, accounts receivable, payments in lieu of taxes and accounts payable and accruals. It is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. Fair value does not vary significantly from recorded value.

### 5. Supplemental cash flow information

Cash payments were made as follows:

	2005	2004
Taxes	\$ 1,820	\$ 3,230

# COLLUS SOLUTIONS CORP.

## NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2005

### 6. Employee future benefits

The employees of COLLUS Solutions Corp. participate in the Ontario Municipal Employees Retirement Savings Plan ("OMERS"). Although the plan has a defined retirement benefit for employees, the related obligation of the corporation cannot be identified. The OMERS plan has several unrelated participating municipalities and costs are not specifically attributed to each participant. Amounts paid to OMERS during the year totaled \$85,698 (2004 - \$81,620).

In addition, COLLUS Solutions Corp. pays certain benefits on behalf of its retired employees. The corporation recognizes these post-retirement costs in the period in which the employees rendered the services. The accrued benefit obligation at December 31, 2003 of \$135,648 and the net periodic benefit cost for 2003 was determined by actuarial valuations using discount rates of 6% and 5.5%, respectively. No actuarial valuation was prepared in 2004 or 2005 and the accrued benefit obligation at December 31, 2004 and December 31, 2005 was extrapolated using 2003 amounts as a basis. Actuarial valuations will be prepared every third year or when there are significant changes to the workforce.

Information about the company's defined benefit plan is as follows:

	2005	2004
	\$	\$
<b>Accrued benefit obligation</b>		
Balance at the beginning of period	184,680	135,648
Current service cost for the period	6,056	40,680
Interest cost for the period	8,823	8,823
Actuarial loss/(gain)	(758)	(758)
Prior period cost	11,413	15,217
Benefits paid for the period	(715)	(4,275)
Projected accrued benefit obligation at end of period as determined by actuarial valuation.	209,499	195,335
Unamortized actuarial (loss)/gain	758	758
Unamortized prior service cost	(9,511)	(11,413)
Balance at end of period	200,746	184,680
<b>Components of net periodic benefit cost</b>		
Current service cost for the period	6,056	40,680
Interest cost for the period	8,823	8,823
Amortization of prior service cost	1,902	3,804
Net periodic benefit cost	16,781	53,307



# COLLUS SOLUTIONS CORP.

## NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2005

### 6. Employee future benefits (continued)

The main actuarial assumptions employed for the valuations are as follows:

- (a) General inflation  
Future general inflation levels, as measured by changes in the Consumer Price Index ("CPI"), were assumed at 2.2% in 2004 and thereafter.
- (b) Interest (discount) rate  
The obligation as at December 31, 2003, of the present value of future liabilities was determined using a discount rate of 5.5%. This corresponds to the assumed CPI rate plus an assumed real rate of return of 3.3%.
- (c) Salary levels  
Future general salary and wage levels were assumed to increase at 3.5% per annum.
- (d) Medical costs  
Medical costs were assumed to increase at the CPI rate plus a further increase of 6.3% in 2004 graded down to 2.3% in 2007 and thereafter.
- (e) Dental costs  
Dental costs were assumed to increase at the CPI rate plus a further increase of 2.3% in 2004 and thereafter.