

# **COLLUS SOLUTIONS CORP.**

## **FINANCIAL STATEMENTS DECEMBER 31, 2006**

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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, 2006, 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, 2006 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*

Licensed Public Accountants  
Collingwood, Ontario  
March 28, 2007

# COLLUS SOLUTIONS CORP.

## BALANCE SHEET AS AT DECEMBER 31

	2006	2005
	\$	\$
<b>Assets</b>		
Current		
Cash	422,459	131,665
Accounts receivable (Note 2)	303,286	326,555
Taxes receivable	4,594	-
	730,339	458,220
Future taxes	43,782	38,142
	774,121	496,362
<b>Liabilities</b>		
Current		
Accounts payable and accruals (Note 2)	393,022	154,025
Taxes payable	-	13,475
	393,022	167,500
Employee future benefits (Note 6)	230,433	200,746
Total liabilities	623,455	368,246
<b>Shareholder's equity</b>		
Capital stock		
Authorized		
Unlimited common shares		
Issued		
100 common shares	100	100
Retained income	150,566	128,016
Total shareholder's equity	150,666	128,116
	774,121	496,362

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

	2006	2005
	\$	\$
Revenue (Note 2)		
Accounting and administrative services	1,670,632	1,515,019
Miscellaneous	64,189	59,538
	1,734,821	1,574,557
Operating expenses (Note 2)		
Administration	23,137	30,018
Miscellaneous	-	4,457
Wages and benefits	1,685,512	1,480,548
	1,708,649	1,515,023
Income before taxes	26,172	59,534
Provision for (recovery of) taxes		
Current	9,262	14,281
Future	(5,640)	(7,893)
	3,622	6,388
<b>Net income for the year</b>	<b>22,550</b>	<b>53,146</b>
Retained income, beginning of year	128,016	74,870
<b>Retained income, end of year</b>	<b>150,566</b>	<b>128,016</b>

See accompanying notes to the financial statements

# COLLUS SOLUTIONS CORP.

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

	2006	2005
	\$	\$
<b>Cash flows from (for):</b>		
<b>Operating activities</b>		
Net income	22,550	53,146
Items not providing funds		
Future taxes	(5,640)	(7,779)
	16,910	45,367
Changes in		
Accounts receivable	23,269	37,343
Taxes payable	(18,069)	9,275
Accounts payable and accruals	238,997	(23,254)
Employee future benefits	29,687	16,066
<b>Increase in cash</b>	<b>290,794</b>	<b>84,797</b>
Cash position, beginning of year	131,665	46,868
<b>Cash position, end of year</b>	<b>422,459</b>	<b>131,665</b>

See accompanying notes to the financial statements

# COLLUS SOLUTIONS CORP.

## NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2006

### 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:

	2006	2005
	\$	\$
Amounts receivable from COLLUS Power Corp.	-	58,164
Amounts payable to COLLUS Power Corp.	219,512	5,184
Amounts receivable from Collingwood Public Utilities Service Board	208,858	159,991
Amounts receivable from the Town of Collingwood	57,048	62,229
Amounts payable to the Town of Collingwood	7,029	10,057
Revenues include amounts charged to the following parties:		
Town of Collingwood	44,254	44,211
COLLUS Power Corp.	967,635	910,719
Collingwood Public Utilities Service Board	702,997	604,300
Revenue noted above is shown net of expenses:		
COLLUS Power Corp.	228,456	318,913
Collingwood Public Utilities Service Board	348,921	221,451
Expenses include information technology assistance to the Town of Collingwood	18,071	17,192
COLLUS Solutions Corp. is leasing computer equipment from Collingwood Public Utilities Service Board. This amount is included in the above netted expenses.	108,000	96,000

# COLLUS SOLUTIONS CORP.

## NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2006

### 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, taxes payable 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 receipts (payments) were made as follows:

	2006	2005
	\$	\$
Interest received	13,738	4,550
Interest paid	(1,840)	-
Taxes refunded	734	-
Taxes paid	(28,065)	(1,820)

# COLLUS SOLUTIONS CORP.

## NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2006

### 6. Employee future benefits

The employees of COLLUS Solutions Corp. participate in the Ontario Municipal Employees Retirement System ("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 \$101,974 (2005 - \$85,698).

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, 2005 of \$200,746 and the net periodic benefit cost for 2006 was determined by actuarial valuations using discount rates of 5.0%. 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:

	2006	2005
	\$	\$
<b>Accrued benefit obligation</b>		
Balance at the beginning of period	200,746	184,680
Current service cost for the period	20,521	6,056
Interest cost for the period	12,183	8,823
Actuarial loss/(gain)	(758)	(758)
Prior period cost	9,511	11,413
Benefits paid for the period	(4,919)	(715)
Projected accrued benefit obligation at end of period as determined by actuarial valuation.	237,284	209,499
Unamortized actuarial (loss)/gain	758	758
Unamortized prior service cost	(7,609)	(9,511)
Balance at end of period	230,433	200,746
<b>Components of net periodic benefit cost</b>		
Current service cost for the period	20,521	6,056
Interest cost for the period	12,183	8,823
Amortization of prior service cost	1,902	1,902
Net periodic benefit cost	34,606	16,781



# COLLUS SOLUTIONS CORP.

## NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2006

### 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 2.1% in 2006 and thereafter.

(b) Interest (discount) rate

The obligation as at December 31, 2006, of the present value of future liabilities was determined using a discount rate of 5.0%. This corresponds to the assumed CPI rate plus an assumed real rate of return of 2.9%.

(c) Salary levels

Future general salary and wage levels were assumed to increase at 3.3% per annum.

(d) Medical costs

Medical costs were assumed to increase at 10.0% in 2006 graded down 1.0% a year until 2011 after which the rate is assumed to increase 5.0% annually.

(e) Dental costs

Dental costs were assumed to increase at 5.0% in 2006 and thereafter.