

COLLUS SOLUTIONS CORP.

FINANCIAL STATEMENTS DECEMBER 31, 2007

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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, 2007, 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, 2007 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 3, 2008

COLLUS SOLUTIONS CORP.

BALANCE SHEET AS AT DECEMBER 31

	2007	2006
	\$	\$
Assets		
Current		
Cash	394,883	422,459
Accounts receivable (Note 3)	158,990	303,286
Taxes receivable	-	4,594
	553,873	730,339
Future taxes	46,351	43,782
	600,224	774,121
Liabilities		
Current		
Accounts payable and accruals (Note 3)	172,771	393,022
Taxes payable	1,901	-
Employee future benefits (Note 7)	243,955	230,433
Total liabilities	418,627	623,455
Shareholder's equity		
Capital stock		
Authorized		
Unlimited common shares		
Issued		
100 common shares	100	100
Retained income	181,497	150,566
Total shareholder's equity	181,597	150,666
	600,224	774,121

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

	2007	2006
	\$	\$
Revenue (Note 3)		
Accounting and administrative services	1,800,236	1,670,632
Miscellaneous	65,411	64,189
	1,865,647	1,734,821
Operating expenses (Note 3)		
Administration	23,051	23,137
Wages and benefits	1,793,554	1,685,512
	1,816,605	1,708,649
Income before taxes	49,042	26,172
Provision for (recovery of) taxes		
Current	20,680	9,262
Future	(2,569)	(5,640)
	18,111	3,622
Net income for the year	30,931	22,550
Retained income, beginning of year	150,566	128,016
Retained income, end of year	181,497	150,566

See accompanying notes to the financial statements

COLLUS SOLUTIONS CORP.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31

	2007	2006
	\$	\$
Cash flows from (for):		
Operating activities		
Net income	30,931	22,550
Items not providing funds		
Future taxes	(2,569)	(5,640)
	28,362	16,910
Changes in		
Accounts receivable	144,296	23,269
Income taxes	6,495	(18,069)
Accounts payable and accruals	(220,251)	238,997
Employee future benefits	13,522	29,687
Change in cash position	(27,576)	290,794
Cash position, beginning of year	422,459	131,665
Cash position, end of year	394,883	422,459

See accompanying notes to the financial statements

COLLUS SOLUTIONS CORP.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2007

1. Significant accounting policies

(a) Revenue Recognition

Revenue from accounting and administrative services provided are recognized at the time of invoicing.

2. 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.

3. 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:

	2007	2006
	\$	\$
Amounts receivable from COLLUS Power Corp.	13,942	-
Amounts payable to COLLUS Power Corp.	-	219,512
Amounts receivable from Collingwood Public Utilities Service Board	47,498	208,858
Amounts receivable from the Town of Collingwood	65,506	57,048
Amounts payable to the Town of Collingwood	5,320	7,029
Revenues include amounts charged to the following parties:		
Town of Collingwood	47,662	44,254
COLLUS Power Corp.	1,045,937	967,635
Collingwood Public Utilities Service Board	754,299	702,997
Expenses include information technology assistance to the		
Town of Collingwood	18,506	18,072
COLLUS Solutions Corp. is leasing computer equipment from Collingwood Public Utilities Service Board. This amount is included in the above netted expenses.	117,000	108,000

COLLUS SOLUTIONS CORP.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2007

4. 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.

5. Financial instruments

The company's financial instruments consist of cash, accounts receivable 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.

6. Supplemental cash flow information

Cash receipts (payments) were made as follows:

	2007	2006
	\$	\$
Interest received	13,486	13,738
Interest paid	(109)	(1,840)
Taxes refunded	3,586	734
Taxes paid	(14,185)	(28,065)

COLLUS SOLUTIONS CORP.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2007

7. 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 \$110,956 (2006 - \$101,974).

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, 2007 of \$243,955 and the net periodic benefit cost for 2007 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:

	2007	2006
	\$	\$
Accrued benefit obligation		
Balance at the beginning of period	230,433	200,746
Current service cost for the period	12,351	20,521
Interest cost for the period	13,159	12,183
Actuarial loss/(gain)	15,445	(758)
Prior period cost	7,609	9,511
Benefits paid for the period	(5,325)	(4,919)
Projected accrued benefit obligation at end of period as determined by actuarial valuation.	273,672	237,284
Unamortized actuarial (loss)/gain	(24,010)	758
Unamortized prior service cost	(5,707)	(7,609)
Balance at end of period	243,955	230,433
Components of net periodic benefit cost		
Current service cost for the period	12,351	20,521
Interest cost for the period	13,159	12,183
Amortization of actuarial losses / (gains)	94	-
Amortization of prior service cost	1,902	1,902
Net periodic benefit cost	27,506	34,606

COLLUS SOLUTIONS CORP.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2007

6. Employee future benefits (continued)

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

(b) General inflation

Future general inflation levels, as measured by changes in the Consumer Price Index ("CPI"), were assumed at 2.1% in 2007 and thereafter.

(c) Interest (discount) rate

The obligation as at December 31, 2007, 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%.

(d) Salary levels

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

(e) Medical costs

Medical costs were assumed to increase at 9.0% in 2007 graded down 1.0% a year until 2011 after which the rate is assumed to increase 5.0% annually.

(f) Dental costs

Dental costs were assumed to increase at 5.0% in 2007 and thereafter.