

COLLUS SOLUTIONS CORP.

FINANCIAL STATEMENTS DECEMBER 31, 2008

CONTENTS

	Page
Auditors' Report	1
Balance Sheet	2
Statement of Income and Retained Income	3
Statement of Cash Flow	4
Notes to the Financial Statements	5

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, 2008, 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, 2008 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 5, 2009

COLLUS SOLUTIONS CORP.

BALANCE SHEET AS AT DECEMBER 31

	2008	2007
	\$	\$
Assets		
Current		
Cash	279,116	394,883
Accounts receivable (Note 3)	319,348	158,990
Taxes receivable	8,437	-
	606,901	553,873
Future taxes	62,470	46,351
	669,371	600,224
Liabilities		
Current		
Accounts payable and accruals (Note 3)	194,564	172,771
Taxes payable	-	1,901
	194,564	174,672
Employee future benefits (Note 8)	283,955	243,955
Total liabilities	478,519	418,627
Shareholder's equity		
Capital stock		
Authorized		
Unlimited common shares		
Issued		
100 common shares	100	100
Retained income	190,752	181,497
Total shareholder's equity	190,852	181,597
	669,371	600,224

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

	2008	2007
	\$	\$
Revenue (Note 3)		
Accounting and administrative services	1,852,112	1,800,236
Miscellaneous	73,903	65,411
	1,926,015	1,865,647
Operating expenses (Note 3)		
Administration	38,471	23,051
Wages and benefits	1,886,301	1,793,554
	1,924,772	1,816,605
Income before taxes	1,243	49,042
Provision for (recovery of) taxes		
Current	8,107	20,680
Future	(16,119)	(2,569)
	(8,012)	18,111
Net income for the year	9,255	30,931
Retained income, beginning of year	181,497	150,566
Retained income, end of year	190,752	181,497

See accompanying notes to the financial statements

COLLUS SOLUTIONS CORP.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31

	2008	2007
	\$	\$
Cash flows from (for):		
Operating activities		
Net income	9,255	30,931
Items not providing funds		
Future taxes	(16,119)	(2,569)
	(6,864)	28,362
Changes in		
Accounts receivable	(160,358)	144,296
Income taxes	(10,338)	6,495
Accounts payable and accruals	21,793	(220,251)
Employee future benefits	40,000	13,522
Decrease in cash	(115,767)	(27,576)
Cash position, beginning of year	394,883	422,459
Cash position, end of year	279,116	394,883

See accompanying notes to the financial statements

COLLUS SOLUTIONS CORP.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2008

1. Significant accounting policies

The financial statements of the company are the representations of management. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgment based on available information. The most significant estimates are included in employee future benefits. The financial statements have, in the opinion of management, been properly prepared within the framework of the accounting policies summarized below:

(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:

	2008	2007
	\$	\$
Amounts receivable from COLLUS Power Corp.	63,978	13,942
Amounts receivable from Collingwood Public Utilities Service Board	142,223	47,498
Amounts receivable from the Town of Collingwood	83,014	65,506
Amounts payable to the Town of Collingwood	(7,469)	(5,320)
Revenues include amounts charged to the following parties:		
Town of Collingwood	58,087	47,662
COLLUS Power Corp.	1,068,195	1,045,937
Collingwood Public Utilities Service Board	783,917	754,299
Expenses include information technology assistance to the		
Town of Collingwood	18,326	18,506
COLLUS Solutions Corp. is leasing computer equipment from Collingwood Public Utilities Service Board. This amount is included in the above netted expenses.	117,000	117,000

COLLUS SOLUTIONS CORP.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2008

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. Future Accounting Pronouncements

On February 13, 2008, the Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards in place of Canadian GAAP for annual reporting purposes for fiscal years beginning on or after January 1, 2011. The transition period is expected to begin for fiscal years beginning on or after January 1, 2010. The impact of these changes cannot be estimated at this time.

6. 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.

7. Supplemental cash flow information

Cash receipts (payments) were made as follows:

	2008	2007
	\$	\$
Interest received	6,931	13,486
Interest paid	-	(109)
Taxes refunded	-	3,586
Taxes paid	(18,445)	(14,185)

COLLUS SOLUTIONS CORP.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2008

8. 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 company 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 \$121,848 (2007 - \$110,956).

In addition, COLLUS Solutions Corp. pays certain benefits on behalf of its retired employees. The company recognizes these post-retirement costs in the period in which the employees rendered the services. The accrued benefit obligation at December 31, 2008 of \$283,955 and the net periodic benefit cost for 2008 was determined by actuarial valuations using discount rates of 5.0% and was adjusted by management based on new information available. 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:

	2008	2007
	\$	\$
Accrued benefit obligation		
Balance at the beginning of period	243,955	230,433
Current service cost for the period	29,545	12,351
Interest cost for the period	14,189	13,159
Actuarial loss	24,010	15,445
Prior period cost	5,707	7,609
Benefits paid for the period	(5,730)	(5,325)
Projected accrued benefit obligation at end of period as determined by actuarial valuation.	311,676	273,672
Unamortized actuarial loss	(23,916)	(24,010)
Unamortized prior service cost	(3,805)	(5,707)
Balance at end of period	283,955	243,955
Components of net periodic benefit cost		
Current service cost for the period	29,545	12,351
Interest cost for the period	14,189	13,159
Amortization of actuarial loss	94	94
Amortization of prior service cost	1,902	1,902
Net periodic benefit cost	45,730	27,506

COLLUS SOLUTIONS CORP.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2008

8. 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 2008 and thereafter.

(c) Interest (discount) rate

The obligation as at December 31, 2008, 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 8.0% in 2008 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 2008 and thereafter.