

COLLUS SOLUTIONS CORP.

FINANCIAL STATEMENTS DECEMBER 31, 2000

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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, 2000, and the statements of income and retained income and cash flows for the period 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 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, 2000 and the results of its operations and its cash flows for the period then ended in accordance with generally accepted accounting principles.



David Capry
Gaviller & Company LLP

Chartered Accountants
Collingwood, Ontario
March 23, 2001

COLLUS SOLUTIONS CORP.

BALANCE SHEET AS AT DECEMBER 31

	2000 \$
ASSETS	
CURRENT	
Accounts receivable (Note 3)	<u>305,042</u>
LIABILITIES	
CURRENT	
Bank overdraft	36,894
Accounts payable and accruals	<u>130,981</u>
	167,875
OTHER	
Employee future benefits (Note 5)	<u>113,924</u>
Total liabilities	<u>281,799</u>
SHAREHOLDER'S EQUITY	
CAPITAL STOCK	
Authorized	
Unlimited common shares	
Issued	
100 common shares (Note 4)	100
RETAINED INCOME	
	<u>23,143</u>
Total shareholder's equity	<u>23,243</u>
	<u>305,042</u>

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 PERIOD APRIL 13 TO DECEMBER 31 (Note 4)

	2000
	\$
REVENUE	
Accounting and administrative services (Note 3)	162,546
Miscellaneous	<u>142</u>
	<u>162,688</u>
OPERATING EXPENSES	
Administration	16,304
Miscellaneous	611
Wages	<u>122,630</u>
	<u>139,545</u>
NET INCOME FOR THE PERIOD AND RETAINED INCOME AT END OF PERIOD	<u><u>23,143</u></u>

See accompanying notes to the financial statements

COLLUS SOLUTIONS CORP.

STATEMENT OF CASH FLOW FOR THE PERIOD APRIL 13 TO DECEMBER 31

	2000
	\$
CASH FLOWS FROM (FOR):	
OPERATING ACTIVITIES	
Net income	23,143
Changes in	
Accounts receivable	(305,042)
Accounts payable and accruals	130,981
Employee future benefits	<u>113,924</u>
	(36,994)
FINANCING ACTIVITIES	
Sale of common shares	<u>100</u>
CASH POSITION, END OF PERIOD	<u><u>(36,894)</u></u>

See accompanying notes to the financial statements

COLLUS SOLUTIONS CORP.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2000

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with generally accepted accounting principles as set out by the Canadian Institute of Chartered Accountants.

2. INCOME TAX STATUS

The corporation is exempt from tax as it is controlled by the Town of Collingwood.

3. RELATED PARTY TRANSACTIONS

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

Accounts receivable include \$94,719 due from COLLUS Power Corp., \$162,627 from Collingwood Public Utilities Commission and \$33,415 from the Town of Collingwood.

The corporation has committed to provide administrative services to COLLUS Power Corp. and the Collingwood Public Utilities Commission for an administrative fee of 20%.

During the period the corporation provided management services to the Town of Collingwood at no charge. Further information technology services were provided to the Town of Collingwood. These were reimbursed by the Town of Collingwood at the company's cost.

4. INDUSTRY RESTRUCTURING

The Ontario Government enacted the Energy Competition Act, 1998 to introduce competition to the Ontario electricity market by the year 2000. Under the terms of this legislation, the Ontario Energy Board (the "OEB") will regulate industry participants by issuing licences for the right to generate, transmit, distribute or retail electricity. These licences will require compliance with established market rules and codes.

Pursuant to this legislation, the Corporation of the Town of Collingwood, as owners of the Commission, enacted a By-Law to authorize the incorporation of four companies created for the purpose of continuing the current distributing and related activities of the Commission. This By-Law authorized the transfer of all or part of the assets and liabilities of the Commission to the appropriate newly created corporations on November 1, 2000. As a result of this action, COLLUS Solutions Corp. was incorporated April 13, 2000 and one hundred common shares were issued for cash.

COLLUS SOLUTIONS CORP.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2000

5. 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. Currently the participants in the OMERS plan have a contribution holiday and no amounts were paid during the year.

In addition, COLLUS Solutions Corp. pays certain benefits on behalf of its retired employees. The Corporation has adopted The Canadian Institute of Chartered Accountants new accounting standards for employee future benefits. COLLUS Solutions Corp. recognizes these post-retirement costs in the period in which the employees rendered the services. The accrued benefit liability at December 31, 2000 of \$113,924 was determined by actuarial valuation using a discount rate of 6.0%. This liability was transferred as part of the corporate reorganization related to the hydro industry restructuring.

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 3.0% in 2000 and thereafter.
- (b) Interest (discount) rate
The obligation as at December 31, 2000, of the present value of future liabilities was determined using a discount rate of 6.0%. This corresponds to the assumed CPI rate plus an assumed real rate of return of 3.0%.
- (c) Salary levels
Future general salary and wage levels were assumed to increase at 2.0% per annum.
- (d) Medical costs
Medical costs were assumed to increase at the CPI rate plus a further increase of 5.0% in 2000 graded down to 1.0% in 2004 and thereafter.
- (e) Dental costs
Dental costs were assumed to increase at the CPI rate plus a further increase of 1.0% in 2000 and thereafter.

6. FINANCIAL INSTRUMENTS

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