

COLLUS SOLUTIONS CORP.

FINANCIAL STATEMENTS DECEMBER 31, 2001

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, 2001, 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, 2001 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
April 2, 2002

COLLUS SOLUTIONS CORP.

BALANCE SHEET AS AT DECEMBER 31

	2001	2000
	\$	\$
ASSETS		
CURRENT		
Cash	75,894	-
Accounts receivable (Note 2)	367,067	305,042
	<u>442,961</u>	305,042
FUTURE PAYMENTS IN LIEU OF TAXES	46,411	-
	<u>489,372</u>	<u>305,042</u>
LIABILITIES		
CURRENT		
Bank overdraft	-	36,894
Accounts payable and accruals (Note 2)	358,530	130,981
	<u>358,530</u>	167,875
OTHER		
Employee future benefits (Note 4)	113,924	113,924
	<u>472,454</u>	<u>281,799</u>
SHAREHOLDER'S EQUITY		
CAPITAL STOCK		
Authorized		
Unlimited common shares		
Issued		
100 common shares	100	100
RETAINED INCOME	16,818	23,143
	<u>16,918</u>	<u>23,243</u>
	<u>489,372</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 YEAR ENDED DECEMBER 31, 2001

	\$
REVENUE (Note 2)	
Accounting and administrative services	1,091,703
Miscellaneous	<u>23,335</u>
	<u>1,115,038</u>
OPERATING EXPENSES (Note 2)	
Administration	77,194
Miscellaneous	14,705
Wages and benefits	<u>1,075,875</u>
	<u>1,167,774</u>
Loss from operations	(52,736)
Future payments in lieu of taxes recoverable	<u>46,411</u>
NET LOSS FOR THE YEAR	(6,325)
Retained income, beginning of year	<u>23,143</u>
RETAINED INCOME, END OF YEAR	<u>16,818</u>

See accompanying notes to the financial statements

COLLUS SOLUTIONS CORP.

STATEMENT OF CASH FLOW FOR THE YEAR THEN ENDED DECEMBER 31, 2001

	\$
CASH FLOWS FROM (FOR):	
OPERATING ACTIVITIES	
Net loss	(6,325)
Changes in	
Accounts receivable	(62,025)
Accounts payable and accruals	77,549
Future payments in lieu of taxes recoverable	<u>(46,411)</u>
	(37,212)
FINANCING ACTIVITIES	
Advance from COLLUS Power Corp.	<u>150,000</u>
INCREASE IN CASH	112,788
Cash position, beginning of period	<u>(36,894)</u>
CASH POSITION, END OF PERIOD	<u>75,894</u>

See accompanying notes to the financial statements

COLLUS SOLUTIONS CORP.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2001

1. TAX STATUS

The company is exempt from 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 income and capital taxes on taxable income earned after September 30, 2001.

2. RELATED PARTY TRANSACTIONS

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

Accounts receivable include \$22,590 (2000 - \$94,719) due from COLLUS Power Corp., \$307,407 (2000 - \$162,627) from Collingwood Public Utilities Commission and \$21,519 (2000 - \$33,415) from the Town of Collingwood.

Accounts payable include \$150,000 due to COLLUS Power Corp., \$53,926 to the Town of Collingwood and \$1,495 to Collingwood Public Utilities Commission.

The corporation has committed to provide administrative services to COLLUS Power Corp. and the Collingwood Public Utilities Commission for an administrative fee of approximately 15%.

Revenue includes \$18,000 for charges to the Town of Collingwood, \$682,664 to COLLUS Power Corp. and \$409,037 to Collingwood Public Utilities Commission.

Expense include \$50,000 of consulting fees to the Town of Collingwood.

During the year the corporation provided \$60,000 in 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.

3. PRIOR YEAR COMPARATIVE BALANCES

The statements of income and retained income and cash flows do not include comparative balances. These balances would not provide meaningful information as they covered a two month operating period.

COLLUS SOLUTIONS CORP.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2001

4. 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. 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 prepared at December 31, 2000, using a discount rate of 6.0%. In management's opinion the assumptions and workforce have not changed significantly since December 31, 2000. An actuarial valuation will be prepared every third year and also when there are significant changes in the workforce.

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 2001 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 2001 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 2001 and thereafter.

5. PAYMENTS IN LIEU OF TAXES

The company has a loss carryforward of \$130,345 to use against future taxable income. The loss will expire in 2008.

6. ECONOMIC DEPENDENCE

As the company's sole source of income is derived from providing processing services. Its ability to continue viable operations is dependent upon two related parties.

7. 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.