

# **COLLUS SOLUTIONS CORP.**

## **FINANCIAL STATEMENTS DECEMBER 31, 2003**

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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, 2003, 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, 2003 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  
March 2, 2003

# COLLUS SOLUTIONS CORP.

## BALANCE SHEET AS AT DECEMBER 31

	2003	2002
	\$	\$
<b>Assets</b>		
Current		
Cash	164,752	31,455
Accounts receivable (Note 2)	205,668	352,802
	370,420	384,257
Future payments in lieu of taxes	26,361	21,939
	396,781	406,196
<b>Liabilities</b>		
Current		
Accounts payable and accruals (Note 2)	165,086	171,029
Other		
Employee future benefits (Note 6)	135,648	113,924
Total liabilities	300,734	284,953
<b>Shareholder's equity</b>		
Capital stock		
Authorized		
Unlimited common shares		
Issued		
100 common shares	100	100
Retained income	95,947	121,143
Total shareholder's equity	96,047	121,243
	396,781	406,196

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

	2003	2002
	\$	\$
Revenue (Note 2)		
Accounting and administrative services	1,322,917	1,399,539
Miscellaneous	32,774	26,935
	<b>1,355,691</b>	1,426,474
Operating expenses (Note 2)		
Administration	59,853	30,533
Miscellaneous	4,324	4,546
Wages and benefits	1,321,132	1,262,598
	<b>1,385,309</b>	1,297,677
(Loss) income from operations before taxes	(29,618)	128,797
Future payments in lieu of taxes (expense) recoverable	4,422	(24,472)
<b>Net (loss) income for the year</b>	<b>(25,196)</b>	104,325
Retained income, beginning of year	121,143	16,818
<b>Retained income, end of year</b>	<b>95,947</b>	121,143

See accompanying notes to the financial statements

# COLLUS SOLUTIONS CORP.

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

	2003	2002
	\$	\$
<b>Cash flows from (for):</b>		
<b>Operating activities</b>		
Net (loss) income	(25,196)	104,325
Items not requiring (providing) funds		
Future payments in lieu of taxes recoverable	(4,422)	24,472
	(29,618)	128,797
Changes in		
Accounts receivable	(42,866)	14,265
Accounts payable and accruals	(5,943)	(37,501)
Employee future benefits	21,724	-
	(56,703)	105,561
<b>Financing activities</b>		
Advance from COLLUS Power Corp.	190,000	(150,000)
<b>Change in cash</b>	<b>133,297</b>	<b>(44,439)</b>
Cash position, beginning of year	31,455	75,894
<b>Cash position, end of year</b>	<b>164,752</b>	<b>31,455</b>

See accompanying notes to the financial statements

# COLLUS SOLUTIONS CORP.

## NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2003

### 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 the Income Tax Act.

### 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 \$33,417 (2002 - \$223,521) due from COLLUS Power Corp., \$137,302 (2002 - \$80,710) from Collingwood Public Utilities Commission and \$23,791 (2002 - \$25,368) from the Town of Collingwood.

Accounts payable include \$15,361 (2002 - \$4,036) to the Town of Collingwood.

The corporation has an agreement to provide administrative services until 2008 to COLLUS Power Corp.

Revenue includes \$29,405 (2002 - \$22,628) for charges to the Town of Collingwood, \$838,992 (2002 - \$967,244) to COLLUS Power Corp. and \$483,925 (2002 - \$432,295) to Collingwood Public Utilities Commission.

Revenue noted above with regard to COLLUS Power Corp. and Collingwood Public Utilities Commission is net of expenses of \$297,990 (2002 - \$292,756) and \$159,940 (2002 - \$192,286) respectively.

Expenses include \$15,905 (2002 - \$NIL) of information technology assistance to the Town of Collingwood.

### 3. Payments in lieu of taxes

The company has losses carryforward totaling \$9,284 to use against future taxable income. These losses will expire as follows:

	\$	
2008		1,549
2009		7,735

### 4. 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 COLLUS Power Corp. and Collingwood Public Utilities Commission.

### 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.

# COLLUS SOLUTIONS CORP.

## NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2003

### 6. 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. Amounts paid to OMERS during the year totaled \$23,768.

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, 2002 of \$113,924 and the net periodic benefit cost for the year ended December 31, 2003 was determined by actuarial valuations using discount rates of 6% and 5.5%, respectively. 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:

	<b>2003</b>
	\$
<b>Accrued benefit obligation</b>	
Balance at the beginning of period	113,924
Current service cost for the period	20,623
Interest cost for the period	9,333
Actuarial loss/(gain)	15,333
Benefits paid for the period	(8,232)
Projected accrued benefit obligation at end of period as determined by actuarial valuation.	150,981
Unamortized actuarial (loss)/gain	(15,333)
Balance at end of period	135,648
<b>Components of net periodic benefit cost</b>	
Current service cost for the period	20,623
Interest cost for the period	9,333
Net periodic benefit cost	29,956

# COLLUS SOLUTIONS CORP.

## NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2003

### 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 2.2% in 2003 and thereafter.
- (b) Interest (discount) rate  
The obligation as at December 31, 2003, of the present value of future liabilities and the expense for year ended December 31, 2003, were determined using discount rates of 6.0%, and 5.5% respectively. This corresponds to the assumed CPI rate plus an assumed real rate of return of 3.8% and 3.3%, respectively.
- (c) Salary levels  
Future general salary and wage levels were assumed to increase at 3.5% per annum.
- (d) Medical costs  
Medical costs were assumed to increase at the CPI rate plus a further increase of 6.3% in 2003 graded down to 2.3% in 2007 and thereafter.
- (e) Dental costs  
Dental costs were assumed to increase at the CPI rate plus a further increase of 2.3% in 2003 and thereafter.