

COLLUS SOLUTIONS CORP.

FINANCIAL STATEMENTS DECEMBER 31, 2004

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, 2004, 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, 2004 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
February 22, 2005

COLLUS SOLUTIONS CORP.

BALANCE SHEET AS AT DECEMBER 31

	2004	2003
	\$	\$
Assets		
Current		
Cash	46,868	164,752
Accounts receivable (Note 2)	363,898	205,668
	410,766	370,420
Future payments in lieu of taxes	30,363	26,361
	441,129	396,781
Liabilities		
Current		
Accounts payable and accruals (Note 2)	177,279	165,086
Payments in lieu of taxes	4,200	-
	181,479	165,086
Employee future benefits (Note 5)	184,680	135,648
Total liabilities	366,159	300,734
Shareholder's equity		
Capital stock		
Authorized		
Unlimited common shares		
Issued		
100 common shares	100	100
Retained income	74,870	95,947
Total shareholder's equity	74,970	96,047
	441,129	396,781

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

	2004	2003
	\$	\$
Revenue (Note 2)		
Accounting and administrative services	1,401,411	1,322,917
Miscellaneous	32,774	32,774
	1,434,185	1,355,691
Operating expenses (Note 2)		
Administration	61,331	59,853
Miscellaneous	3,280	4,324
Wages and benefits	1,390,580	1,321,132
	1,455,191	1,385,309
Loss from operations before taxes	(21,006)	(29,618)
Provision (recovery) for payments in lieu of taxes		
Current	4,073	-
Future	(4,002)	(4,422)
	71	(4,422)
Net loss for the year	(21,077)	(25,196)
Retained income, beginning of year	95,947	121,143
Retained income, end of year	74,870	95,947

See accompanying notes to the financial statements

COLLUS SOLUTIONS CORP.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31

	2004	2003
	\$	\$
Cash flows from (for):		
Operating activities		
Net loss	(21,077)	(25,196)
Items not requiring (providing) funds		
Future payments in lieu of taxes recoverable	(4,002)	(4,422)
	(25,079)	(29,618)
Changes in		
Accounts receivable	(158,230)	(42,866)
Payments in lieu of taxes	4,200	-
Accounts payable and accruals	12,193	(5,943)
Employee future benefits	49,032	21,724
	(117,884)	(56,703)
Financing activities		
Advance from COLLUS Power Corp.	-	190,000
Change in cash position	(117,884)	133,297
Cash position, beginning of year	164,752	31,455
Cash position, end of year	46,868	164,752

See accompanying notes to the financial statements

COLLUS SOLUTIONS CORP.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2004

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 Service Board are controlled by the council of the Town of Collingwood.

Related party transactions include the following:

	2004	2003
	\$	\$
Amounts receivable from COLLUS Power Corp.	117,915	33,417
Amounts receivable from Collingwood Public Utilities Service Board	169,483	137,302
Amounts receivable from the Town of Collingwood	45,750	23,791
Amounts payable to the Town of Collingwood	15,076	15,361
Revenues include amounts charged to the following parties:		
Town of Collingwood	24,228	29,405
COLLUS Power Corp.	856,969	838,992
Collingwood Public Utilities Service Board	544,442	483,925
Revenue noted above is shown net of expenses:		
COLLUS Power Corp.	207,946	297,990
Collingwood Public Utilities Service Board	236,925	159,940
Expenses include information technology assistance to the Town of Collingwood	16,778	15,905
The COLLUS Solutions Corp. is leasing computer equipment from Collingwood Public Utilities Service Board. This amount is included in the above netted expenses.	96,000	84,000

3. 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.

4. Financial instruments

The company's financial instruments consist of cash, accounts receivable, payments in lieu of taxes 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.

COLLUS SOLUTIONS CORP.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2004

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. Amounts paid to OMERS during the year totaled \$81,620 (2003 - \$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, 2003 of \$135,648 and the net periodic benefit cost for 2003 was determined by actuarial valuations using discount rates of 6% and 5.5%, respectively. No actuarial valuation was prepared in 2004 and the accrued benefit obligation at December 31, 2004 was extrapolated using 2003 amounts as a basis. Actuarial valuations will be prepared every third year or when there are significant changes to the workforce. Current service cost for the period includes an adjustment of \$18,744 to re-allocate a portion of the COLLUS Power Corp.'s accrued benefit obligation to COLLUS Solutions Corp. based on a revised actuarial report for 2003.

Information about the company's defined benefit plan is as follows:

	2004	2003
	\$	\$
Accrued benefit obligation		
Balance at the beginning of period	135,648	113,924
Current service cost for the period	40,680	20,623
Interest cost for the period	8,823	9,333
Actuarial loss/(gain)	(758)	15,333
Prior period cost	15,217	-
Benefits paid for the period	(4,275)	(8,232)
Projected accrued benefit obligation at end of period as determined by actuarial valuation.	195,335	150,981
Unamortized actuarial (loss)/gain	758	(15,333)
Unamortized prior service cost	(11,413)	-
Balance at end of period	184,680	135,648
Components of net periodic benefit cost		
Current service cost for the period	40,680	20,623
Interest cost for the period	8,823	9,333
Amortization of prior service cost	3,804	-
Net periodic benefit cost	53,307	29,956

COLLUS SOLUTIONS CORP.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2004

5. 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 2004 and thereafter.
- (b) Interest (discount) rate
The obligation as at December 31, 2003, of the present value of future liabilities was determined using a discount rate of 5.5%. This corresponds to the assumed CPI rate plus an assumed real rate of return of 3.3%.
- (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 2004 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 2004 and thereafter.