

COLLUS SOLUTIONS CORP.

FINANCIAL STATEMENTS DECEMBER 31, 2009

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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, 2009, 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, 2009 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, 2010

COLLUS SOLUTIONS CORP.

BALANCE SHEET AS AT DECEMBER 31

| | 2009 | 2008 |
|--|---------|---------|
| | \$ | \$ |
| Assets | | |
| Current | | |
| Cash | 183,822 | 279,116 |
| Accounts receivable (Note 3) | 350,105 | 319,348 |
| Taxes receivable | 2,172 | 8,437 |
| | 536,099 | 606,901 |
| Future taxes | 77,026 | 62,470 |
| | 613,125 | 669,371 |
| Liabilities | | |
| Current | | |
| Accounts payable and accruals (Note 3) | 85,849 | 194,564 |
| | 85,849 | 194,564 |
| Employee future benefits (Note 9) | 314,390 | 283,955 |
| Total liabilities | 400,239 | 478,519 |
| Shareholder's equity | | |
| Capital stock | | |
| Authorized | | |
| Unlimited common shares | | |
| Issued | | |
| 100 common shares | 100 | 100 |
| Retained income | 212,786 | 190,752 |
| Total shareholder's equity | 212,886 | 190,852 |
| | 613,125 | 669,371 |

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

| | 2009 | 2008 |
|--|----------------|----------------|
| | \$ | \$ |
| Revenue (Note 3) | | |
| Accounting and administrative services | 1,926,006 | 1,852,112 |
| Miscellaneous | 69,676 | 73,903 |
| | 1,995,682 | 1,926,015 |
| Operating expenses (Note 3) | | |
| Administration | 19,585 | 38,471 |
| Wages and benefits | 1,958,770 | 1,886,301 |
| | 1,978,355 | 1,924,772 |
| Income before taxes | 17,327 | 1,243 |
| Provision for (recovery of) taxes | | |
| Current | 9,849 | 8,107 |
| Future | (14,556) | (16,119) |
| | (4,707) | (8,012) |
| Net income for the year | 22,034 | 9,255 |
| Retained income, beginning of year | 190,752 | 181,497 |
| Retained income, end of year | 212,786 | 190,752 |

See accompanying notes to the financial statements

COLLUS SOLUTIONS CORP.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31

| | 2009 | 2008 |
|-----------------------------------|-----------------|------------------|
| | \$ | \$ |
| Cash flows from (for): | | |
| Operating activities | | |
| Net income | 22,034 | 9,255 |
| Items not providing funds | | |
| Future taxes | (14,556) | (16,119) |
| | 7,478 | (6,864) |
| Changes in | | |
| Accounts receivable | (30,757) | (160,358) |
| Income taxes | 6,265 | (10,338) |
| Accounts payable and accruals | (108,715) | 21,793 |
| Employee future benefits | 30,435 | 40,000 |
| Decrease in cash | (95,294) | (115,767) |
| Cash position, beginning of year | 279,116 | 394,883 |
| Cash position, end of year | 183,822 | 279,116 |

See accompanying notes to the financial statements

COLLUS SOLUTIONS CORP.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2009

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 in which the services were provided.

(b) Financial Instruments

The company has adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 3861 - "Financial Instruments - Disclosure and Presentation" which establishes the requirement of disclosure of risks associated with financial instruments and the management of those risks. The adoption of this standard did not have any impact on the company's results of operations or financial position.

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 are recorded at their exchange value and include the following:

| | 2009 | 2008 |
|--|-----------|-----------|
| | \$ | \$ |
| Amounts receivable from COLLUS Power Corp. | 94,769 | 63,978 |
| Amounts receivable from Collingwood Public Utilities Service Board | 162,324 | 142,223 |
| Amounts receivable from the Town of Collingwood | 75,536 | 83,014 |
| Amounts payable to the Town of Collingwood | - | (7,469) |
| Revenues include amounts charged to the following parties: | | |
| Town of Collingwood | 62,517 | 58,087 |
| COLLUS Power Corp. | 1,114,125 | 1,068,195 |
| Collingwood Public Utilities Service Board | 811,881 | 783,917 |
| Expenses include information technology assistance to the Town of Collingwood | 20,029 | 18,326 |

COLLUS SOLUTIONS CORP.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2009

4. Economic dependence

As the company's major 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. Phase 1 of the company's IFRS implementation was complete as of October 2009. Phase 1 identified the company's needs with regard to the new standards and set out recommendations to meet those needs.

6. Financial instruments

The company's financial instruments consist of cash, accounts receivable, taxes recoverable 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:

| | 2009 | 2008 |
|-------------------|----------|----------|
| | \$ | \$ |
| Interest received | 1,555 | 6,931 |
| Taxes refunded | 8,376 | - |
| Taxes paid | (11,960) | (18,445) |

COLLUS SOLUTIONS CORP.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2009

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 \$167,748 (2008 - \$121,848).

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, 2009 of \$314,390 and the net periodic benefit cost for 2009 was determined by actuarial valuations using discount rates of 6.0% 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:

| | 2009 | 2008 |
|---|----------|----------|
| | \$ | \$ |
| Accrued benefit obligation | | |
| Balance at the beginning of period | 283,955 | 243,955 |
| Current service cost for the period | 12,133 | 29,545 |
| Interest cost for the period | 16,505 | 14,189 |
| Actuarial (gain)/loss | (24,764) | 24,010 |
| Prior period cost | 3,805 | 5,707 |
| Benefits paid for the period | (105) | (5,730) |
| Projected accrued benefit obligation at end of period as determined by actuarial valuation. | 291,529 | 311,676 |
| Unamortized actuarial gain/(loss) | 24,764 | (23,916) |
| Unamortized prior service cost | (1,903) | (3,805) |
| Balance at end of period | 314,390 | 283,955 |
| Components of net periodic benefit cost | | |
| Current service cost for the period | 12,133 | 29,545 |
| Interest cost for the period | 16,505 | 14,189 |
| Amortization of actuarial loss | - | 94 |
| Amortization of prior service cost | 1,902 | 1,902 |
| Net periodic benefit cost | 30,540 | 45,730 |

COLLUS SOLUTIONS CORP.

NOTES TO THE FINANCIAL STATEMENTS AS AT DECEMBER 31, 2009

8. Employee future benefits (continued)

The main actuarial assumptions employed for the valuations are as follows:

(c) General inflation

Future general inflation levels, as measured by changes in the Consumer Price Index ("CPI"), were assumed at 2.0% in 2009 and thereafter.

(d) Interest (discount) rate

The obligation as at December 31, 2009, 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 4.0%.

(e) Salary levels

Future general salary and wage levels were assumed to increase at 3.3% per annum.

(f) Medical costs

Medical costs were assumed to increase at 9.0% in 2009 graded down 0.67% a year until 2015 after which the rate is assumed to increase 5.0% annually.

(g) Dental costs

Dental costs were assumed to increase at 5.0% in 2009 and thereafter.

9. Capital disclosures

The company's main objectives when managing capital are to:

(a) Ensure ongoing access to funds that will allow the ongoing operation of the service company.

(b) Ensure compliance with covenants related to its credit facilities.

As at December 31, 2009, the company's definition of capital includes shareholder's equity and long-term debt. There have been no changes in the Company's approach to capital management during the year.

The company has met all covenants related to its credit facilities.