CUI

CHESTERMERE

UTILITIES INCORPORATED

2012 ANNUAL REPORT

CUI, providing safe, reliable and efficient Water, Waste Water, Storm Water, Solid Waste and Recycling services to the residents of Chestermere.

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Message from the Chairman of the Board

It is with a sense of pride and accomplishment that I contribute this message in the first annual report of Chestermere Utilities Inc. (CUI).

On June 21, 2011, I drove to Chestermere to meet with the four members of council who would become the Town representatives on the CUI Board of Directors. They were tasked with selecting two outside members to complete the six-member Board and I was honoured that they wanted to meet me.

After a series of meetings, I was asked to join the Board, and shortly thereafter, was asked to become the first Chairman of CUI. Our next outside appointment was Dr. Catherine Connolly who became Vice-Chair. Cathy's extensive experience in major Corporations and her particular interest in the finance and audit functions has been an immense help in establishing financial models necessary in a start-up company.

Now, approximately two years after joining CUI, I can state that aside from some initial growing pains and unforeseen obstacles, we are fully functional and moving forward under an excellent management team headed by our CEO Don Roberts, and our President and Chief Operating Officer, Ray MacIntosh.

We will soon be occupying our new offices, a move that will establish CUI as a standalone company.

We look forward to continuing our excellent relationship with the Town of Chestermere, and acknowledge the efforts of the four members of Town Council that have helped CUI get to where we are today. Mayor Patricia Matthews, Kelsey Johnson, Patrick Bergen and Christopher Steeves have been unwavering in their efforts to ensure the success of CUI.

I wish to personally thank our dedicated employees who have stuck with us through some initial hiccups. Their enthusiasm and commitment has been greatly appreciated. They are the nucleus of what CUI will become in the future.

Fred W. R. Clarke
Chairman of the Board
April 1, 2013

Message from the Chief Executive Officer

Chestermere Utilities Incorporated ("CUI") was formed in 2011, and became operational in 2012. Operations formally commenced on March 1, 2012; however the effective date for operations from a financial standpoint was January 1, 2012. Significant work went into making sure that CUI was ready to go on March 1, and it was. Unfortunately, CUI's founding CEO stepped down in late June 2012. Fred Clarke, Board Chair and Ray MacIntosh, currently President and Chief Operating Officer stepped into the Interim CEO and Interim President roles respectively until late November 2012, when I was engaged as CEO and Ray became President and Chief Operating Officer. They did a great job during a very difficult period; however as a result of this, a number of tasks slated for 2012 have been deferred or were not implemented until late in the year.

CUI is responsible for delivering reliable and safe water, handling waste water and storm water, providing solid waste services as well as operating a recycling center at the Town of Chestermere's Public Works yard. Providing our customers with excellent service is one of our most significant goals, and something we take very seriously. We had very few water disruptions in 2012. Our solid waste contractor does a great job, and our recycling center is very well run and is remarkably well cared for. All of our services continue to be delivered in a top notch form.

I spent considerable time early in 2013 developing our new Strategic Plan, which has been adopted by the Board of Directors, and the highlights of the plan are detailed elsewhere in this Annual Report. 2013 will be a relatively quiet year in terms of capital projects. Most projects are focused on improving our ability to deal with delivery of water and waste water. There are several other initiatives that we will be reviewing over the year to determine if there is customer interest and associated costs. We are very conscious of our expenses, as we recognize that any increase in expenses becomes an additional cost to our customers. We are committed to providing our core services as competitively priced as possible. Compared to other communities our size, our goal from a cost perspective is to be at or below the overall average.

We are also very focused on communicating with our customers. In each of our utility bills we provide updates from the CEO and the President & COO. In addition, we have our website, Facebook, and Twitter accounts where we try to keep customers as up to date as possible. We are looking to revamp our web page to make the look and ability to access information even easier. As well, in order to gauge how we are doing from your point of view, we will be conducting a Customer Survey. I hope you will complete this survey so that we can try to further meet our customer's expectations.

I would like to express my appreciation to the Board of Directors for their support. It has been tremendous. These folks provide invaluable direction and guidance.

Finally, I would like to thank all the CUI employees and contractors for making us a great organization. It is a pleasure to work with you.

Don Roberts
CEO

Message from the President, Chief Operating Officer

Our inaugural year, and what a year 2012 was!

Chestermere Utilities Incorporated (CUI) launched operations in March 2012 and made firm steps to separate and become independent from the Town of Chestermere. Establishing the business of CUI was a considerable administrative role and included everything from banking, recruiting employees, and negotiating contracts to creating letterhead, designing our website and setting up computers. The transition did come with its own unique challenges and the Board of Directors, Town of Chestermere staff and CUI's new staff stepped up, working hard to resolve any issues. Many worked behind the scenes to make the entire process as seamless as possible for our customers.

Most importantly, our customers deserve a BIG thank you from us. Launching this new utility company resulted in some growing pains and missteps along the way. However, from your constructive feedback and understanding, we have learned these lessons and have implemented a number of customer-focused ideas and improvements to our services.

"our customers deserve a BIG thank you"

Some residents may still be in the dark about who or what CUI even is. CUI is a company providing water, sanitary wastewater, storm sewer, solid waste removal and recycle services. We are owned entirely by the Town of Chestermere and Town Council appoints our Board of Directors. Prior to CUI's inception, all of these services were directly supplied by the Town. CUI contracts EPCOR Water Services to provide operations and project expertise in water and sanitary sewer functions. We also contract RMW Consulting, who provides the operations services for the garbage pickup.

We are committed to operate all provided services as efficiently as possible, be responsive to our customers and to find ways to both reduce our costs while finding new ways to increase profitability. We are a relatively small group of staff (currently we have ten employees) that are dedicated to our shareholder and all of our customers.

I am looking forward to 2013 and the opportunities to refine and improve our business. CUI will be more visible and active in the community during public events and we are always open to ideas or suggestions.

Ray MacIntosh
President & Chief Operating Officer

MISSION

CUI, providing safe, reliable and efficient Water, Waste Water, Storm Water, Solid Waste and Recycling services to the residents of Chestermere.

VISION

CUI is an innovative and cost competitive provider of reliable utility solutions and services for Alberta municipalities.

PRINCIPLES

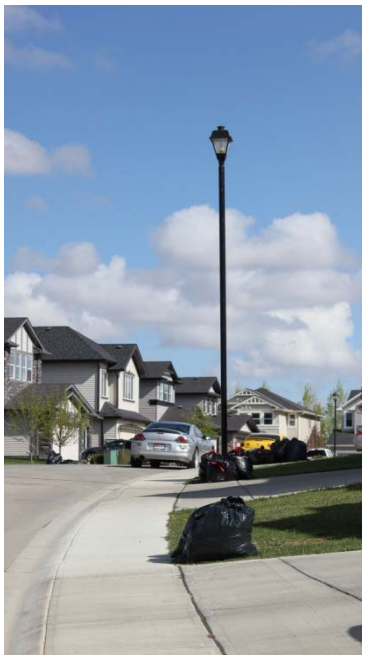
We have established our principles and they are:

- We will be the best employer we can be.
- We will provide the best service possible.
- We will be environmentally responsible and a leader in environmental standards.
- We will identify and implement best practices which are cost effective in all that we do.
- We will be effective communicators with all our stakeholders.
- We will be fiscally responsible to our customers and shareholders.
- We will expand our business by applying good business practices.

VALUES

Staff	- We have the best people and we are an exemplary employer.
Leadership	- We are people of action.
Customers	- We are here to provide the best service we can.
Health & Safety	- CUI protects all people on the job.
Collaborative Relationships	- Collectively, we will succeed.
Quality & Integrity	- In everything we do.

GOING FORWARD



During early 2013, CUI developed our Strategic Plan which will guide us for the next five years.

Our plan will firmly establish CUI during 2013, ensuring that we have a solid foundation from which we can build. Our current approvals provide for CUI to expand our services to other municipalities within Alberta, and we will look at opportunities in the future for this to occur.

We are also looking for cost effective business to enhance our core businesses of water, wastewater, stormwater, recycling and solid waste.

All opportunities will be visited with the need for a strong business case so that all potential risks are mitigated.

Our capital projects in 2013 are largely to improve efficiencies and provide a higher level of customer service. Most of our projects will be paid for by developers with nominal costs to be paid by CUI.

FINANCIAL OVERVIEW

During the year which ended December 31, 2012, CUI had a net income of $421 thousand, calculated under International Financial Reporting Standards ("IFRS").

During 2012 the Town of Chestermere transferred assets to CUI. For each dollar in asset value, the Town received 1 (one) preferred share. Any debt assumed by CUI is deducted from the asset value. CUI issued 56,050,023 to the Town in 2012.

Management's Responsibility for Financial Reporting

The preparation and presentation of the consolidated financial statements and the overall quality of financial reporting are the responsibility of Management of Chestermere Utilities Incorporated. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and include estimates that are based on Management's best judgments. Information contained elsewhere in the Annual Report is consistent, where applicable, with that contained in the financial statements.

Management is responsible for installing and maintaining a system of internal controls to provide reasonable assurance that assets are safeguarded and that reliable financial information is produced for preparation of consolidated financial statements. Management believes that the system of internal controls operated effectively in 2012.

Don Roberts
Chief Executive Officer

Ray MacIntosh
President and Chief Operating Officer

April 23, 2013

Finance and Audit Committee of the Board of Directors

The Board of Directors is responsible for overseeing Management's performance of its responsibilities for financial reporting and internal control. The Board exercises this responsibility with the assistance of the Finance and Audit Committee of the Board.

The Committee is composed of not fewer than three members who are directors of Chestermere Utilities Incorporated. The Committee reviews the annual financial statements, considers the appropriateness of accounting policies and assesses the overall quality of the financial reporting. The Committee also reviews and makes recommendations to the Board regarding financial matters and oversees the process that Management has in place to identify reporting risks.

The Committee recommends to the Board the auditors to be appointed by the shareholders and approves in advance fees for the auditor's services. Gregory, Harriman and Associates LLP was appointed by the shareholders as the independent auditor in 2012 to conduct an examination and express their opinion on the financial statements. The Auditor's Report outlines the auditor's opinion and the scope of their examination. The services provided by the independent auditor are restricted to the audit of the consolidated financial statements, and audit-related and financial risk services.

The Committee reviews and approves the terms of engagement of the independent auditor, the scope and plan for the external audit and reviews with the auditor the results of the audit and the Auditor's Report. The auditor reports to the Committee. The Committee also discusses with the auditor their independence from Management and Chestermere Utilities Incorporated and receives written confirmation of their independence.

Management and the auditor attend Committee meetings and each is provided with the opportunity to meet privately with the Committee. The Committee was formed at the May 15, 2012 Board of Directors meeting and subsequently met 4 times in 2012.

Dr. Catherine Connolly
Chairman of the Audit and Finance Committee

April 23, 2013

Financial Statements

GREGORY,
HARRIMAN
& ASSOCIATES LLP

CHESTERMERE UTILITIES INCORPORATED

Financial Statements

Year Ended December 31, 2012

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CHESTERMERE UTILITIES INCORPORATED

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Year Ended December 31, 2012

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GREGORY,
HARRIMAN
& ASSOCIATES LLP

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Chestermere Utilities Incorporated

We have audited the accompanying financial statements of Chestermere Utilities Incorporated, which comprise the statement of financial position as at December 31, 2012 and December 31, 2011, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Chestermere Utilities Incorporated as at December 31, 2012 and December 31, 2011 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that Chestermere Utilities Incorporated adopted International Financial Reporting Standards (IFRS) on January 1, 2012 with a transition date of January 1, 2011. The adoption of IFRS had no impact on the previously reported assets, liabilities, and equity of the corporation and accordingly, no adjustments have been recorded in the comparative statements of financial position, comprehensive income, changes in equity, and cash flows. Certain disclosures included in these financial statements reflect the new disclosure requirements of IFRS.

Strathmore, Alberta
April 23, 2013

Gregory, Harriman & Assoc.
Gregory, Harriman & Associates LLP

CHESTERMERE UTILITIES INCORPORATED

Statement of Financial Position

December 31, 2012

(Stated in Canadian dollars)

	2012	2011
ASSETS		
CURRENT		
Cash *(Note 9)*	$ 1,870,224	$ -
Accounts receivable *(Note 10)*	1,092,451	-
Inventory *(Note 11)*	76,575	-
Goods and Services Tax receivable	90,433	-
Prepaid expenses	3,642	-
	3,133,325	-
PROPERTY AND EQUIPMENT *(Note 12)*	60,336,296	-
DUE FROM RELATED PARTY *(Note 16)*	1,469,349	-
	$ 64,938,970	$
LIABILITIES AND SHAREHOLDER'S DEFICIENCY		
CURRENT		
Accounts payable and accrued liabilities *(Note 13)*	$ 310,041	$ 6,213
Current portion of long term debt *(Note 15)*	251,482	
	561,523	6,213
DEFERRED OFFSITE LEVIES *(Note 14)*	1,829,979	
LONG TERM DEBT *(Note 15)*	6,126,815	
DUE TO SHAREHOLDER *(Note 16)*	554,428	
DUE TO RELATED PARTY *(Note 16)*	-	598,215
PREFERRED SHARES *(Note 18)*	56,050,023	
	65,122,768	604,428
SHAREHOLDER'S DEFICIENCY		
Share capital *(Note 18)*	100	100
Deficit *(Note 22)*	(183,898)	(604,528)
	(183,798)	(604,428)
	$ 64,938,970	$ -

COMMITMENTS *(Note 20)*

APPROVED ON BEHALF OF THE BOARD

Director

Director

The accompanying notes are an integral part of these financial statements.

CHESTERMERE UTILITIES INCORPORATED

Statement of Financial Position

	2012	2011 (Restated)
REVENUE		
Sale of goods and services *(Note 16)*	$ 6,494,712	$ -
Provincial conditional grants *(Note 17)*	1,850,941	-
Other revenues from own sources	81,236	-
Penalties and costs	30,397	-
Interest revenues	7,216	-
Amortization *of* contributed capital *(Note 12)*	4,057	-
	8,468,559	-
EXPENSES		
General, administrative, and contracted services *(Note 16)*	5,095,944	554,427
Amortization	1,116,607	-
Financing costs	711,930	-
Salaries, wages, and benefits *(Note 16)*	624,280	50,101
Materials, goods, and supplies	486,994	-
Other expenses	12,174	-
	8,047,929	604,528
NET INCOME (LOSS) AND TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR *(Note 22)*	**$ 420,630**	**$ (604,528)**

The accompanying notes are an integral part of these financial statements.

CHESTERMERE UTILITIES INCORPORATED
Statement of Changes in Equity

Year Ended December 31, 2012

(Stated in Canadian dollars)

	Share capital		
	Common shares	Retained earnings *(Restated)*	Total equity *(Restated)*
BALANCE AS AT JANUARY 1, 2011	$ -	$ -	$ -
Net loss for the year *(Note 22)*	-	(604,528)	(604,528)
Issuance of shares	100	-	100
BALANCE AS AT DECEMBER 31, 2011	100	(604,528)	(604,428)
Net income for the year	-	420,630	420,630
BALANCE AS AT DECEMBER 31, 2012	**$ 100**	**$ (183,898)**	**$ (183,798)**

The accompanying notes are an integral part of these financial statements.

CHESTERMERE UTILITIES INCORPORATED
Statement of Changes in Equity

	2012	2011 (Restated)
OPERATING ACTIVITIES		
Net income (loss)	$ 420,630	$ (604,528)
Items not affecting cash:		
Amortization of property and equipment *(Note 12)*	1,116,607	-
Amortization of contributed capital	(4,057)	-
Finance costs	711,930	-
	2,245,110	(604,528)
Changes in non-cash working capital:		
Accounts receivable	(332,644)	-
Inventory	(40,647)	-
Accounts payable and accrued liabilities	303,828	6,213
Prepaid expenses	(3,642)	-
Goods and Services Tax receivable	(90,433)	-
	(163,538)	6,213
Cash flow from (used by) operating activities	2,081,572	(598,315)
INVESTING ACTIVITIES		
Purchase of property and equipment *(Note 12)*	(22,514)	-
Construction in progress	(69,826)	-
Cash flow used by investing activities	(92,340)	-
FINANCING ACTIVITIES		
Advances from (to) related party	954,455	598,215
Proceeds from issuance of share capital	-	100
Finance costs	(711,930)	-
Repayment of long term debt	(2,191,513)	-
Deferred offsite levies	1,829,980	-
Cash flow from (used by) financing activities	(119,008}	598,315
INCREASE IN CASH FLOW	1,870,224	-
Cash - beginning of year	-	-
CASH -END OF YEAR	$ 1,870,224	$ -

The accompanying notes are an integral part of these financial statements.
Gregory, Harriman & Associates LLP

1) Statutes of Incorporation and Nature of Operations

Chestermere Utilities Incorporated is a government business enterprise which was incorporated on May 27, 2010 under the Business Corporations Act (Alberta). On August 23, 2011, the corporation issued 100 Class A Common voting shares to the Town of Chestermere making the corporation wholly owned by the Town of Chestermere. The corporation provides water, wastewater, stormwater, solid waste collection and recycling services to the Town of Chestermere. The head office, principal address, and records office of the corporation is located at 105 Marina Road, Chestermere. Alberta, T1X 1V7.

2) Transition to International Financial Reporting Standards

The financial statements for Chestermere Utilities Incorporated for the period ended December 31, 2012, are the first annual financial statements to be prepared In accordance with International Financial Reporting Standards {IFRS), and are in compliance with IFRS 1 - First Time Adoption of International Financial Reporting Standards.

The date of IFRS adoption by the corporation is January 1, 2012, and the end of the reporting period for these statements is December 31, 2012. However, the corporation's date of transition to IFRS is January 1, 2011.

The transition to IFRS had no impact on the previously reported assets, liabilities and equity and accordingly, no adjustments have been recorded In the comparative statement of financial position, statement of comprehensive income, statement of changes In equity or the statement of cash flows.

3) Basis of Presentation

A. Statement of Compliance

These financial statements have been prepared In accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out in Note 4 have been applied consistently by the corporation during the current period.

B. Financial Statement Approval

The financial statements of the corporation for the year ended December 31, 2012 were approved and authorized by the Board of Directors on April 23, 2013.

4) Significant Accounting Policies

A. Financial Instruments

The corporation aggregates its financial instruments into classes based on their nature and characteristics. Management determines the classification when the instruments are initially recognized, which is normally the date of the transaction.

All financial assets except those measured at fair market value through profit or loss are subject to an annual impairment test and written down when there is evidence of impairment

Financial Assets
Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. Management determined the classification of its financial assets at initial recognition. All transactions related to financial instruments are recorded on a trade date basis. The corporation's accounting policy for each category is as follows:

4) Significant Accounting Policies (continued)

Loans and Receivables

loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities of greater than twelve months after the end of the reporting periods, which are classified as non-current liabilities. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost using the effective Interest rate method less any Impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and Includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. The corporation's loans and receivables consist of accounts receivable and a receivable from a related party.

Financial Assets at Fair Value Through Profit or Loss

An instrument is classified at fair value through profit or loss if it is held for trading or designated on inception. Financial instruments are designated at fair value through profit or loss if the corporation manages such investments and makes purchases and sale decisions based on their fair value In accordance with the corporation's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial Instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The corporation has classified cash at fair value through profit or loss.

Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than Impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an instrument is derecognized, the cumulative gain or loss in other comprehensive loss is transferred to profit or loss. The corporation has not designated any financial assets as available-for-sale.

Held to Maturity Financial Assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the corporation has the positive intention and ability to hold to maturity. The corporation has not designated any financial assets as held to maturity.

Impairment of Financial Assets

The corporation assesses at the end of each reporting date whether there are indicators of Impairment present for financial assets other than financial assets at fair value through profit or loss.

A financial asset Is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the Initial recognition of the asset (a "loss event") and that loss event (or "events") has an Impact on the estimated future cash flows of the financial asset that can be reliably estimated.

An impairment loss In respect of a financial asset carried at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted using the Instrument's original effective interest rate. An Impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below Its cost is also evidence that the assets are Impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset that was previously recognized in profit or loss, is removed from equity and recognized in the income statement.

The corporation has not recognized any impairment of financial assets for the period ended December 31, 2012.

4) Significant Accounting Policies (continued)

Financial Liabilities

Financial liabilities other than derivative liabilities are recognized initially at fair value and are subsequently stated at amortized cost. Transaction costs on financial liabilities other than those classified as fair value through profit or loss are treated as part of the carrying value of the liability. Transaction costs for liabilities at fair value through profit or loss are expensed as incurred. The corporation's financial liabilities consists of accounts payable and accrued liabilities, long term debt, due to shareholder and preferred shares issued.

B. Cash

Components of cash presented in assets on the statement of financial position and in the statement of cash flows Include components of cash that are readily available or convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The balance of cash held at December 31, 2012 consists entirely of bank deposits.

C. Inventories

Inventories consist of parts inventories which are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The cost of inventories comprises all costs of purchase, costs of conversion and other costs Included in bringing the inventories to their present condition.

D. Property and Equipment

Property and equipment acquired by the corporation is stated at cost, less any accumulated amortization and impairment losses.

Costs related to projects under construction are capitalized when Incurred, including directly attributable borrowing costs; all other borrowing costs are expensed. No amortization is provided on equipment under construction until those assets are substantially complete and available for use. The estimated useful lives, residual values and amortization methods are reviewed annually, with the effect of any changes in estimate accounted for on a prospective basis.

The corporation has received contributed Property and Equipment from the Town of Chestermere which has been contributed as part of terms of Development Agreements. As these assets relate to delivery of utility services, the Town of Chestermere has then transferred these assets to Chestermere Utilities Incorporated. These assets are recorded in the corporation at fair value. The contribution of these assets is netted against the value recorded to determine the net book value *(Note 12)* and is recognized as amortization income over the useful life of the asset.

Full amortization is taken in the year of acquisition, no amortization is taken in the year of disposal. Land Is not amortized. Amortization of other items of property and equipment is calculated on components that have homogeneous useful lives by using the straight-line method so as to amortize the initial cost down to the residual value over the estimated useful lives, as follows:

	YEARS	METHOD
Land Improvements	15-45	straight-line method
Buildings	25-50	straight-line method
Engineered structures	30-100	straight-line method
Machinery and equipment	5-40	straight-line method
Vehicles	10	straight-line method

4) Significant Accounting Policies (continued}

E. Impairment of Non-Financial Assets

At the end of each reporting period, management assesses the carrying amounts of non-financial assets for indications of impairment. Indications of impairment include an ongoing lack of profitability and significant changes in technology. If any such Indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where It Is not possible to estimate the recoverable amount of an individual asset, the corporation estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An Impairment loss is recognized immediately in income. If the impairment loss relates to a CGU it is first allocated to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets of the CGU.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized immediately in Income. Impairment of goodwill is not reversed.

F. Deferred Offsite Levies

Deferred offsite levies consists of offsite levies collected from developers to be utilized for future capital or other projects. These funds are recognized as revenue as expenses are Incurred utilizing the funds.

G. Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at statement of financial position date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The increase in the obligation due to the passage of Ume Is recognized as finance expense. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that the reimbursement will be received and the amount receivable can be measured reliably. No such provisions existed at December 31, 2012.

H. Income Taxes

The company is exempt from income taxation under Section 149 (1) (d.5) of the Income Tax Act.

4) Significant Accounting Policies (continued)

I. Revenue Recognition

Revenue is measured at the fair value of the consideration received or to be received, after deducting trade discounts and volume rebates. Revenue from the sale of water and other services are recognized upon delivery or provision of the services to the customer.

The delivery or provision of services to the customer Is completed when the corporation no longer has effective control over the goods sold or services provided, when the amount of revenue can be measured reliably, when it Is probable that the economic benefits associated with the transaction will flow to the corporation, and when costs Incurred or to be incurred In respect of the transaction can be measured reliably and recovery is reasonably assured.

5) Future Changes in Accounting Policies

The corporation has reviewed new and revised accounting pronouncements that have been issued, but are not yet effective and determined that the following *may* have an impact on the corporation:

IFRS 7, Financial Instruments: Disclosures
In December 2011, the IASB amended IFRS 7 respecting additional disclosures on offsetting financial assets and financial liabilities to enable users of financial statements to evaluate the effect of netting arrangements, including rights of set-off associated with the financial assets and financial liabilities recognized in an entity's statement of financial position. These amendments apply to annual periods beginning on or after January 1, 2013. The corporation will adopt this new standard as of its effective date. The corporation is currently analyzing the possible impact of this standard on its financial statements.

IFRS 9 – Financial Instruments
In October 2010, the IASB amended IFRS 9, which is the first part of a three-part project to replace IAS 39, Financial Instruments: Recognition and Measurement. The first part deals with the classification and measurement of financial assets and financial liabilities, and the other two parts will deal with impairment of financial assets and hedge accounting. The corporation will have to classify financial assets as subsequently measured at either amortized cost or fair value, on the basis of its business model for managing financial assets and the contractual cash flow characteristics of the financial asset. Measurement of most financial liabilities at amortized cost is maintained. However, when an entity measures a financial liability at fair value, the portion of change in fair value related to the entity's own credit risk must be reported in other comprehensive Income rather than in profit or loss.

This standard will become effective for annual periods beginning on or after January 1, 2015. Earlier application is permitted. The corporation will adopt this new standard as of its effective date. The corporation is currently analyzing the possible impact of its standard on its financial statements.

IFRS 13 - Fair Value Measurement
In 2011, the IASB issued IFRS 13 to provide comprehensive guidance for instances where IFRS requires fair value to be used. The standard provides guidance on determining fair value and requires disclosures about those measurements. The standard is required to be adopted for periods beginning on or after January 1, 2013. The corporation is currently analyzing the possible impact of this standard on its financial statements.

IAS 1 - Presentation of Items of Other Comprehensive Income
In 2011, the IASB issued amendments to IAS 1 Presentation of Financial Statements to split items of other comprehensive income (OCI) between those that are re-classed to income and those that are not. The standard is required to be adopted for periods beginning on or after July 1, 2012. The corporation is currently analyzing the possible impact of this standard on its financial statements.

6) Principle Uncertainties Arising from the Use of Estimates and Critical Judgment by Management

The preparation of financial statements In conformity with IFRS requires management to make estimates and assumptions that affect the reported amount 0f assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. These estimates are reviewed periodically, and as adjustment become necessary, they are reported in profit or loss in the period in which they become known. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Items for which actual results could differ materially from those estimates are described in the following section:

6) Principle Uncertainties Arising from the Use of Estimates and Critical Judgment by Management (continued)

Determination of Cash Generating Units

For the purpose of assessing impairment of non-financial assets, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGU's}. The grouping of assets into CGU's requires management exercise significant judgment.

Amortization of property and equipment is carried out on the basis of the estimated useful lives of the related assets. Projects under construction are not amortized until the asset is available for use.

All property and equipment is amortized based on the straight-line method, utilizing years. Assessing the reasonableness of the estimated useful lives and the appropriate amortization methodology of engineered structures is based on currently available information.

Changes In circumstances, such as technological advances, changes to the corporation's business strategy, changes in the corporation's capital strategy or changes in regulations may result in the actual useful lives differing from the corporation's estimates. A change in the remaining useful life of a group of assets, or their expected residual value, will affect the amortization rate used to amortize the group of assets, and thus, affect amortization expense as reported in the corporation's results of operations. These changes are reported prospectively when they occur.

Impairment of Non-Financial Assets

Property and equipment are reviewed annually with respect to their useful lives, or more frequently, if events or changes in circumstances indicate that the assets might be impaired. If any such Indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the Impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the corporation estimates the recoverable amount of the CGU to which the asset belongs. The determination of CGU's and the allocation of assets thereto are based on management's judgment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value or money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. As a result, any impairment losses are a result of management's best estimates of expected revenues, expenses and cash flows at a specific point in time. These estimates are subject to measurement uncertainty as they are dependent on factors outside of management's control.

In addition, by their nature, impairment tests involve a significant degree of judgment as expectations concerning future cash flows and the selection of appropriate market inputs are subject to considerable risks and uncertainties.

Fair Value of Financial Instruments

The corporation records its financial instruments at fair value on inception with changes in fair value being recorded when required by the corporation's classification of such Instruments. The calculation of fair value of the corporation's financial instruments requires judgment around expected outcomes, and is based on many variables including but not limited to credit spreads and Interest rate spreads. These calculations are complex and require significant judgment around the selection of market Inputs that are subject to factors outside of management's control.

7) Financial instruments

Fair Values

The corporation has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

As at December 31, 2012, the fair values of financial instruments measured on a recurring basis, including cash, are determined based on Level 1 inputs, consisting of quoted prices in active markets for identical assets. The fair values of other financial instruments, which include accounts receivables, and accounts payable and accrued liabilities, approximate their carrying values due to the relatively short term maturity of these instruments. The fair values of long term debt and due to shareholder, approximate their carrying values due to the interest rate implicit in the instrument reflecting the rate for similar instruments. The fair values of amounts due from related parties and preferred shares are not determinable as the repayment dales are unknown.

Financial assets

	Fair value through profit or loss		**Loans and Receivables**		**Total**	
	Fair Value	Carrying amount	Fair Value	Carrying amount	Fair Value	Carrying amount
December 31, 2012						
Cash	$ 1,870,224	$1,870,224	$ -	$ -	$ 1,870,224	$ 1,870,224
Accounts receivable	-	-	1,092,451	1,092,451	1,092,451	1,092,451
Due from related party	-	-	1,469,349	1,469,349	1,469,349	1,469,349
December 31, 2011						
Cash	$ -	$ -	$ -	$ -	$ -	$ -
Accounts receivable	$ -	$ -	$ -	$ -	$ -	$ -
Due from related party	$ -	$ -	$ -	$ -	$ -	$ -

7) Financial Instruments (continued)

Financial liabilities

	Fair value through profit or loss		At Amortized cost		Total	
	Fair Value	Carrying amount	Fair Value	Carrying amount	Fair Value	Carrying amount
December 31, 2012						
Accounts payable and accrued liabilities	$ -	$ -	$ 310,041	$ 310,041	$ 310,041	$ 310,041
Long term debt	-	-	6,378,297	6,378,297	6,378,297	6,378,297
Due to related party	-	-	-	-	-	-
Due to shareholder	-	-	554,428	554,428	554,428	554,428
Preferred shares	-	-	56,050,023	56,050,023	56,050,023	56,050,023
December 31, 2011						
Accounts payable and accrued liabilities	$ -	$ -	$ 6,213	$ 6,213	$ 6,213	$ 6,213
Long term debt	-	-	-	-	-	-
Due to related party	-	-	598,215	598,215	598,215	598,215
Due to shareholder	-	-	-	-	-	-
Preferred shares	-	-	-	-	-	-

8) Capital Management

The corporation manages its revenues, expenses, assets, liabilities, and general financial dealings prudently. The corporation's equity is largely managed as a by-product of managing revenues, expenses, assets and liabilities.

The objective of managing the corporation's equity is to ensure the corporation effectively achieves its goals and objectives for which it has been established, while remaining a going concern. In order to ensure the corporation achieves its goals and objectives, management has in place a planning and budgeting process that is reviewed on an ongoing basis. The corporation sets the amount of capital in proportion to risk. The corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. The Board of Directors applies quantitative return on capital criteria for all individual growth projects, outside of standard capital maintenance expenditures, commensurate with the deemed risk of the project.

The corporation defines capital as the aggregate total of cash less shareholders equity and long term debt:

	2012	2011
Cash	$ **1,870,224**	$ -
Total shareholder's equity	**(183,798)**	(604,428)
Long term debt	**(6,378,297)**	-
	$ **(4,691,871)**	$ (604,428)

9) Cash

	2012	2011
Cash	**$ 1,870,224**	$ -

10) Accounts Receivable

	2012	2011
Utilities receivable	**$ 1,076,193**	$ -
Other receivables	**16,258**	**-**
	$ 1,092,451	**$ -**

All amounts are due in the short term. The net carrying amounts are a reasonable approximation of their fair value.

The net carrying amount of the corporation's past due receivables is $191,922 (2011 -Nil) at December 31, 2012. The aging of these receivables is detailed in the following table:

	2012	2011
Not Impaired and past due by:		
0 to 30 days	**$ 108,620**	$ -
31to 60 days	**50,968**	-
61 to 90 days	**21,511**	-
Over 90 days	**10,823**	-
	$ 191,922	$ -

The corporation does not hold any collateral in respect of these receivables.

The corporation has not set up any allowance for doubtful accounts in the current year as all accounts are considered to be collectible as there is an agreement in place between the corporation and the Town of Chestermere which allows for past due utility accounts to be transferred to the Town of Chestermere to be collected through property taxes.

11) Inventory

	2012	2011
Water meters	$ 76,575	$ -

The total amount of Inventory recognized as an expense in the period was $119,102 (2011 -Nil). All inventory on hand at December 31,2012 is measured at cost.

Chestermere Utilities Incorporated
Notes to Financial Statements
December 31, 2012
(Stated in Canadian dollars)

12) Property and Equipment

	Land	Land Improvements	Buildings	Engineered Structures	Machinery and Equipment	Vehicles	Construction-in-progress	2012	2011
COST:									
BALANCE, BEGINNING OF YEAR	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Acquisition of property and equipment	3,480,055	4,323	1,370,800	50,451,797	445,974	112,254	8,150,829	64,016,032	-
Reclassifications	-	-	-	-	-	-	-	-	-
Disposal of property and equipment	-	-	-	-	-	-	-	-	-
Write down of property and equipment	-	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	3,480,055	4,323	1,370,800	50,451,797	445,974	112,254	8,150,829	64,016,032	-
ACCUMULATED AMORTIZATION:									
BALANCE, BEGINNING OF YEAR	-	-	-	-	-	-	-	-	-
Annual amortization	-	228	89,660	952,908	65,390	8,421	-	1,116,607	-
Accumulated amortization on disposals	-	-	-	-	-	-	-	-	-
BALANCE, END OF YEAR	-	228	89,660	952,908	65,390	8,421	-	1,116,607	-
SUBTOTAL OF COST AND ACCUMULATED AMORTIZATION	3,480,055	4,095	1,281,140	49,498,889	380,584	103,833	8,150,829	62,899,425	-
CONTRIBUTED PROPERTY AND EQUIPMENT- BEGINNING OF YEAR	-	-	-	-	-	-	-	-	-
Acquisition of contributed property and equipment	(1,717,580)	-	-	(14,363)	-	-	(835,243)	(2,567,186)	-
Annual amortization	-	-	-	4,057	-	-	-	4,057	-
CONTRIBUTED PROPERTY AND EQUIPMENT- END OF YEAR	(1,717,580)	-	-	(10,306)	-	-	(835,243)	(2,563,129)	-
NET BOOK VALUE OF PROPERTY AND EQUIPMENT	$ 1,762,475	$ 4,095	$ 1,281,140	$ 49,488,583	$ 380,584	$ 103,833	$ 7,315,586	$ 60,336,296	$ -
2011 NET BOOK VALUE OF PROPERTY AND EQUIPMENT	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	

13) Accounts Payable and Accrued Liabilities

	2012	2011
Trade accounts payable	$ 244,581	$ -
Accrued trade accounts payable	51,487	6,213
Accrued wages and benefits payable	13,973	-
	$ 310,041	$ 6,213

14) Deferred Offsite Levies

	Balance, beginning	Amounts collected	Revenue recognized	Balance, ending
Water offsite levies	$ -	$ 1,760,155	$ -	$ 1,760,155
Sewer offsite levies		69,824		69,824
	$ -	$ 1,829,979	$ -	$ 1,829,979

15) Long Term Debt

	2012	2011
EPCOR Amortization Fund	$ 6,378,297	$ -
Amounts payable within one year	(251,482)	-
	$ 6,126,815	$ -

Principal repayment terms are approximately	2013	$ 251,482
	2014	243,024
	2015	233,383
	2016	224,125
	2017	215,234
	Thereafter	5,211,049
		$ 6,378,297

The EPCOR Amortization Fund consists of a long term financing arrangement between the Town of Chestermere and EPCOR for the water reservoir and water line tie·in projects. The term of this financing is over 20 years with payments to include principal and Interest. The loan agreement with EPCOR is held in the Town of Chestermere's name, however, the balance of this debt was assigned from the Town of Chestermere to the corporation as per the transfer agreement effective January 1, 2012 *(Note 16).*

Principal payments are calculated based on an annual rate of 4.00% of the declining balance. Interest is calculated utilizing a 65135 debt to equity capital structure, a 6.02% cost of debt, and a 9.77% return on equity value, based on the average 30 Year Canada Long Bond since October 4, 2006 of 4.27%, which results in a weighted average cost of capital of 7.33%. The loan is unsecured and matures on June 1, 2029.

16) Related Party Transactions

Chestermere Utilities Incorporated is a wholly owned subsidiary of the Town of Chestermere.

On January 1, 2012, The Town of Chestermere transferred Its Interest in storm sewer, water, wastewater, solid waste collection and recycling operations to Chestermere Utilities Incorporated. Details are as follows:

Assets transferred:

Accounts receivable	$ 759,806
Inventory	35,928
Due from Town of Chestermere	9,348,472
Property and equipment- at fair value	54,475,627
	$ 64,619,833

Consideration paid:

Assumption of liabilities - long term debt	$ 8,569,810
Preferred shares	56,050,023
	$ 64,619,833

Intercompany balances with the Town of Chestermere are as follows at the end of the period:

	2012	2011
Due (to) from related party	$ 1,469,349	$ (598,215)
Due to shareholder	(554,428)	-
	$ 914,921	$ (598,215)

Amounts due from related party includes an amount receivable of $1,469,349 which is unsecured, non-Interest bearing and repayable on demand. Due to shareholder is a five year, unsecured, non interest bearing promissory note payable of $554,428 due in 2016. The shareholder agreed to terms of the note December 31, 2012.

Transactions and balances with the Town of Chestermere are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

The following transactions occurred between related parties:

Town of Chestermere:

Sales of goods and services	$ 263,950
General, administrative and contracted services -office space rental	(15,000)
Contributed property and equipment- at fair value	2,567,184
	$2,816,134

Compensation of key management personnel:

Salaries and other short term employee benefits	$ 214,638
Directors - meeting fees	59,000
	$ 273,638

17) Government Grant Revenue

Provincial conditional grant revenue recorded in the current year consists of $1,850,941 in funding received from the Alberta Government paid to the Town of Chestermere In 2012. This grant is a Water Reservoir grant that was applied for previously by the Town of Chestermere, but was intended to be used towards paying down the principal portion of the EPCOR Amortization Fund *(Note 15}.* Since the EPCOR Amortization Fund has been assigned to the corporation as of January 1, 2012 *(Note 16},* the total amount of grant funds received by the Town were applied directly against the EPCOR Amortization Fund principal balance on the corporation's behalf and therefore have been fully recognized as revenue by Chestermere Utilities Incorporated in the current year.

18) Share Capital

Authorized:

Unlimited	Class "A" Common voting shares
Unlimited	Class "B" Common voting shares
Unlimited	Class "C" Common voting shares
Unlimited	Class "D" Common non-voting shares
Unlimited	Class "E" Common non-voting shares
Unlimited	Class "F" Common non-voting shares
Unlimited	Class "G" Preferred, non-cumulative, redeemable, retractable, non-voting shares
Unlimited	Class "H" Preferred, non-cumulative, redeemable, retractable, non-voting shares
Unlimited	Class "I" Preferred, non-cumulative, redeemable, retractable, non-voting shares

Issued:

		2012	2011
100	Class "A" Common voting shares	$ 100	$ 100
56,050,023	Class "G" Preferred, non-cumulative, redeemable, retractable, non-voting shares	$ 56,050,023	-
		$ 56,050,123	$ 100

The redemption value of retractable preferred shares issued is as follows:

		2012	2011
56,050,023	Class "G" Preferred, non-cumulative, redeemable, retractable, non-voting shares	$ 56,050,023	$ -

Changes to the corporation's share capital between January 1, 2012 and December 31, 2012 are as follows:

	Number of shares	Amount
Share capital as at December 31, 2011	100	$ 100
Issuance of Class “G” Preferred shares on January 1, 2012	56,050,023	56,050,023
Share capital as at December 31,2012	56,050,123	56,050,123

Common shares Issued all have the same rights in respect to the distribution of dividends and the repayment of capital. Each share entitles the holder to vote at all of the meetings of the shareholders of the corporation except meetings at which only holders of a specified class of shares are, by the provisions of the Business Corporations Act, entitled to vote.

The total of Class "G" Preferred shares of $56,050,023 were issued to the Town of Chestermere in the current year as compensation for assets transferred to the corporation *(Note 16)* are redeemable and retractable on demand. As the shares are retractable, they are recorded as a liability on the statement of financial position. A waiver has been signed by the Town of Chestermere waiving the right to retract the shares until December 31, 2016, and as such the total value of the shares issued has been classified as a long term liability on the current year financial statements.

19) Employee Benefits

Employees of the corporation participate In the Alberta Communities Pension Plan (ACPP), which is a defined contribution plan operated by the Alberta Municipal Services Corporation. The ACPP is financed by employer and employee contributions and investment earnings of the ACPP Fund.

Contributions for current service are recorded as expenditures in the year in which they become due.

The corporation matches contributions made by employees ranging from 3% to 7% of employee earnings. Total current service contributions by the corporation to ACPP In 2012 were $13,326. There were no contributions made to the plan in 2011.

20) Commitments

Great Plains Sanitary Trunk Extension

The corporation entered into an agreement with the City of Calgary in the current year to fund the construction of the Great Plains Trunk Line extension for the purpose of connecting the sewer line which runs from the City of Calgary to the Town of Chestermere. The agreement specifies that once the Construction Completion Certificate is issued the corporation will transfer ownership of the asset to the City of Calgary and the asset will be fully owned and maintained by the City of Calgary. Since the asset is related to sewer infrastructure, the costs incurred to completion will be recorded as property and equipment of Chestermere Utilities Incorporated until the asset is completed and then will be transferred to the City of Calgary. A contribution of $1,100,000 will be received from the City of Calgary upon completion of the project.

21) Financial Risks

The corporation has exposure to the following risks from its use of financial instruments: liquidity risk, market risk, credit risk, and Interest rate risk. This note presents information about the corporation's exposure to each of these risks and the corporation's objectives, policies and processes for managing risk. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the corporation's financial risk management framework and monitors risk management activities. The corporation identifies and analyzes the risks faced by the corporation and may utilize financial instruments to mitigate these risks.

Credit Risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets at hand at the balance sheet date. The corporation is subject to credit risk with respect to utilities and other trade receivables. The large number and diversity of customers minimizes the credit risk. In addition, the corporation is able to mitigate credit risk through the ability to transfer past due utilities receivable balance to the Town of Chestermere, which can then be collected from the customers through property taxes.

Liquidity Risk

The corporation's funding is provided in the form of long term borrowings and short term credit facilities, which provide adequate resources to meet its financial obligations as they come due. As at December 31, 2012, the corporation's available cash totaled $1,870,224. The corporation's net financial debt is $4,508,073, net of cash and equivalents. The following table shows the maturities of future financial liability-related cash flows (principal and interest).

	1 Year	1-3 Years	Thereafter	Total
Accounts payable and accrued liabilities	$ 310,041	$ -	$ -	$ 310,041
Long term debt - principal	251,482	700,532	5,426,283	6,378,297
Long term debt - interest	532,990	1,500,932	4,819,747	6,853,669
Due to shareholder	-	-	554,428	554,428
Redeemable preferred shares	-	-	56,050,023	56,050,023
Total	$ 1,094,513	$ 2,201,464	$ 66,850,481	$ 70,146,458

Market Risk

The corporation is exposed to risks from changes in interest rates and market prices that effect its financial liabilities, financial assets and future transactions.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from Interest rate fluctuations, the corporation manages exposure through its normal operating and financing activities. The corporation is not currently exposed to interest rate risk as it has fixed scheduled interest payments through long term financing with EPCOR and carries no other financial instruments subject to interest.

22) Prior Period Adjustment

The corporation restated its financial statements to correct the treatment of incorporation costs recognized in 2011. These costs do not meet the definition of an intangible asset, and therefore, have been restated as an expense. A summary of the adjustments made is as follows:

	2011
Adjustments to intangible assets:	
Intangible assets as previously reported	$ 554,427
Adjustment to net book value of intangible assets	(554,427)
As restated	$ -

	2011
Adjustments to equity:	$ 50,001
Retained earnings as previously stated	554,427
Adjustment to retained earnings	$ 604,428
As restated	

Adjustments to net Income:	2011
As previously reported	
Adjustment to other contracted goods and services	$ (50,101)
As restated	(554,427)
	$ (604,528)

23) Comparative Figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.

Company Information

FRED CLARKE CHAIRMAN OF THE BOARD	DON ROBERTS CHIEF EXECUTIVE OFFICER	RAY MACINTOSH PRESIDENT AND CHIEF OPERATING OFFICER
Tel 403-207-7284 chair@cuinc.ca	**Tel** 403-207-7070 droberts@cuinc.ca	**Tel** 403-207-8148 rmacintosh@cuinc.ca

2011-2012 Board of Directors

Top Row (left – right):
Kelsey Johnson, Chris Steeves, Patrick Bergen

Bottom Row (left – right):
Vice Chair Dr. Catherine Connolly, Chairman Fred Clarke, Patricia Matthews

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