Aquatera Utilities Inc.

Financial Statements

December 31, 2012

Aquatera Utilities Inc.
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Aquatera Utilities Inc.

We have audited the accompanying financial statements of Aquatera Utilities Inc., which comprise the statement of financial position as at December 31, 2012 and the statements of income and comprehensive income, changes in equity and cash flows for the year 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.

Independent 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 generally accepted 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 auditor's 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 Aquatera Utilities Inc. as at December 31, 2012 and the results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Fletcher Mudryk & Co.

Grande Prairie, Alberta
March 19, 2013

Chartered Accountants

Aquatera Utilities Inc.

Statement of Income and Comprehensive Income

Year Ended December 31, 2012

	2012	2011 *(restated - Note 24, 25)*
REVENUE		
Sale of services	**$ 37,154,712**	$ 33,751,734
Franchise fee revenue	**2,793,053**	2,370,538
Penalties	**148,457**	140,946
Other *(Note 18)*	**1,109,570**	835,710
Rental income	**3,850**	336,322
	41,209,642	37,435,250
EXPENSES		
Salaries, wages and benefits	**11,580,378**	10,824,680
General, administrative and contracted services	**9,014,937**	8,996,853
Utilities	**2,574,642**	2,590,895
Major maintenance	**150,489**	279,500
Materials, goods and supplies	**2,998,288**	3,411,765
Depreciation, amortization and impairments	**4,339,346**	3,824,320
Franchise fees	**2,793,053**	2,370,538
	33,451,133	32,298,551
OPERATING INCOME	**7,758,509**	5,136,699
Other income (expenses)		
Recognition of deferred revenue for capital contributions	**1,854,343**	1,732,270
Interest income *(Note 19)*	**828,656**	460,631
Finance costs *(Note 19)*	**(1,162,714)**	(1,296,467)
Dividends declared *(Note 19)*	**(3,527,000)**	(3,525,504)
Gain (loss) on disposal of property, plant and equipment	**25,210**	23,935
	(1,981,505)	(2,605,135)
NET INCOME AND COMPREHENSIVE INCOME	**$ 5,777,004**	$ 2,531,564

Please see accompanying notes to financial statements

Aquatera Utilities Inc.

Statement of Financial Position

December 31, 2012

	2012	2011 (restated - Note 24, 25)	January 1, 2011 (restated - Note 24, 25)
ASSETS			
CURRENT			
Cash and cash equivalents	**$ 18,016,825**	$ 10,667,337	$ 3,672,294
Trade and other receivables *(Note 5)*	**4,617,082**	4,321,311	4,216,487
Inventories *(Note 6)*	**435,816**	478,158	498,376
Due from the City of Grande Prairie *(Note 7)*	**-**	361,513	383,267
Investments maturing in one year *(Note 8)*	**631,445**	658,886	614,965
	23,701,168	16,487,205	9,385,389
Long-term investments *(Note 8)*	**14,853,981**	11,474,947	11,304,129
Property, plant and equipment, net *(Note 9)*	**161,036,246**	155,751,980	145,682,075
	199,591,395	183,714,132	166,371,593
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities *(Note 10)*	**2,224,496**	2,981,675	2,876,749
Dividends payable	**3,527,000**	-	-
Deferred revenue *(Note 11)*	**277,766**	104,706	114,993
Current sewer trunk oversizing payable *(Note 12)*	**421,842**	1,033,765	605,238
Customer deposits	**1,607,667**	1,266,977	927,307
Callable debt due in one year *(Note 13)*	**1,085,742**	1,014,276	691,808
	9,144,513	6,401,399	5,216,095
Callable debt due thereafter *(Note 13)*	**22,887,486**	23,986,999	17,001,201
Deferred infrastructure charges *(Note 14)*	**17,062,537**	10,776,232	7,075,145
	49,094,536	41,164,630	29,292,441
Deferred revenue of capital contributions *(Note 11)*	**75,070,761**	71,986,593	68,331,163
Provisions for landfill closure and long-term sewer trunk oversizing *(Note 12)*	**5,407,595**	6,321,410	7,038,054
	129,572,892	119,472,633	104,661,658
Preferred shares *(Note 16)*	**53,361,851**	53,361,851	53,361,851
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY:			
Share capital *(Note 16)*	**439**	439	439
Retained earnings	**16,656,213**	10,879,209	8,347,645
	16,656,652	10,879,648	8,348,084
	$ 199,591,395	$ 183,714,132	$ 166,371,593

ON BEHALF OF THE BOARD

_______________, Director

_______________, Director

Please see accompanying notes to financial statements

Aquatera Utilities Inc.

Statement of Changes in Equity

For the Year Ended December 31, 2012

	Share capital	Retained earnings	Equity attributable to the owners of the Company
Balance at January 1, 2011, as previously stated	$ 439	$ 8,777,628	$ 8,778,067
IFRS measurement adjustments *(Note 24)*	-	36,820	36,820
Prior period adjustment *(Note 25)*	-	(466,803)	(466,803)
Restated balance at January 1, 2011	439	8,347,645	8,348,084
Restated net income and comprehensive income for 2011 *(Note 24)*	-	2,531,564	2,531,564
Balance at December 31, 2011	439	10,879,209	10,879,648
Net income and comprehensive income for 2012	**-**	**5,777,004**	**5,777,004**
Balance at December 31, 2012	**$ 439**	**$ 16,656,213**	**$ 16,656,652**

Please see accompanying notes to financial statements

Aquatera Utilities Inc.

Statement of Cash Flows

Year Ended December 31, 2012

	2012	2011 (restated - Note 24, 25)
OPERATING ACTIVITIES		
Net income and comprehensive income	**$ 5,777,004**	$ 2,531,564
Reconciliation of net income to cash from operating activities		
Net finance costs	**3,861,058**	4,361,340
Depreciation and amortization	**4,339,346**	3,824,320
Recognition of deferred revenue for capital contributions	**(1,854,343)**	(1,732,270)
Gain on disposal of property, plant and equipment	**(25,210)**	(23,935)
	12,097,855	8,961,019
Changes in non-cash working capital		
Accounts receivable and bad debts	**(381,604)**	(160,394)
Inventory	**42,342**	20,218
Accounts payable and accrued liabilities	**(757,178)**	106,260
Customer deposits	**340,690**	339,670
Deferred revenue	**173,060**	(10,287)
Provisions - current	**(611,923)**	428,527
	(1,194,613)	723,994
Net cash flows from operating activities	**10,903,242**	9,685,013
INVESTING ACTIVITIES		
Property, plant and equipment purchases	**(2,857,196)**	(3,615,395)
Developer contributed assets	**(3,012,631)**	(3,802,773)
Construction in progress	**(3,800,700)**	(7,128,723)
Proceeds on disposal of property, plant and equipment	**72,125**	288,253
Capital contributions	**4,938,511**	5,915,266
Interest earned	**828,656**	460,631
Investment purchases	**(8,634,901)**	(3,502,034)
Proceeds from sale of investments	**5,283,308**	3,287,295
Net cash used in investing activities	**(7,182,828)**	(8,097,480)
FINANCING ACTIVITIES		
Advances from City of Grande Prairie	**361,513**	21,754
Infrastructure charges collected	**7,907,182**	5,863,291
Infrastructure charges expended	**(1,620,877)**	(2,162,204)
Proceeds from callable debt financing	**-**	8,000,000
Repayment of callable debt	**(1,028,047)**	(691,734)
Change in non-current provisions	**(913,815)**	(1,033,765)
Regular dividends paid on preferred shares	**-**	(2,191,919)
Special dividends paid on preferred shares	**-**	(1,333,585)
Interest expense and accretion of landfill liability	**(1,076,882)**	(1,064,328)
Net cash flows used in financing activities	**3,629,074**	5,407,510
Net cash increase in cash and cash equivalents	**7,349,488**	6,995,043
Cash and cash equivalents at beginning of year	**10,667,337**	3,672,294
Cash and cash equivalents at end of year	**$ 18,016,825**	$ 10,667,337

Cash and cash equivalents consist of the following:

Cash in banks and short-term guaranteed investment certificates	**$ 18,016,825**	$ 10,667,337

Please see accompanying notes to financial statements

1. REPORTING ENTITY

Aquatera Utilities Inc. (the "Company") provides water, wastewater and solid waste services to residents and commercial customers of the City of Grande Prairie, the Town of Sexsmith and to residents residing in specific service areas with the County of Grande Prairie No. 1.

The Company operates in Canada with its registered office located at 11101 – 104 Avenue, Grande Prairie, Alberta, T8V 8H6.

The common shares of the Company are owned by the City of Grande Prairie, the County of Grande Prairie No. 1 and the Town of Sexsmith.

2. BASIS OF PRESENTATION AND CONVERSION TO IFRS

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with a transition date of January 1, 2011. These are the Company's first financial statements prepared in accordance with IFRS and IFRS 1 *First-Time Adoption of International Financial Reporting Standards* has been applied.

An explanation of the impact of the transition to IFRS on the financial position, financial performance and cash flows of the Company is provided in Note 24.

These financial statements were approved and authorized for issue by the Board of Directors on March 19, 2013.

(b) Basis of measurement

The Company's financial statements are prepared on the historical cost basis except for the landfill closure and post closure liability which is based on the present value of future cash flows. Revenue and expenses are recognized in the period in which the transactions or events occurred that gave rise to the revenue and expenses in the period the goods and services are provided and a liability is incurred.

(c) Additional IFRS financial measure

The Company uses "operating income" as an additional IFRS financial measure. In management's opinion, the measure is a more effective indicator of the Company's and reportable business segments' operating performance than net income because it only includes items directly related to or resulting from management's operating decisions and actions.

(d) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

2. BASIS OF PRESENTATION AND CONVERSION TO IFRS (continued)

(e) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may differ from prior estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

Significant estimates made by the Company include the allowance for doubtful accounts, the useful life of property, plant and equipment and the provision for landfill closure.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS statement of financial position at January 1, 2011 for the purpose of transition to IFRS.

(a) Cash and cash equivalents

Cash and cash equivalents include cash and guaranteed investment certificates less than a year in term and are recorded at amortized cost.

(b) Inventory

Small parts and other consumables, the majority of which are consumed by the Company in the provision of its goods and services, are valued at the lower of cost and net realizable value with cost being determined on a weighted average basis. Cost includes the purchase price, transportation and other costs incurred to bring the inventories to their present location and condition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, contracted services, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after January 1, 2011. For items acquired prior to the transition date of January 1, 2011, cost was determined as disclosed in Note 24.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is charged on a straight-line basis over the estimated economic useful lives of items of each depreciable component of property, plant and equipment, from the date they are available for use, as this most closely reflects the expected usage of the assets. Land and construction work in progress are not depreciated. Estimating the appropriate useful lives of assets requires significant judgment and is generally based on estimates of life characteristics of similar assets. The useful economic lives, methods of depreciation and residual values are reviewed annually with any changes adopted on a prospective basis.

The range of estimated useful lives used is as follows:

Engineering structures	60 – 75 years
Buildings	50 years
Leasehold Improvements	terms of lease
Equipment	15 – 40 years
Equipment under finance lease	15 years
Vehicles and mobile equipment	5 years - 15 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment (continued)

Depreciation (continued)

In the year of acquisition, depreciation is applied at half of normal rates. No depreciation is recorded in the year of disposition.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized within gain (loss) on disposal.

Leases

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(d) Capitalized borrowing costs

The Company capitalizes interest during construction of an asset using specific borrowings to finance qualifying assets. Qualifying assets are considered to be those that take a substantial period of time to construct.

(e) Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized in the Company's statement of financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

The Company considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect or a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net income.

Non-financial assets

The carrying amounts of the Company's non-financial assets consisting of property, plant and equipment and inventory are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is based on estimated market values based on actual market transactions, if available, or a fair value estimation model. The value in use is the present value of estimated future cash flows that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment (continued)

Non-financial assets (continued)

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its recoverable amount, and is recorded in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss will be recorded in net income for the period as the excess of the carrying amount of the asset over its recoverable amount. Impairment losses recognized in respect of CGUs are allocated to the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

At the end of each reporting period, the Company makes an assessment as to whether there is any indication that any previously incurred impairment losses have reversed. If such an indication exists, the Company estimates the asset's recoverable amount, and compares it to the carrying amount, including accumulated depreciation that would have been determined had no impairment loss been recognized. Any reversal is limited to this latter amount.

(g) Deferred revenue

Deferred revenue consists of levies and infrastructure charges collected from developers and customers to be utilized for future capital or other projects, capital contributions from developers, government grants, and other deferrals.

Certain assets may be acquired or constructed using non-repayable government grants or infrastructure charges. Contributions received towards construction or acquisition of an item of property, plant and equipment which are used to provide ongoing service to a customer are recorded as deferred revenue and are amortized on a straight-line basis over the estimated economic useful lives of the assets to which they relate.

Government grants are recognized initially as deferred revenue at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognized in net income as other income on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Company for the cost of an item of property, plant and equipment are recognized in net income on a systematic basis over the useful life of the asset.

Infrastructure charges levied on customers are available to be used for future capital or other projects, as determined by management. Infrastructure charges relating to the acquisition or construction of property, plant and equipment are deferred until the related asset is available for use and then recognized in revenue over the estimated useful life of the related asset. Other infrastructure levies are recorded as revenue in net income in the period in which the related expense is incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Landfill closure obligation

The Company recognizes a decommissioning liability relating to estimated landfill closure and post-closure costs for which it has a legal obligation to restore. The provision is determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The accretion of the provision is recognized as a finance cost.

Sewer trunk oversizing obligation

The Company recognizes a provision for reimbursement costs it has committed to provide to certain real estate developers for the installation of wastewater infrastructure in specific real estate developments in the Company's service area.

(i) Loans and borrowings

The Company's callable debt consists of demand loans for which the lender has the right to demand repayment.

(j) Revenue recognition

Goods and services

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and where it can be reliably measured. Revenues are measured at the fair value of the consideration received.

Revenues from the sale of water and other services are recognized upon delivery or provision of the services to the customer. These revenues include an estimate of the value of services consumed by customers in the year but billed subsequent to year-end.

Penalties

Revenue from penalties is earned at a rate of 3% per month on trade receivable balances outstanding for more than thirty days.

Other income

Other income is recognized at such time as the product or service has been delivered to the customer.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Finance income and finance costs

Finance income comprises interest income on funds invested and dividend income. Interest income is recognized in net income on the date that the Company's right to receive payment is established.

Finance costs comprise interest expense on borrowings, accretion of provisions, dividends on preferred shares classified as liabilities and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in net income using the effective interest method *(Note 13)*.

(l) Income taxes

The Company is exempt from income taxes as it is municipally owned and the revenue earned outside its geographical boundaries does not exceed 10% of total revenue.

(m) Employee future benefits

Pension plans

Selected employees of the Company are members of the Local Authorities Pension Plan ("LAPP"), a multi-employer defined benefit pension plan. The trustee of the plan is the Alberta Treasurer and the plan is administered by a Board of Trustees. Since the plan is a multi-employer plan, it is accounted for as a defined contribution plan and, accordingly, the Company does not recognize its share of any plan surplus or deficit.

A supplementary plan ("APEX") is available through the Alberta Urban Municipalities Association for selected employees conditional upon the Company being a member of the LAPP. The plan is a top-up of the LAPP.

Other long-term employee benefits

The Company's obligation in respect of long-term employee benefits other than pension plans is the amount of future benefits that employees have earned for their service in the current and past periods. That benefit is discounted to determine its present value and adjusted based on probability analysis of all eligibility factors.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Non-derivative financial assets and liabilities

Non-derivative financial assets and liabilities are comprised of financial assets or liabilities at fair value through profit or loss, held-to-maturity financial assets and loans and receivables.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Held-to-maturity financial assets

The Company's investments are classified as held-to-maturity as the Company has the positive intent and ability to hold debt securities to maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years.

Financial assets or liabilities at fair value through profit or loss

The Company does not have any financial assets or liabilities at fair value through profit or loss.

Loans and receivables

The Company recognizes loans and receivables on the date that they are originated. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables are comprised of trade and other receivables and amounts due from the City of Grande Prairie.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Non-derivative financial assets and liabilities (continued)

Other financial liabilities

The Company recognizes all financial liabilities initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Other financial liabilities are recognized initially at fair value, plus any directly attributable transaction costs. Subsequently, these liabilities are measured at amortized cost using the effective interest method. Other liabilities are comprised of callable debt, accounts payable and accrued liabilities and preferred shares.

(o) Share capital

Common share capital

Common share capital is classified as equity.

Preferred share capital

Preferred share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity.

Preferred share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if the dividend payments are not discretionary. Dividends thereon are recognized as a financing expense in profit or loss as accrued.

(p) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's components. All operating segments' operating results are reviewed regularly by the Company's Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(q) New standards and interpretations not yet adopted

The Company is currently assessing the impact of adopting the following applicable standards on the financial statements. At this time, the impact of these changes to the Company is unknown.

IAS 1 Presentation of Financial Statements

The standard has been amended to require presentation of items in other comprehensive income into two groups, dependent on whether or not they may be subsequently reclassified into net income. The amendment is effective for financial years beginning on or after July 1, 2012.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) New standards and interpretations not yet adopted (continued)

IFRS 7 Financial Instruments: Disclosure

The standard has been amended requiring an entity to disclose information to enable users of the financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position including the effect or potential effect of rights of set-off associated with the entity's recognized financial assets and recognized financial liabilities. The amended standard is effective for financial years beginning on or after January 1, 2013.

IRFS 9 Financial Instruments

The new standard is the first phase of the project to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard simplifies the current financial asset classifications contained in IAS 39 by creating two classifications – amortized cost and fair value. In addition the standard will require that all equity instruments are measured at fair value. The new standard is currently effective for financial years beginning on or after January 1, 2015. The second and third phases of the project dealing with financial asset impairment and hedging remain in development and so the full impact of the standard on the Company will be unknown until the completion of the project.

IFRS 13 Fair Value Measurement

IFRS 13 is a new standard on fair value measurement for use across all standards. IFRS 13 does not change when an entity is required to use fair value, but provides guidance on how to measure fair value when permitted or required by an IFRS. The new standard is effective for financial years beginning on or after January 1, 2013.

4. CASH

Cash consists of:

	2012	2011 *(restated - Note 24, 25)*
Cash on hand	**$ 3,300**	$ 3,300
Cash in banks	**9,513,525**	10,664,037
Guaranteed investment certificates	**8,500,000**	-
Total cash	**$ 18,016,825**	$ 10,667,337

Guaranteed investment certificates mature within one year and bear interest at 1.3%.

4. CASH (continued)

Cash is held for use by the corporation in accordance with Board Cash Management and Restricted Cash policies:

	2012	2011 *(restated - Note 24, 25)*
Dividends Payable	**$ 3,527,000**	$ -
Capital Accounts Payable	**205,677**	1,934,671
Sewer Trunk Oversizing Obligations - Current	**421,842**	1,033,765
Restricted Cash Requirement	**3,462,544**	2,818,301
Working Capital Cash Requirement	**1,403,262**	1,080,849
Capital Expenditure Funds	**5,000,526**	2,129,564
Business Development Funds	**3,995,974**	1,670,187
Total cash and cash equivalents	**$ 18,016,825**	$ 10,667,337

5. ACCOUNTS RECEIVABLE

	2012	2011 *(restated - Note 24, 25)*	January 1, 2011 *(restated - Note 24, 25)*
Trade receivables	**$ 2,192,439**	$ 2,130,223	$ 2,057,227
Estimated unbilled accrual	**1,919,778**	1,543,384	1,096,502
Accrued investment earnings	**434,332**	446,070	265,814
Grants receivable	**-**	-	491,797
Other receivables	**172,533**	303,634	420,147
	4,719,082	4,423,311	4,331,487
Allowance for doubtful accounts	**(102,000)**	(102,000)	(115,000)
	$ 4,617,082	$ 4,321,311	$ 4,216,487

6. INVENTORY

In 2012, inventory consumables recognized as materials, goods and supplies expense amounted to $2,881,963 (2011 - $2,831,265). In 2012, the write-down of inventories to net realizable value amounted to $NIL (2011 - $NIL).

7. DUE FROM CITY OF GRANDE PRAIRIE

Amounts due from the City of Grande Prairie are unsecured, non-interest bearing and are repayable on demand. Currently the accounts are at a zero balance.

8. LONG-TERM INVESTMENTS

	2012	2011 *(restated - Note 24)*	January 1, 2011 *(restated - Note 24)*
Investments	**$ 15,485,426**	$ 12,133,833	$ 11,919,094
Investments maturing in one year	**(631,445)**	(658,886)	(614,965)
	$ 14,853,981	$ 11,474,947	$ 11,304,129

Long-term investments consist of held-to-maturity fixed income investments and Canadian treasury bills, bear interest at rates between 2.10% and 6.14% and mature between February, 2013 and August, 2023.

9. PROPERTY, PLANT AND EQUIPMENT

Original cost		Land		Buildings		Leasehold Improvements		Engineering Structures		Equipment		Vehicles and Mobile Equipment		Construction in Progress		Total
Cost or deemed cost																
Restated balance at January 1, 2011 *(Note 24)*	$	1,794,331	$	31,549,110	$	-	$	84,433,533	$	20,580,391	$	1,039,639	$	6,285,071	$	145,682,075
Additions		-		554,157		-		9,511,260		251,295		808,302		11,375,854		22,500,868
Disposals		-		-		-		-		(434,964)		(286,130)		-		(721,094)
Transfers to property, plant and equipment		-		-		-		-		-		-		(7,885,549)		(7,885,549)
Restated balance at December 31, 2011		1,794,331		32,103,267		-		93,944,793		20,396,722		1,561,811		9,775,376		159,576,300
Additions		**-**		**33,252**		**2,192,856**		**6,518,153**		**1,997,543**		**709,097**		**3,800,700**		**15,251,601**
Disposals		**-**		**-**		**-**		**-**		**(10,000)**		**(41,017)**		**-**		**(51,017)**
Transfers to property, plant and equipment		**-**		**-**		**-**		**-**		**-**		**-**		**(5,581,074)**		**(5,581,074)**
Balance at December 31, 2012		**1,794,331**		**32,136,519**		**2,192,856**		**100,462,946**		**22,384,265**		**2,229,891**		**7,995,002**		**169,195,810**
Depreciation and impairment losses																
Restated balance at January 1, 2011 *(Note 24)*		-		-		-		-		-		-		-		-
Depreciation		-		(1,052,192)		-		(1,614,070)		(802,453)		(355,605)		-		(3,824,320)
Restated balance at December 31, 2011		-		(1,052,192)		-		(1,614,070)		(802,453)		(355,605)		-		(3,824,320)
Depreciation		**-**		**(1,056,798)**		**(109,643)**		**(1,619,141)**		**(1,173,792)**		**(379,972)**		**-**		**(4,339,346)**
Disposals		**-**		**-**		**-**		**-**		**-**		**4,102**		**-**		**4,102**
Balance at December 31, 2012		**-**		**(2,108,990)**		**(109,643)**		**(3,233,211)**		**(1,976,245)**		**(731,475)**		**-**		**(8,159,564)**
Carrying amounts																
At January 1, 2011	$	1,794,331	$	31,549,110	$	-	$	84,433,533	$	20,580,391	$	1,039,639	$	6,285,071	$	145,682,075
At December 31, 2011	$	1,794,331	$	31,051,075	$	-	$	92,330,723	$	19,594,268	$	1,206,206	$	9,775,376	$	155,751,980
At December 31, 2012	**$**	**1,794,331**	**$**	**30,027,529**	**$**	**2,083,213**	**$**	**97,229,735**	**$**	**20,408,020**	**$**	**1,498,416**	**$**	**7,995,002**	**$**	**161,036,246**

9. PROPERTY, PLANT AND EQUIPMENT (continued)

Included in equipment was amounts held under capital lease of $NIL (2011 - $NIL, January 1, 2011 - $434,964)

Borrowing costs capitalized during the year ended December 31, 2012 were $176,898 (2011 - $NIL). The weighted average rate used to determine the borrowing costs eligible for capitalization was 3.27%. All borrowing costs that are being incurred for the Waste Water Treatment Plant expansion are currently residing in Construction in Progress.

There are no restrictions on assets.

Impairments

During the year ended December 31, 2012, the Company performed a detailed analysis of existing property, plant and equipment, and no impairments were found.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2012	2011 *(restated - Note 24)*	January 1, 2011 *(restated - Note 24)*
Trade payables	**$ 1,282,318**	$ 1,344,053	$ 1,393,227
Capital payables	**205,677**	856,889	696,845
Accrued employee benefits	**736,501**	780,733	680,468
Leases payable	**-**	-	106,209
	$ 2,224,496	$ 2,981,675	$ 2,876,749

11. DEFERRED REVENUE AND DEFERRED REVENUE OF CAPITAL CONTRIBUTIONS

	Current Deferrals	Developer Contributions	Government Grants & Infrastructure Charges	Total long-term deferred revenue
Restated balance at January 1, 2011 *(Note 24)*	$ 114,993	$ 2,584,951	$ 65,746,212	$ 68,331,163
Contributions received	166,945	3,802,773	2,110,283	5,913,056
Revenue recognized	(177,232)	(60,498)	(1,671,772)	(1,732,270)
Disposals	-	-	(525,356)	(525,356)
Restated balance at December 31, 2011 *(Note 24)*	104,706	6,327,226	65,659,367	71,986,593
Contributions received	214,552	3,959,223	979,288	4,938,511
Revenue recognized	(41,492)	(120,730)	(1,733,613)	(1,854,343)
Balance at December 31, 2012	**$ 277,766**	**$ 10,165,719**	**$ 64,905,042**	**$ 75,070,761**
Current	**$ 277,766**	**$ -**	**$ -**	**$ -**
Non-current	**$ -**	**$ 10,165,719**	**$ 64,905,042**	**$ 75,070,761**

12. PROVISIONS

		Sewer Trunk Oversizing Obligation		Landfill Closure and Post-Closure Liability		Total
Restated balance at January 1, 2011 *(Note 24)*	$	2,177,573	$	5,465,719	$	7,643,292
Provisions made during the year		139,219		-		139,219
Provisions used during the year		(605,238)		-		(605,238)
Accretion of liability		-		177,902		177,902
Restated balance at December 31, 2011 *(Note 24)*		1,711,554		5,643,621		7,355,175
Provisions made during the year		**162,380**		**-**		**162,380**
Provisions used during the year		**(1,452,092)**		**(452,838)**		**(1,904,930)**
Accretion of liability		**-**		**216,812**		**216,812**
Balance at December 31, 2012	**$**	**421,842**	**$**	**5,407,595**	**$**	**5,829,437**
Non-current	**$**	**-**	**$**	**5,407,595**	**$**	**5,407,595**
Current	**$**	**421,842**	**$**	**-**	**$**	**421,842**

Sewer trunk oversizing obligation

The Company has committed to reimburse costs incurred by certain real estate developers to install wastewater infrastructure in specific real estate developments in the Company's service area. The amounts are payable contingent upon the Company collecting infrastructure charges to fund the cost. The agreement requires the Company to repay an amount equal to half of the infrastructure charges collected each year in the specific service area by March 31 of the following year until the obligation is paid in full.

Landfill closure and post-closure liability

The Company has recognized a decommissioning liability for the estimated expected costs for closure and post-closure activities of a landfill site. The estimated costs are based on estimates and assumptions related to future events and using information currently available to management. Future events may result in significant changes to the estimated total costs and the estimated liability.

The Company estimates the discounted amount of cash flow required to settle its decommissioning liability is approximately $5,407,596, calculated using inflation rates of 2.00% and a long-term discount rate of 4.50%.

The majority of closure costs are expected to occur in approximately 20 to 21 years dependent upon future usage rates. Annual post-closure costs are expected to extend 25 years beyond closure of the landfill. Currently the landfill has an expected capacity of 1,435,317 (2011 - 1,502,419) metric tonnes remaining with an annual estimated utilization of 65,000 metric tonnes.

13. CALLABLE DEBT

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings consisting of demand loans which are measured at amortized cost.

	2012	2011 *(restated - Note 24)*	January 1, 2011 *(restated – Note 24)*
Due to the Town of Sexsmith	**$ 275,925**	$ 307,248	$ 336,868
Due to RBC Royal Bank	**23,697,303**	24,694,027	17,356,141
	23,973,228	25,001,275	17,693,009
Loans and borrowings due in one year	**(1,085,742)**	(1,014,276)	(691,808)
	$ 22,887,486	$ 23,986,999	$ 17,001,201

Due to the Town of Sexsmith

Alberta Capital Finance Authority debenture, secured by the Town of Sexsmith, is repayable in annual instalments of $48,990 including interest at a rate of 5.75% per annum and matures in 2019. The Company's obligation to the Town of Sexsmith equals the Town's obligation pursuant to the debenture.

Due to RBC Royal Bank

Bank loans from RBC Royal Bank are secured by a general security agreement and are repayable in monthly payments aggregating $159,550 including interest at the bank prime rate or at fixed rates ranging from 1.62% to 5.47% per annum and mature between 2013 and 2017, at which time the loans are expected to be renewed under similar terms.

As a condition of bank financing, the Company is subject to a restrictive bank covenant, whereby it is required to maintain a funded debt to total capital ratio not exceeding 0.5 to 1. The Company is in compliance with this ratio, as understood by management. The ratio is calculated at 0.26 to 1 (2011 restated - 0.28 to 1).

The effective interest rate of each loan currently equals the actual interest rate attached to the loan.

Principal repayment terms of loans and borrowings if renewed at similar terms are follows:

Less than one year	**$ 1,085,742**
Between one and five years	**4,818,551**
More than five years	**18,068,935**
	$ 23,973,228

Credit facilities

The Company has available bank credit facilities in the amount of $1,150,000, all of which is unused at December 31, 2012 (December 31, 2011 - $2,000,000; January 1, 2011 - $NIL). These facilities consist of revolving demand facilities limited to $150,000 and a revolving lease line of credit limited to $1,000,000. The Company has also received a letter of strategic support from the bank related to the funding requirements up to and including 2015 in the Company's long term capital plan which calls for borrowing to fund projects of approximately $40 million. The lending will be subject to formal credit approval at the time of the request for funding.

14. DEFERRED INFRASTRUCTURE CHARGES

	Infrastructure Charges
Restated balance at January 1, 2011 *(Note 24)*	$ 7,075,145
Contributions received	5,863,291
Transfer to deferred revenue	(2,162,204)
Restated balance at December 31, 2011 *(Note 24)*	10,776,232
Contributions received	**7,907,182**
Transfer to deferred revenue	**(1,620,877)**
Balance at December 31, 2012	**$ 17,062,537**

15. COMMITTMENTS

(a) Dividends

The Company has committed to pay annual non-cumulative dividends on the outstanding Class D preferred shares, subject to the restrictions discussed in Note 16, in accordance with the Unanimous Shareholders Agreement. A dividend will become payable in 2013 to the shareholders as follows:

City of Grande Prairie	$ 1,608,050
County of Grande Prairie No. 1	398,085
Town of Sexsmith	186,750

(b) Premises lease

The Company leases office space under an operating lease which expires in 2021 with the option of two future five year renewals. Lease payments are payable as follows:

	2012	2011 *(restated - Note 24)*
Less than one year	**$ 159,255**	$ 159,255
Between one and five years	**690,106**	672,411
More than five years	**760,885**	937,835
	$ 1,610,246	$ 1,769,501

16. SHARE CAPITAL

The following common and preferred shares have been authorized:

Unlimited	Class A voting common shares
Unlimited	Class B voting common shares
Unlimited	Class C voting common shares
Unlimited	Class D non-cumulative, redeemable, retractable, non-voting preferred shares
Unlimited	Class E non-cumulative, redeemable, retractable, non-voting preferred shares
Unlimited	Class F non-cumulative, redeemable, retractable, non-voting preferred shares
Unlimited	Class G non-cumulative, redeemable, retractable, non-voting preferred shares
Unlimited	Class H non-cumulative, redeemable, retractable, non-voting preferred shares
Unlimited	Class I non-cumulative, redeemable, retractable, non-voting preferred shares

The following common and preferred shares have been issued

Common shares

	2012	2011 *(restated - Note 24)*	January 1, 2011 *(restated - Note 24)*
43,872 Class A shares	**$ 439**	**$** 439	$ 439

Preferred shares

	2012	2011 *(restated - Note 24)*	January 1, 2011 *(restated - Note 24)*
43,858 Class D shares	**$ 43,856,835**	$ 43,856,835	$ 43,856,835
9,506 Class H shares	**9,505,016**	9,505,016	9,505,016
	$ 53,361,851	$ 53,361,851	$ 53,361,851

The holders of redeemable preferred shares are entitled to receive dividends in accordance with the Unanimous Shareholders Agreement. Redeemable preferred shares do not carry the right to vote. All shares rank equally with regard to the Company's residual assets, except that holders of redeemable preferred shares participate only to the extent of the face value of the shares. The redeemable preferred shares are classified as financial liabilities *(Note 22)*. As no amounts are expected to be redeemed in the next fiscal year and the fact that the Company would not be able to fund any redemption request, the shares are presented as a long-term liability.

17. EMPLOYEE BENEFITS

		2012		2011 *(restated - Note 24)*
Short-term benefits	$	**10,717,747**	$	9,947,687
Post-employment benefits		**1,062,226**		970,367
Total employee benefit liabilities	$	**11,779,973**	$	10,918,054

Short-term benefits

Short-term benefits consist of wages and salaries paid or payable to employees, accrued vacation, and other benefits paid or payable within 12 months.

Post-employment benefits

a. Local Authorities Pension Plan

Employees of the Company participate in the Local Authorities Pension Plan (“LAPP”), which is covered by the Public Sector Pension Plans Act. The LAPP serves 214,328 people and 423 employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund.

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

The Company is required to make current service contributions to the LAPP of 9.91% of pensionable payroll up to the year’s maximum pensionable earnings under the Canada Pension Plan and 13.74% on the excess.

Employees of the Company are required to make current service contributions to the Plan of 8.91% of pensionable payroll up to the year’s maximum pensionable earnings under the Canada Pension Plan and 12.74% on the excess.

Total current and past service contributions by the Company to the LAPP in 2012 were $827,227 (2011- $721,622). Total and past service contributions by the employees of the Company to the LAPP in 2012 were $752,903 (2011 - $654,029).

At December 31, 2011, the Plan disclosed an actuarial deficiency of $4.6 billion (2010 - $4.6 billion).

LAPP has announced that member contribution rates will increase in 2013 to 9.43% and in 2014 to 10.39% of pensionable payroll up to the year’s maximum pensionable earnings under the Canada Pension Plan and 13.47% and 14.84% on the excess and employer contribution rates will increase in 2013 to 10.43% and in 2014 to 11.39% and of pensionable payroll up to the year’s maximum pensionable earnings under the Canada Pension Plan and 14.47% and 15.84% on the excess.

b. APEX Supplementary Pension Plan

Eligible employees may also elect to participate in the voluntary APEX Supplementary Pension Plan (“APEX”) offered through the Alberta Urban Municipalities Association, which is covered by the Public Sector Pensions Plans Act. It is funded by employer and employee contributions and investment earnings of the APEX fund.

17. EMPLOYEE BENEFITS (continued)

The Company is required to make current service contributions to the APEX of 3.00% of pensionable payroll above the LAPP maximum pensionable earnings up to the year's maximum pensionable earnings of $134,834 for employees who have elected to participate in the APEX. No contributions are required on earnings above the maximum threshold.

Employees electing to participate in the LAPP are required to make current service contributions of 2.50% of pensionable payroll service above the LAPP maximum pensionable earnings up to the year's maximum pensionable earnings of $134,834 with no contributions on earnings above the maximum threshold.

Total current and past service contributions made by the Company to APEX in 2012 were $48,325 (2011 - $49,150). Total current and past service contributions by the employees of the Company to APEX in 2012 were $40,270 (2011 - $40,959).

At December 31, 2011, the APEX disclosed an actuarial deficit of $241,000 (2010 - $242,000 surplus).

c. Sick Bank Accrual

Under terms of an agreement reached with the union representing certain employees of the Company, the Company is required to pay qualifying employees an amount equal to 75% of their accrued sick time balance if, upon retirement, the employee is older than 55 years of age and has a minimum of 15 years of service with the Company. Management has extended this benefit to all employees of the Company, including those that are not within the scope of the union agreement. At January 1, 2011, the agreement was amended such that, for employees who commenced employment with the Company subsequent to January 1, 2001, the benefit is an amount equal to 40% of their accrued sick time balance. The other conditions required to be met were not amended.

At December 31, 2012, the Company has accrued $186,674 (2011 - $199,595) for expenses related to this agreement, which is included in the accrued employee benefits balance within accounts payable. Estimated costs equal the sum of the discounted future cash flows discounted at the historical average long-term borrowing rate of 4.5%, based on a probability analysis of all eligibility factors.

At December 31, 2012, current employees meeting all eligibility requirements held a sick time balance of $424,239 (2011 - $352,535).

Termination benefits

Termination benefits consist of retirement allowances payable to employees for which there is an irrevocable documented plan in place for the termination of an employee's service.

18. OTHER REVENUE

Other revenue is comprised of the following;

	2012	2011 *(restated - Note 24)*
Service connections	$ **332,696**	$ 369,171
Operator assistance	**246,474**	38,220
Distribution and collection commercial services	**218,789**	171,995
Customer shut-off fees	**143,949**	189,237
Miscellaneous revenue	**167,662**	67,087
	$ **1,109,570**	$ 835,710

19. FINANCE INCOME AND FINANCE COSTS

	2012	2011 *(restated - Note 24, 25)*
Interest income	$ **(828,656)**	$ (460,631)
Finance income	**(828,656)**	(460,631)
Interest expense	**860,069**	1,062,993
Accretion of provision	**216,812**	177,903
Bad debts	**85,833**	55,571
Dividends on preferred shares	**3,527,000**	3,525,504
Finance costs	**4,689,714**	4,821,971
Net finance costs recognized in net income	$ **3,861,058**	$ 4,361,340

20. RELATED PARTY TRANSACTIONS

Transactions with related parties

The following is a summary of the Company's related party transactions and balances:

	2012	2011 (restated - Note 24)
City of Grande Prairie (the controlling shareholder)		
Sale of services	$ **401,754**	$ 318,291
General, administrative and contracted services expense	**357,045**	2,444,439
Franchise fees expense	**2,504,453**	2,136,052
Special dividends declared	**1,029,250**	1,029,249
Regular dividends declared	**1,608,050**	1,608,032

	December 31, 2012	December 31, 2011 (restated - Note 24)	January 1, 2011 (restated - Note 24)
Trade receivables	$ **27,213**	$ 51,382	$ 30,713
Trade payables	**116,056**	41,970	158,847
Deposits	**204,552**	-	-
Dividends payable	**2,637,300**	-	-

	2012	2011 (restated - Note 24)
County of Grande Prairie No. 1 (a minority shareholder)		
Sale of services	$ **145,897**	$ 101,177
General, administrative and contracted services expense	**5,000**	6,924
Franchise fees expense	**227,405**	183,645
Special dividends declared	**205,300**	205,280
Regular dividends declared	**398,100**	398,085

	December 31, 2012	December 31, 2011 (restated - Note 24)	January 1, 2011 (restated - Note 24)
Trade receivables	$ **137**	$ 16,134	$ 492,053
Trade payables	**26,733**	-	-
Dividends payable	**603,400**	-	-

20. RELATED PARTY TRANSACTIONS (continued)

	2012	2011 *(restated - Note 24)*
Town of Sexsmith (a minority shareholder)		
Sale of services	**$ 167,999**	$ 154,888
General, administrative and contracted services expense	**30,842**	17,438
Franchise fees expense	**61,195**	50,841
Interest expense	**17,667**	19,370
Special dividends declared	**99,550**	99,056
Regular dividends declared	**186,750**	185,802

	December 31, 2012	December 31, 2011 *(restated - Note 24)*	January 1, 2011 *(restated - Note 24)*
Trade receivables	**$ -**	$ 2,671	$ 546
Trade payables	**21,381**	-	97,980
Dividends payable	**286,300**	-	-

These transactions and balances are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Transactions with key management personnel

Key management personnel compensation is comprised of:

	2012	2011 *(restated - Note 24)*
Short-term benefits	**$ 649,240**	$ 579,731
Post-employment benefits	**46,582**	48,481
	$ 695,822	$ 628,212

21. SEGMENT DISCLOSURES

	Water	Wastewater	Solid Waste	**2012**
Revenue				
Sale of services	$ 13,959,514	$ 13,277,404	$ 9,917,794	**$ 37,154,712**
Franchise fee revenue	1,168,333	1,241,644	383,076	**2,793,053**
Penalties	63,818	57,024	27,615	**148,457**
Other	479,215	455,838	174,517	**1,109,570**
Rentals	-	-	3,850	**3,850**
	15,670,880	15,031,910	10,506,852	**41,209,642**
Expenses				
Salaries, wages and benefits	4,692,709	4,201,711	2,685,958	**11,580,378**
General, administrative and contracted services	2,148,717	2,386,029	4,480,191	**9,014,937**
Utilities	1,429,021	1,068,547	77,074	**2,574,642**
Major maintenance	50,276	86,883	13,330	**150,489**
Materials, goods and supplies	1,466,454	819,617	712,217	**2,998,288**
Depreciation, amortization and impairments	1,688,570	1,940,508	710,268	**4,339,346**
Franchise fees	1,168,333	1,241,644	383,076	**2,793,053**
	12,644,080	11,744,939	9,062,114	**33,451,133**
Other items				
Recognition of deferred revenue for capital contributions	772,432	1,072,713	9,198	**1,854,343**
Net finance costs excluding dividends	104,447	(86,895)	(351,610)	**(334,058)**
Gain on disposal of property, plant and equipment	6,847	5,657	12,706	**25,210**
	883,726	991,475	(329,706)	**1,545,495**
	3,910,526	4,278,446	1,115,032	**9,304,004**
Dividends	-	-	-	**3,527,000**
Net income	$ 3,910,526	$ 4,278,446	$ 1,115,032	**$ 5,777,004**

21. SEGMENT DISCLOSURES (continued)

	Water	Wastewater	Solid Waste	2011 *(restated - Note 24, 25)*
Revenue				
Sale of services	$ 12,757,467	$ 11,528,367	$ 9,465,900	**$ 33,751,734**
Franchise fee revenue	1,059,742	1,039,673	271,123	**2,370,538**
Penalties	62,106	52,302	26,538	**140,946**
Other	398,290	382,586	54,834	**835,710**
Rentals	335,842	-	480	**336,322**
	14,613,447	13,002,928	9,818,875	**37,435,250**
Expenses				
Salaries, wages and benefits	4,239,611	3,967,701	2,617,368	**10,824,680**
General, administrative and contracted services	1,963,978	2,662,162	4,370,713	**8,996,853**
Utilities	1,186,902	1,285,255	118,738	**2,590,895**
Major maintenance	123,000	156,500	-	**279,500**
Materials, goods and supplies	1,700,358	1,030,146	681,261	**3,411,765**
Depreciation, amortization and impairments	1,640,224	1,817,383	366,713	**3,824,320**
Franchise fees	1,059,743	1,039,673	271,122	**2,370,538**
	11,913,816	11,958,820	8,425,915	**32,298,551**
Other items				
Recognition of deferred revenue for capital contributions	729,100	989,440	13,730	**1,732,270**
Net finance costs excluding dividends	(231,768)	(350,844)	(253,224)	**(835,836)**
Gain (loss) on disposal of property, plant and equipment	20,990	(822)	3,767	**23,935**
	518,322	637,774	(235,727)	**920,369**
	3,217,953	1,681,882	1,157,233	**6,057,068**
Dividends	-	-	-	**3,525,504**
Net Income	$ 3,217,953	$ 1,681,882	$ 1,157,233	**$ 2,531,564**

22. FINANCIAL INSTRUMENTS

Categories of financial instruments

The classification of the Company's financial instruments, as well as their carrying amounts and fair values, are shown in the tables below.

December 31, 2012	Fair value through profit or loss (fair value)	Held to maturity (amortized cost)	Loans and receivables (amortized cost)	Other financial liabilities (amortized cost)	Financial liabilities (fair value)	**Total carrying amount**	**Fair value**
Financial assets							
Cash	$ -	$ 18,016,825	$ -	$ -	$ -	**$ 18,016,825**	**$ 18,016,825**
Trade and other receivables	-	-	4,617,082	-	-	**4,617,082**	**4,617,082**
Investments	-	15,485,426	-	-	-	**15,485,426**	**16,374,520**
Financial liabilities							
Trade and other payables	-	-	-	5,751,496	-	**5,751,496**	**5,751,496**
RBC loans	-	-	-	23,697,303	-	**23,697,303**	**23,697,303**
Sexsmith loan	-	-	-	275,925	-	**275,925**	**275,925**
Preferred shares	$ -	$ -	$ -	$ 53,361,851	$ -	**$ 53,361,851**	**$ 53,361,851**

Restated December 31, 2011	Fair value through profit or loss (fair value)	Held to maturity (amortized cost)	Loans and receivables (amortized cost)	Other financial liabilities (amortized cost)	Financial liabilities (fair value)	**Total carrying amount**	**Fair value**
Financial assets							
Cash	$ -	$ 10,667,337	$ -	$ -	$ -	**$ 10,667,337**	**$ 10,667,337**
Trade and other receivables	-	-	4,321,311	-	-	**4,321,311**	**4,321,311**
Due from City of Grande Prairie	-	-	361,513	-	-	**361,513**	**361,513**
Investments	-	12,133,833	-	-	-	**12,133,833**	**13,162,636**
Financial liabilities							
Trade and other payables	-	-	-	2,981,674	-	**2,981,674**	**2,981,674**
RBC loans	-	-	-	24,694,027	-	**24,694,027**	**24,694,027**
Sexsmith loans	-	-	-	307,248	-	**307,248**	**307,248**
Preferred shares	$ -	$ -	$ -	$ 53,361,851	$ -	**$ 53,361,851**	**$ 53,361,851**

Restated January 1, 2011	Fair value through profit or loss (fair value)	Held to maturity (amortized cost)	Loans and receivables (amortized cost)	Other financial liabilities (amortized cost)	Financial liabilities (fair value)	**Total carrying amount**	**Fair value**
Financial assets							
Cash	$ -	$ 3,672,294	$ -	$ -	$ -	**$ 3,672,294**	**$ 3,672,294**
Trade and other receivables	-	-	4,216,487	-	-	**4,216,487**	**4,216,487**
Due from City of Grande Prairie	-	-	383,267	-	-	**383,267**	**383,267**
Investments	-	11,919,094	-	-	-	**11,919,094**	**12,272,558**

22. FINANCIAL INSTRUMENTS (continued)

Categories of financial instruments (continued)

Restated January 1, 2011	Fair value through profit or loss (fair value)	Held to maturity (amortized cost)	Loans and receivables (amortized cost)	Other financial liabilities (amortized cost)	Financial liabilities (fair value)	**Total carrying amount**	**Fair value**
Financial liabilities							
RBC loans	-	-	-	17,356,141	-	**17,356,141**	**17,356,141**
Sexsmith loans	-	-	-	336,868	-	**336,868**	**336,868**
Preferred shares	$ -	$ -	$ -	$ 53,361,851	$ -	**$ 53,361,851**	**$ 53,361,851**

Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following assumptions and methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

For cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, their fair values approximate their carrying values due to the immediate or short-term maturities of these instruments.

The fair value of the investments approximates their carrying value as the interest rates are consistent with current rates available to the Company in the investment market for such investment instruments. The estimated fair value is disclosed above.

The fair value of any amounts due from the City of Grande Prairie are less than carrying value as the amounts are non-interest bearing and have no terms of repayment.

The fair value of loans and borrowings and finance lease liabilities approximates the carrying value as the interest rates are consistent with the current rates offered to the Company for debt with similar terms.

The fair value of Class D preferred shares approximates the carrying value as the shares are carried at the fixed redemption value and bear 5% dividend rights in accordance with the terms of the Unanimous Shareholders Agreement.

The fair value of the Class H preferred shares is likely less than the carrying value, as the amounts bear no fixed dividend rate. The amount is likely insignificant and it has been assumed that fair value approximates carrying value.

Fair value measurements

The Company had no financial instruments recognized at fair value at December 31, 2012, December 31, 2011 or January 1, 2011.

Financial risk management

The Company is exposed to various risks associated with its financial instruments. These risks are categorized as credit risk, liquidity risk and market risk. The risks related to the Company's financial instruments are discussed below.

22. FINANCIAL INSTRUMENTS (continued)

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Company's Audit and Risk Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Credit risk

Credit risk arises from the potential that a customer will fail to perform its obligations. The following table summarizes the Company's maximum exposure to credit risk related to financial instruments. The maximum credit exposure is the carrying value of the asset net of any allowances for losses.

	2012	2011 *(restated - Note 24, 25)*	January 1, 2011 *(restated - Note 24, 25)*
Trade and other receivables	**$ 4,617,082**	$ 4,321,311	$ 4,216,487
Due from the City of Grande Prairie	**-**	361,513	383,267
	$ 4,617,082	$ 4,682,824	$ 4,599,754

The Company is exposed to credit risk from customers. In order to reduce its credit risk, the Company conducts regular reviews of its existing customers' credit performance. New customers are required to pay a deposit which may be applied against any future unpaid amounts. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Company has a significant number of customers which minimizes concentration of credit risk. No one customer makes up a significant portion of either revenue or the trade receivables balance at year-end.

Amounts are considered past due when payment has not been received in accordance with a customer agreement, which is typically 30 days. The trade receivable balances include $590,803 that is past due as at December 31, 2012 (2011: $437,640; January 1, 2011: $913,337).

At December 31, 2012, there are no financial assets that the Company deems to be impaired or that are past due according to their terms and conditions, for which allowances have not been recorded. Aging of trade and other receivables and the related impairment allowances are provided in the following table:

	December 31, 2012	**Gross Impairment Allowance December 31, 2012**	December 31, 2011 *(restated - Note 24, 25)*	Gross Impairment Allowance December 31, 2011 *(restated - Note 24)*	January 1, 2011 *(restated - Note 24, 25)*	Gross Impairment Allowance January 1, 2011 *(restated - Note 24)*
Not past due	**$ 4,061,621**	**$ -**	$ 4,245,184	$ -	$ 3,686,417	$ -
Past due 0-30 days	**396,379**	**-**	308,001	-	766,618	-
Past due 31-90 days	**97,070**	**(50,000)**	50,350	(40,000)	17,303	(10,000)
More than 91 days	**62,012**	**(52,000)**	79,289	(62,000)	129,416	(105,000)
	$ 4,617,082	**$ (102,000)**	$ 4,682,824	$ (102,000)	$ 4,599,754	$ (115,000)

22. FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

The movement in the allowance for doubtful accounts in respect of accounts receivable during the year was as follows:

		2012		2011 *(restated - Note 24)*
Balance at the beginning of year	**$**	**102,000**	$	115,000
Impairment losses recognized		**85,834**		55,571
Amounts written off as uncollectable		**(85,834)**		(55,571)
Impairment losses reversed		**-**		(13,000)
	$	**102,000**	$	102,000

Any amounts due from the City of Grande Prairie *(Note 7)* are unsecured, however, the City of Grande Prairie is the controlling shareholder of the Company. The risk of default or loss on the receivable amount was nil.

There are no impairments in respect to the held-to-maturity investments during the year.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The purpose of liquidity risk management is to maintain sufficient amounts of cash and cash equivalents, and authorized credit facilities, to fulfill obligations associated with financial liabilities. To manage liquidity risk, the Company prepares budgets and cash forecasts, and monitors its performance against these. Management also monitors cash and working capital efficiency given current sales levels and seasonal variability. The Company measures and monitors its liquidity risk by regularly evaluating its cash inflows and outflows under expected conditions through cash flow reporting such that it anticipates certain funding mismatches and ensures the cash management of the business within certain tolerable levels. These cash flow forecasts are reviewed on regular basis by management. The Company mitigates liquidity risk through continuous monitoring of its credit facilities and the diversification of its funding sources, both in the short-term as well as the long-term.

The following table presents the contractual maturities of financial liabilities:

	Carrying amount	**Contractual cash flow**	Under 1 year	Between 2 - 3 years	Between 4 - 5 years	More than 5 years
December 31, 2012						
Accounts payable and accrued liabilities	**$ 5,751,496**	**$ 5,751,496**	$ 5,751,496	$ -	$ -	$ -
Loans and borrowings	**23,973,228**	**23,973,228**	1,085,742	2,309,255	2,509,296	18,068,935
Preferred shares	**53,361,851**	**53,361,851**	-	-	-	53,361,851
	$ 83,086,575	**$ 83,086,575**	$ 6,837,238	$ 2,309,255	$ 2,509,296	$ 71,430,786
Restated December 31, 2011						
Accounts payable and accrued liabilities	2,981,674	2,981,674	2,981,674	-	-	-
Loans and borrowings	25,001,275	25,001,275	1,014,276	2,163,569	2,363,371	19,460,059
Preferred shares	53,361,851	53,361,851	-	-	-	53,361,851
	$ 81,344,800	$ 81,344,800	$ 3,995,950	$ 2,163,569	$ 2,363,371	$ 72,821,910
Restated January 1, 2011						
Accounts payable and accrued liabilities	2,876,749	2,876,749	2,876,749	-	-	-
Loans and borrowings	17,693,009	17,693,009	691,808	1,488,815	1,639,712	13,872,674
Preferred shares	53,361,851	53,361,851	-	-	-	53,361,851
	$ 73,931,609	$ 73,931,609	$ 3,568,557	$ 1,488,815	$ 1,639,712	$ 67,234,525

22. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

It is not expected that the cash flows included in the maturity analysis will occur significantly earlier, or at significantly different amounts.

The Company's trade payables are all current and due within 75 days of the statement of financial position date. The Company's future obligations under operating leases are discussed in Note 15.

The Company's loans and borrowings are further discussed in Note 13.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of interest rate risk and currency risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk as a result of the issuance of variable rate debt, as disclosed in Note 13. Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company is not exposed to significant foreign currency exchange risk.

Sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets or financial liabilities at fair value through profit or loss; therefore, a change in interest rates at the reporting date would not affect profit or loss.

23. CAPITAL MANAGEMENT

The capital structure of the Company includes cash, shareholders' equity and loans and borrowings. The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern; and
- to provide a stable low risk return to shareholders on capital investments.

The Company manages the capital structure and makes adjustments based on planned expenditures for property, plant and equipment acquisitions and construction, including transfers of assets from municipalities.

The approved Capital Budget for 2013/14 totals $73 million and the projection in five years is $142 million. This will be funded through debt of $53 million, $12 million in contributions, $22 million in cash, $31 million in grants, and use of infrastructure charges of $24 million. Capital costs are based on engineering estimates developed in Master Plans and are refined as further design work occurs.

24. TRANSITION TO IFRS

On January 1, 2012, the Company adopted IFRS with a transition date of January 1, 2011. As described in Note 2, this is the first period under which the Company's financial statements have been presented in accordance with IFRS. For all periods up to and including the year ended December 31, 2011, the Company prepared its financial statements in accordance with Canadian GAAP in effect for those periods.

The Company has prepared financial statements which comply with IFRS applicable for periods beginning on or after January 1, 2011. This note explains the principal adjustments made by the Company in restating its Canadian GAAP balance sheet prepared as at January 1, 2011.

The Company has applied the following exemptions and exceptions in its transition from Canadian GAAP to IFRS:

(a) Deemed cost

For entities that hold items of property, plant and equipment that are used, or were previously used, in operations subject to rate regulation, IFRS 1 provides the option of electing to use the previous GAAP carrying amount at the transition date as the deemed cost of property, plant and equipment. This election also applies to entities that have included in the carrying amount of property, plant and equipment amounts for items that were determined under previous GAAP but do not qualify for capitalization under IFRS.

The Company has elected to use the previous GAAP carrying amount as deemed cost for items of property, plant and equipment used in rate regulated operations at the date of transition.

(b) Decommissioning liability

IFRIC 1 requires specified changes in a decommissioning, restoration or similar liability to be added to or deducted from the cost of the asset to which it relates. The adjusted depreciable amount of the asset is then depreciated prospectively over its remaining life. Under IFRS 1, there is no need to comply with the requirements for changes in such liabilities that occurred before the date of transition to IFRS. An entity is required to measure the liability as at the date of transition in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The Company has elected to apply this exemption to the landfill closure and post-closure liability.

(c) Leases

IFRS 1 allows a first-time adopter to apply the transitional provisions of IFRIC 4 Determining Whether an Arrangement Contains a Lease as at the date of transition to IFRS.

The Company has elected to apply this exemption and apply the transitional provisions of IFRIC 4 as at January 1, 2011.

(d) Borrowing costs

Borrowing costs are to be capitalized to the extent they are directly attributable to the acquisition, production or construction of a qualifying asset. IFRS 1 permits an entity to capitalize borrowing costs from the date of transition to IFRS.

The Company has elected to apply this exemption and will capitalize borrowing costs on qualifying assets beginning January 1, 2011.

24. TRANSITION TO IFRS (continued)

(e) Transfers of assets from customers (developers)

IFRIC 18 Transfers of Assets from Customers requires an entity to record at fair value all receipts of property, plant and equipment or cash to be used to connect a customer to a network or to provide a customer with ongoing access to a supply of goods or services. Under IFRS 1, an entity is not required to apply IFRIC 18 to transfers of assets that occurred before its date of transition to IFRS. Previously, when a developer or other outside organization constructs assets to be transferred to the Company upon completion, the cost and corresponding capital contribution is not recorded in the financial statements unless the amount or fair market value was readily determinable.

The Company has elected to apply this exemption and will apply IFRIC 18 from the date of transition to IFRS.

(f) Reconciliation of cash flows

Dividends paid on preferred shares classified as financial liabilities are now reported as financing charge. Previously dividends were shown separately under financing activities. In addition, interest paid is now reported within the statement of cash flows, whereas it was previously disclosed as supplementary information. It was previously included as a deduction to net income.

There are no other material differences between the statement of cash flows reported under Canadian GAAP previously to the statement of cash flows reported under IFRS other than for changes to net income due to other transitional provisions of IFRS.

24. TRANSITION TO IFRS (continued)

(g) Reconciliation of equity

Reconciliation of equity reported under Canadian GAAP under IFRS at January 1, 2011, the date of transition to IFRS:

	Notes	Canadian GAAP *(restated – Note 25)*	Measurement Adjustments	Presentation Adjustments	IFRS
ASSETS					
Current					
Cash		$ 3,672,294	$ -	$ -	$ 3,672,294
Accounts receivable		4,216,487	-	-	4,216,487
Inventory		498,376	-	-	498,376
Due from City of Grande Prairie		383,267	-	-	383,267
Investments		614,965	-	-	614,965
		9,385,389	-	-	9,385,389
Long-term investments		11,304,129	-	-	11,304,129
Property, plant and equipment	a, c, d, e	73,809,349	3,541,563	68,331,163	145,682,075
		94,498,867	3,541,563	68,331,163	166,371,593
LIABILITIES					
Current					
Accounts payable and accrued liabilities	b	3,375,778	-	(499,029)	2,876,749
Deferred revenue	d	114,993	-	-	114,993
Customer deposits		927,307	-	-	927,307
Provisions	b	-	-	605,238	605,238
Callable debt due in one year		691,808	-	-	691,808
Finance lease liabilities		106,209	-	(106,209)	-
		5,216,095	-	-	5,216,095
Callable debt due thereafter		17,001,201	-	-	17,001,201
Deferred infrastructure charges		7,075,145	-	-	7,075,145
		29,292,441	-	-	29,292,441
Deferred revenue	c, d	-	-	68,331,163	68,331,163
Sewer trunk oversizing obligation	b	1,572,335	-	-	1,572,335
Landfill closure and post-closure liability	a, b	1,960,976	3,504,743	-	5,465,719
		32,825,752	3,504,743	68,331,163	104,661,658
Preferred shares		53,361,851	-	-	53,361,851
		86,187,603	3,504,743	68,331,163	158,023,509
EQUITY					
Share capital		439	-	-	439
Retained earnings	a	8,310,825	36,820	-	8,347,645
		8,311,264	36,820	-	8,348,084
		$ 94,498,867	$ 3,541,563	$ 68,331,163	$ 166,371,593

24. TRANSITION TO IFRS (continued)

(g) Reconciliation of equity (continued)

Reconciliation of equity reported under Canadian GAAP under IFRS at December 31, 2011, being the last period reported under Canadian GAAP:

	Notes	Canadian GAAP *(restated – Note 25)*	Measurement Adjustments	Presentation Adjustments	IFRS
ASSETS					
Current					
Cash		$ 10,667,337	$ -	$ -	$ 10,667,337
Accounts receivable		4,321,311	-	-	4,321,311
Inventory		478,158	-	-	478,158
Due from City of Grande Prairie		361,513	-	-	361,513
Investments		658,886	-	-	658,886
		16,487,205	-	-	16,487,205
Long-term investments		11,474,947	-	-	11,474,947
Property, plant and equipment	a, c, d, e	80,377,805	6,138,130	69,236,045	155,751,980
		108,339,957	6,138,130	69,236,045	183,714,132
LIABILITIES					
Current					
Accounts payable and accrued liabilities	b	4,015,440	-	(1,033,765)	2,981,675
Deferred revenue	d	104,706	-	-	104,706
Customer deposits		1,266,977	-	-	1,266,977
Provisions	b	-	-	1,033,765	1,033,765
Callable debt due in one year		1,014,276	-	-	1,014,276
		6,401,399	-	-	6,401,399
Callable debt due thereafter		23,986,999	-	-	23,986,999
Deferred infrastructure charges		10,776,232	-	-	10,776,232
		41,164,630	-	-	41,164,630
Deferred revenue	c, d	-	2,750,548	69,236,045	71,986,593
Sewer trunk oversizing obligation	b	677,789	-	-	677,789
Landfill closure and post-closure liability	a, b	2,126,430	3,517,191	-	5,643,621
		43,968,849	6,267,739	69,236,045	119,472,633
Preferred shares		53,361,851	-	-	53,361,851
		97,330,700	6,267,739	69,236,045	172,834,484
EQUITY					
Share capital		439	-	-	439
Retained earnings	a	11,008,818	(129,609)	-	10,879,209
		11,009,257	(129,609)	-	10,879,648
		$ 108,339,957	$ 6,138,130	$ 69,236,045	$ 183,714,132

24. TRANSITION TO IFRS (continued)

(g) Reconciliation of equity (continued)

Notes to the reconciliations:

a) In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the liability for landfill closure and post-closure increased by $3,504,743 at January 1, 2011 and $3,517,191 at December 31, 2011. A corresponding asset of $4,742,867 less accumulated depreciation of $1,201,304 was recognized at January 1, 2011 and $4,742,867 less accumulated depreciation of $1,355,285 at December 31, 2011. This had the effect of increasing retained earnings by $36,820 at January 1, 2011 and decreasing retained earnings by $129,609 at December 31, 2011. The 2011 decrease in retained earnings is comprised of increases in interest expense of $177,903 and depreciation of $163,981 offset by a reduction of $165,454 in the provision for landfill closure costs. As well, previous provisions recorded under Canadian GAAP for landfill liability of $1,960,976 at January 1, 2011 and December 31, 2011 were reversed.

b) Under IAS 1 Presentation of Financial Statements, provisions should be separately presented on the face of the statement of financial position. The effect is to reclassify $605,238 at January 1, 2011 and $1,033,765 at December 31, 2011 from accounts payable and accrued liabilities to current provisions. Long-term provisions consist of the sewer trunk oversizing obligation and landfill closure and post-closure liabilities. These continue to be presented as separate lines on statement of financial position.

c) Under Canadian GAAP, contributions of property, plant and equipment received from developers and customers were offset against the capital cost of the asset. These contributions were amortized over the remaining life of the related asset. Under IFRIC 18 Transfers of Assets from Customers, the fair value of these contributions is placed into deferred revenue and recognized over the useful life of the asset. This resulted in the reclassification of $2,584,951 to property, plant and equipment from deferred revenue at January 1, 2011 and $6,327,226 at December 31, 2011.

d) Government grants and infrastructure levy charges for the construction or purchase of property, plant and equipment under Canadian GAAP were recognized as contributed capital and presented as a reduction of property, plant and equipment. In accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, contributions from grants are recognized as deferred revenue. In accordance with IAS 18 Revenue contributions from infrastructure levy charges are also classified as deferred revenue. These contributions are amortized into income over the remaining life of the related asset. $65,746,212 at January 1, 2011 and $65,659,367 at December 31, 2011 was reclassified to deferred revenue from contributed capital that was previously netted against property, plant and equipment.

e) Under IFRS 1, entities with property, plant and equipment used, or previously used, in rate regulated activities may elect to use the previous GAAP carrying amount of these items as deemed cost on transition to IFRS. This resulted in $50,774,009 at January 1, 2011 and December 31, 2011 being removed from the cost of property, plant and equipment and accumulated depreciation. There was no impact on the net carrying value of the property, plant and equipment or retained earnings.

24. TRANSITION TO IFRS (continued)

(h) Reconciliation of net and comprehensive income

Reconciliation of net and comprehensive income for the year ended December 31, 2011 reported under Canadian GAAP, being the last period reported under Canadian GAAP, to net and comprehensive income reported under IFRS:

	Notes	*Canadian GAAP (restated – Note 25)*	Measurement Adjustments	Presentation Adjustments	IFRS
REVENUE					
Sale of services		$ 33,751,734	$ -	$ -	$ 33,751,734
Franchise fee revenue		2,370,538	-	-	2,370,538
Penalties		140,946	-	-	140,946
Interest and investment income	f	460,631	-	(460,631)	-
Other	k	663,715	-	171,995	835,710
Rental		336,322	-	-	336,322
		37,723,886	-	(288,636)	37,435,250
EXPENSES					
General, administrative and contracted services	k	9,104,358	-	(107,505)	8,996,853
Staff costs and employee benefits		10,824,680	-	-	10,824,680
Materials, goods and supplies		6,002,660	-	(2,590,895)	3,411,765
Major maintenance	k	-	-	279,500	279,500
Utilities	k	-	-	2,590,895	2,590,895
Depreciation and amortization	g, h	3,651,880	172,440	-	3,824,320
Franchise fees		2,370,538	-	-	2,370,538
Bad debts (recovery)	f	55,571	-	(55,571)	-
Interest	f	1,062,993	-	(1,062,993)	-
Provision for landfill closure and post-closure	g, h	165,454	(165,454)	-	-
		33,238,134	6,986	(946,569)	32,298,551
INCOME FROM OPERATIONS		4,485,752	(6,986)	657,933	5,136,699
OTHER INCOME (EXPENSE)					
Amortization of capital contributions		1,713,810	18,460	-	1,732,270
Net finance costs	f, i, j	-	-	(4,361,340)	(4,361,340)
Gain (loss) on disposal of property, plant and equipment		23,935	-	-	23,935
		1,737,745	18,460	(4,361,340)	(2,605,135)
NET AND COMPREHENSIVE INCOME		$ 6,223,497	$ 11,474	$ (3,703,407)	$ 2,531,564

24. TRANSITION TO IFRS (continued)

(g) Reconciliation of equity (continued)

Notes to the reconciliation:

f) Under IFRS interest revenue, interest expense and other finance revenues and costs are classified as net finance costs. Interest income of $460,631, interest expense of $1,062,993 and bad debts expense of $55,571 were reclassified to net finance costs.

g) Under Canadian GAAP, the Company did not recognize an asset with regard to the landfill closure and post-closure liability. Under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an asset was recognized and is being depreciated over the remaining useful life of the landfill. The effect of this was to increase depreciation expense by $153,981 and reduce the provision for landfill closure and post closure by $165,454 for the year ended December 31, 2011.

h) Under Canadian GAAP, the amortization of contributions received from developers was treated as a reduction to depreciation expense over the remaining life of the associated asset. In accordance with IAS 18 Revenue, these contributions are recognized as deferred revenue when received. This resulted in an increase in depreciation expense of $18,460 for the year ended December 31, 2011.

i) A decommissioning liability for the landfill closure and post-closure obligation was recognized and, in accordance with IAS 37, the liability was discounted. The accretion of the discount is recognized as a finance cost, which resulted in an increase in finance costs of $177,903 for the year ended December 31, 2011.

j) In accordance with IAS 32 Financial Instruments - Presentation, dividends on preferred shares classified as financial liabilities are presented as a finance cost. This resulted in an increase of $3,525,504 in finance costs.

k) Certain groups have been regrouped to conform with the presentation adopted for the current year.

25. PRIOR PERIOD ADJUSTMENT

While preparing financial statements of the Company for the period ended December 31, 2012, it was determined that there was a misstatement in the accrued investment earnings spreadsheet that resulted in an overstatement in interest income in prior years. Accrued interest receivable was overstated by $530,873 at December 31, 2011 and by $466,803 at January 1, 2011. This misstatement has been corrected retroactively.