

WATER UTILITY ANNUAL REPORT
 To the COMPTROLLER of WATER RIGHTS, Water Utility Act
 For the fiscal year ended: **December 31, 2010**

File: 0321093

Parr Utilities Ltd.
 1164 Windermere Loop Rd
 Invermere BC V0A 1K3

(please correct if address is wrong)

Contact Name: David Grocutt Title: Controller

Phone No: 250-342-6999 Fax No: 250-342-6998 Email Address: dgrocutt@windermerewater.com

Geographical location of works: Windermere, BC

Local Operator's Name: Mathew Macala Phone No: 250-341-5763

Accountant's Name: SCP LLP Chartered Accountants Phone No: 403-261-9933

A. CORPORATE DATA:

Question: Has there been a change of more than 20% of the common shares of the utility company? Yes No

List names and addresses of all persons or corporations holding over 10% of any class of shares of the company.

Shareholder	Address	% Interest	Phone Number
wnsc Holdings Inc.	#1003, 200 La Caille Place S.W. Calgary	100	403-265-7037

B. SERVICE AREA:

Number of lots (units) authorized for service: 397 Number of lots (units) connected: 327

C. WATER CONSUMPTION:

If source(s) of water is metered, state the total input (I. gal., U.S. gal., cu. ft., cu. m.) to the system for the year:

36,837.24 cu. m.

D. DESCRIPTION OF SYSTEM ASSETS ACQUISITIONS & DISPOSALS:

COST: \$2,333,697


Construction of the system assets was completed in 2010 and put into service. In addition, developers contributed system assets to the utility at no cost in 2010.

E. ADDITIONAL QUESTIONS:

- 1) Any boil advisories during the past year?
- 2) Is the water system adequate to meet consumption needs?
- 3) Any major repairs or replacements required in the next 5 years?

Yes	No
<input type="checkbox"/>	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input checked="" type="checkbox"/>

DECLARATION: The information filed herewith comprising this annual report is complete and accurate, to the best of my knowledge, information and belief.


 (Signature of President or Secretary of the Company)

REVENUE ANALYSIS REPORT

File: 0321093

Parr Utilities Ltd.
1164 Windermere Loop Rd
Invermere BC V0A 1K3

For the year ended: **December 31, 2010**

<u>No. of Customers (units)</u>	<u>Residential</u>	<u>Commercial</u>	<u>Total</u>
▪ unmetered full time	214		214
▪ unmetered seasonal			
▪ metered full time			
▪ metered seasonal			
▪ vacant lots with rent charges	113		113
▪ vacant lots without rent charges	70		70
 <u>Revenue for Year</u>			
Rates: ▪ unmetered full time	84,750.00		84,750.00
▪ unmetered seasonal			
▪ metered full time			
▪ metered seasonal			
Rent (availability) Charges	33,900.00		33,900.00
Connection Fees	5,000.00		5,000.00
Fire Protection			
Irrigation Sales			
Bulk Sales	14,313.00		14,313.00
Other Water Revenue (Specify)	371.15		371.15
 <u>Total Revenue Before Interest</u>			
(To agree with Income Statement)	\$ 138,334.15	\$	\$ 138,334.15
 <u>Replacement Reserve Fund</u>			
▪ Amount Per Unit			
▪ Total For Year	\$ 185,600.00	\$	\$ 185,600.00

RESERVE/TRUST FUND ANNUAL REPORT
(TO THE COMPTROLLER OF WATER RIGHTS, Water Utility Act)

Name of Utility: **Parr Utilities Ltd.**

File: 0321093

Fiscal Year End: **December 31, 2010**

	Replacement Fund		Revenue Deficit Fund		*Deferred Capacity Fund		Maintenance Fund		Construction Fund		Other Fund	
Balance, beginning of year	\$ 128,044.07	\$ 1,401,319.09	\$ 2,66,868.53	\$	\$ 348,950.00	\$						
Add												
Interest Earned	2,065.06	3,182.91	461.58		235,48							
Contributions												
Replacement Reserve			1,449,000.00									
from Customer Rates												
from Rent Charges												
from Other												
Deduct												
Interest Withdrawn			1,002.00						349,185.48			
Authorized Releases												
Balance, end of fiscal year	315,709.13	1,403,500.00	1,716,330.11	\$								
Balance, end of fiscal year per bank confirmation attached	315,709.13	1,403,500.00	1,716,330.11	\$								
Difference (attach explanation if more than \$100)	\$ 0	\$ 0	\$ 0	\$								\$

* Attach a list of names and lot descriptions for any new Deferred Capacity Trust Fund contributions.

Independent Signing Authority, Title and Name of Firm (Please Print)

Signature *DR Smith*

Date August 18, 2011

Telephone number 250-342-6999

Fax Number 250-342-6998

TFAR
99.12.03



BANK CONFIRMATION FORM
(to be completed by bank representative)

for

Parr Utilities Ltd

File: 0321093

The undersigned does hereby signify that on December 31, 2010 the following funds were held in a savings/term deposit/safekeeping or G.I.C. account(s) for the above utility, in accordance with the Irrevocable Letter of Authority (I.L.A.) signed on the date shown below:

Name of Fund	I.L.A. Date	Type and Acct No.	Total Amount
Revenue Deficit (Royal Bank of Canada)	Jan 5, 2009	GIC # 990147709.0004	\$1,403,500.00
Replacement (Kootenay Savings Credit Union)	Oct 25, 2001		
Deferred Capacity (Kootenay Savings Credit Union)	Jul 24, 2007		

Enclose a separate sheet if needed but ensure that the appropriate Trust Funds are clearly indicated.

The above account(s) was(were) not encumbered in any way, and from which account(s) no withdrawals have been made without the written authorization of the Comptroller of Water Rights.

The said Fund(s) is(are) identified as held for the sole discretion of the Comptroller of Water Rights, Water Utility Act, of the Province of British Columbia.

ROYAL BANK OF CANADA
Name of Financial Institution

2 CRANBROOK STREET
Address

CRANBROOK, BC V1C 3P6

250-426-0306

Telephone

250-426-5704

Fax

BRANDON WRIGHT
Financial Institution Signing Authority (please print)

Signature

AUGUST 9, 2011

Date

Financial Institution Stamp

Royal Bank of Canada 01360
2 Cranbrook Street
Cranbrook, British Columbia
V1C 3P6

BANK CONFIRMATION FORM
(to be completed by bank representative)

for

Parr Utilities Ltd.

File: 0321093

The undersigned does hereby signify that on December 31, 2010 the following funds were held in a savings/term deposit/safekeeping or G.I.C. account(s) for the above utility, in accordance with the Irrevocable Letter of Authority (L.L.A.) signed on the date shown below:

Name of Fund	ILA Date	Acct Type	Acct No.	Total Amount
Replacement (Kootenay Savings Credit Union)	Oct 25, 2001	maximizer	147967	\$ 315,709.13
Deferred Capacity (Kootenay Savings Credit Union)	Jul 24, 2007	maximizer	147967	\$ 1,716,330.11

Enclose a separate sheet if needed but ensure that the appropriate Trust Funds are clearly indicated.

The above account(s) was(were) not encumbered in any way, and from which account(s) no withdrawals have been made without the written authorization of the Comptroller of Water Rights.

The said Fund(s) is(are) identified as held for the sole discretion of the Comptroller of Water Rights, Water Utility Act, of the Province of British Columbia.

Kootenay Savings Credit Union
Name of Financial Institution

241-8100 Rock Island Hwy
Address

TRAIL, BC V1R 4N7

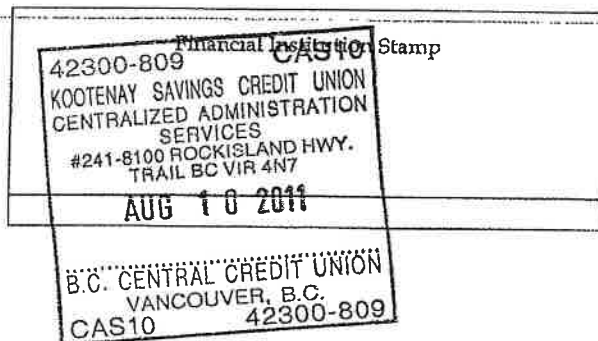
250-368-2888
Telephone

250-368-8520
Fax

Dana Haas
Financial Institution Signing Authority (please print)

Dana Haas
Signature

Aug 10, 2011
Date





PARR UTILITIES LTD.
Financial Statements
Year Ended December 31, 2010
(Unaudited)

PARR UTILITIES LTD.
Index to Financial Statements
Year Ended December 31, 2010
(Unaudited)

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REVIEW ENGAGEMENT REPORT

To the Shareholder of Parr Utilities Ltd.

We have reviewed the balance sheet of Parr Utilities Ltd. as at December 31, 2010 and the statements of income and deficit and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the Company.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
April 25, 2011



CHARTERED ACCOUNTANTS

PARR UTILITIES LTD.

Balance Sheet

December 31, 2010

(Unaudited)

ASSETS

Current

Cash	\$ 16,481
Accounts receivable	123,819
Prepaid expenses	7,036
Prepaid rate application costs (Note 4)	<u>38,042</u>

185,378

Long term portion of prepaid rate application costs (Note 4) 114,124

Deferred capacity reserve fund (Note 5) 1,716,330

Revenue deficit reserve fund (Note 6) 1,404,502

Capital replacement reserve fund (Note 7) 315,709

Revenue deficiency deferral account (Note 8) 650,409

Property, plant and equipment (Note 9) 10,170,528

Construction work in progress 59,373

Future tax asset 199,916

\$ 14,816,269

LIABILITIES

Current

Accounts payable and accrued liabilities	\$ 534,635
Deposits	172,678
Due to parent company	<u>4,584</u>

711,897

Due to related companies (Note 10) 10,078,057

Deferred capacity reserve fund (Note 5) 1,716,330

Capital replacement reserve fund (Note 7) 315,709

12,821,993

SHAREHOLDER'S EQUITY

Share capital (Note 11) 100

Contributions in aid of construction (Note 12) 1,996,530

Deficit (2,354)

1,994,276

\$ 14,816,269

Commitments (Note 15)

ON BEHALF OF THE BOARD



See notes to financial statements

Director

Director

PARR UTILITIES LTD.
Statement of Income and Deficit
Year Ended December 31, 2010
(Unaudited)

Revenue	\$ 143,216
Expenses	
Operating expenses <i>(Schedule 1)</i>	167,954
Administration expenses <i>(Schedule 2)</i>	105,491
Amortization of property, plant and equipment	165,925
Amortization of rate application costs	38,041
Capital replacement reserve fund	185,600
Revenue deficiency deferral <i>(Note 8)</i>	<u>(407,418)</u>
	<u>255,593</u>
Loss before income taxes	(112,377)
Future income taxes (recovered)	<u>(112,377)</u>
Net income	-
Deficit - beginning of year	<u>(245,345)</u>
	(245,345)
Revenue deficiency deferral from prior years <i>(Note 8)</i>	<u>242,991</u>
Deficit - end of year	<u>\$ (2,354)</u>

PARR UTILITIES LTD.
Statement of Cash Flows
Year Ended December 31, 2010
(Unaudited)

Operating activities	
Net income	\$ -
Items not affecting cash:	
Amortization of property, plant and equipment	165,925
Future income taxes	(112,377)
Revenue deficiency deferral	(407,418)
	<u>(353,870)</u>
Changes in non-cash working capital:	
Accounts receivable	(43,513)
Accounts payable and accrued liabilities	73,020
Prepaid expenses	(61,654)
Deposits	(196,879)
	<u>(229,026)</u>
Cash flow used by operating activities	<u>(582,896)</u>
Investing activities	
Additions to property, plant and equipment	(818,553)
Funding received for deferred capacity reserve fund	1,449,462
Funding received for capital replacement reserve fund	443,753
	<u>1,074,662</u>
Cash flow from investing activities	<u>1,074,662</u>
Financing activities	
Advances from related companies	698,930
Advances to parent company	(375)
	<u>698,555</u>
Cash flow from financing activities	<u>698,555</u>
Increase in cash flow	1,190,321
Cash - beginning of year	2,262,701
Cash - end of year	\$ <u>3,453,022</u>
Cash flows supplementary information	
Interest paid	<u>\$ 3,073</u>
Cash consists of:	
Cash	\$ 16,481
Deferred capacity reserve fund	1,716,330
Revenue deficit reserve fund	1,404,502
Capital replacement reserve fund	315,709
	<u>\$ 3,453,022</u>

PARR UTILITIES LTD.
Notes to Financial Statements
Year Ended December 31, 2010
(Unaudited)

1. Description of operations

The Company is a water utility provider incorporated under the British Columbia Corporations Act. The Company supplies purified water to the Windemere Valley from its water treatment facility located in Invermere, British Columbia.

2. Transition to accounting standards for private enterprises (ASPE's)

In accordance with the ruling by the Canadian Accounting Standards Board, all Canadian Private Enterprises must choose to adopt either International Financial Reporting Standards or ASPE's as their new accounting framework, effective for year-ends beginning on or after January 1, 2011.

Management of the Company has decided that the ASPE framework will be the most appropriate basis of accounting for the users of its financial statements. Therefore, the Company will begin reporting its financial statements using ASPE's for the year ended December 31, 2011. The effective transition date to the new standards is January 1, 2011.

The adoption of these standards is not anticipated to have a significant impact on the financial statements other than the changes to the various disclosure requirements.

3. Summary of significant accounting policies

Construction work in progress

Construction work in progress is comprised of costs directly associated with the construction of upgrading the capacity of the water treatment facility and the costs associated with installing new water lines in order to increase the range of the system. Costs include all expenditures incurred in connection with the above activities. The Company has contracted with construction companies in order to complete the above mentioned projects. The construction work in progress will ultimately be included in the property, plant and equipment upon completion of the projects or directly recovered from customers. The Company will provide for write-downs where the carrying value exceeds its net realizable value. Construction work in progress costs are not amortized.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization. Property, plant and equipment are amortized over their estimated useful lives using the following rates:

Water supply plant	2.0%	straight-line method
Pumping plant	4.0%	straight-line method
Water treatment system	2.7%	straight-line method
Reservoirs	1.6%	straight-line method
Transmission mains	1.3%	straight-line method
Distribution mains	1.3%	straight-line method
Customer meters	4.0%	straight-line method

Future income taxes

The liability method of tax allocation is used in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

PARR UTILITIES LTD.
Notes to Financial Statements
Year Ended December 31, 2010
(Unaudited)

3. Summary of significant accounting policies (continued)

Contributions in aid of construction

Contributions in aid of construction are stated at cost less accumulated amortization. Contributions in aid of construction are amortized over their estimated useful lives at a rate of 2% using the straight-line method.

Revenue recognition

Revenue is recognized when water is delivered. Any amounts received in advance of water delivery are deferred and taken into income when earned.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include providing for amortization of property, plant and equipment. Actual results could differ from these estimates.

Financial instruments

The Canadian Institute of Chartered Accountants ("CICA") has decided that private enterprises will not be required to apply the following Sections of the CICA Handbook: Section 1530, Comprehensive Income, Section 1651, Foreign Currency Translation, Section 3051, Investments, Section 3251, Equity, Section 3855, Financial Instruments – Recognition and Measurement, Section 3861, Financial Instruments – Disclosure and Presentation, Section 3862, Financial Instruments – Disclosures, Section 3863, Financial Instruments – Presentation and Section 3865, Hedges which would otherwise have applied to the financial statements of the Company for the year ended December 31, 2010. Accordingly, the Company elected to use this exemption and applied the requirements of Section 3860 Financial Instruments – Disclosure and Presentation of the CICA Handbook.

4. Prepaid rate application costs

In order to complete the water rate application process instituted by the Comptroller of Water Rights, the Company incurred significant costs that are being amortized on a straight line basis over five years.

Total prepaid rate application cost	\$ 190,207
Less amount amortized	<u>(38,041)</u>
	152,166
Less current portion	<u>(38,042)</u>
Long term portion	<u>\$ 114,124</u>

PARR UTILITIES LTD.
Notes to Financial Statements
Year Ended December 31, 2010
(Unaudited)

5. Deferred capacity reserve fund

The balances in this account are for the future expansion of the water treatment plant. These funds are restricted and are subject to the control of the Comptroller of Water Rights, Water Utility Act of the Province of British Columbia. A portion of the funds will be used in the 2011 fiscal year to increase the capacity of the plant by the installation of a new intake system. The Comptroller of Water Rights, Water Utility Act of the Province of British Columbia has approved the new intake system.

Balance, beginning of the year	\$ 266,869
Cash contributions during the year	1,449,000
Interest earned during the year	<u>461</u>
Balance, end of the year	<u>\$ 1,716,330</u>

6. Revenue deficit reserve fund

The Company was required by the Comptroller of Water Rights to set aside an amount equal to the estimated revenue deficiency for the first three years of operations. These funds are restricted and can only be accessed subject to the control of the Comptroller of Water Rights, Water Utility Act of the Province of British Columbia.

Balance, beginning of the year	\$ 1,401,084
Interest earned during the year	<u>3,418</u>
Balance, end of the year	<u>\$ 1,404,502</u>

7. Capital replacement reserve fund

A quarterly contribution is mandated by the Comptroller of Water Rights to be set aside to accommodate future replacement of facilities and equipment. Contributions in the year were \$185,000. These funds are restricted and can only be accessed subject to the control of the Comptroller of Water Rights, Water Utility Act of the Province of British Columbia.

Balance, beginning of the year	\$ 128,044
Cash contribution during the year	185,000
Interest earned during the year	<u>2,665</u>
Balance, end of the year	<u>\$ 315,709</u>

PARR UTILITIES LTD.
Notes to Financial Statements
Year Ended December 31, 2010
(Unaudited)

8. Revenue deficiency deferral account

Operating deficiencies are expected to be incurred during the startup and built-out period of the utility when the utility revenues from providing water service are inadequate to recover the cost. The Company has demonstrated through financial projections the ability to recover these operating deficiencies and thus they are being deferred until a time when operating surpluses are occurring. This is currently estimated to begin in the 2016 fiscal year.

An adjustment of \$242,991 has been made to retained earnings to account for past operating deficiencies. This restores retained earnings to the balance that existed when the current ownership took over the Company.

9. Property, plant and equipment

	Cost	Accumulated amortization	Net book value
Water supply plant	\$ 220,782	\$ 4,416	\$ 216,366
Pumping plant	458,973	18,359	440,614
Water treatment system	3,876,145	104,656	3,771,489
Reservoirs	614,058	9,825	604,233
Transmission mains	3,401,696	44,222	3,357,474
Distribution mains	1,741,807	22,643	1,719,164
Customer meters	63,738	2,550	61,188
	\$ 10,377,199	\$ 206,671	\$ 10,170,528

10. Due to related companies

Amounts due to related companies, related by virtue of common ownership, are non-interest bearing, have no set repayment terms and are unsecured.

11. Share capital

Authorized:

20,000 Class A Common voting shares

Issued:

4 Class A Common shares

\$ 100

12. Contributions in aid of construction

In certain situations, the Company connects its water system to an existing water supply system in an established subdivision. The Comptroller of Water Rights requires the Company to include the value of these existing systems in with the capital assets of the Company. No payments have been made for these systems.

Total contributions received	\$ 2,037,275
Less accumulated amortization	<u>(40,745)</u>
	\$ 1,996,530

PARR UTILITIES LTD.
Notes to Financial Statements
Year Ended December 31, 2010
(Unaudited)

13. Non-capital tax losses carried forward

The Company has incurred losses of approximately \$650,000 for tax purposes which are available to reduce future taxable income. Such benefits will be recorded as an adjustment to the tax provision in the year realized. The losses will expire as follows:

2028	\$ 61,000
2029	144,000
2030	276,000
2031	<u>169,000</u>
	<u>\$ 650,000</u>

14. Related party transactions

The Company paid rent to a company related by virtue of common shareholders. In 2010, the rent paid to an affiliated company totalled \$51,035. This rent is pursuant to a five year lease which terminates on October 31, 2014.

The minimum annual rental payments over the remaining four years are:

2011	\$52,200
2012	52,200
2013	52,200
2014	43,500

The above transaction is in the normal course of operations and is measured at the carrying value amount, which is equal to the amount of the consideration established and agreed upon by the related parties.

15. Commitments

In the normal course of constructing its facilities, the Company has entered into contracts with various construction companies and other suppliers. The Company has ongoing commitments to complete its responsibilities under the terms and conditions of these contracts.

PARR UTILITIES LTD.
Notes to Financial Statements
Year Ended December 31, 2010
(Unaudited)

16. Financial instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, due to related companies and due to parent company.

Fair value

The fair value of financial instruments that are included on the balance sheet approximate their carrying amount due to the short term maturity of these instruments.

The fair value of the due to related companies and due to parent company balances are less than carrying value, as the amounts are non-interest bearing. As the amounts have no terms of repayment, the fair value cannot be calculated with any degree of certainty.

Credit risk

Credit risk arises from the possibility that the entities to which the Company provides services may experience difficulty and be unable to fulfil their obligations. The Company is exposed to financial risk that arises from the credit quality of the entities to which it provides services.

17. Comparative figures

Comparative figures have not been presented due to significant changes in the overall classification and presentation of the current year.

PARR UTILITIES LTD.
Operating expenses
Year Ended December 31, 2010
(Unaudited)

(Schedule 1)

Operating expenses

Salaries and wages	\$ 53,358
Rent	47,976
Insurance and licenses	24,210
Repairs and maintenance	11,211
Chemicals	10,855
Utilities - propane	6,232
Utilities - electricity	6,024
Travel	4,898
Training	1,452
Telephone	1,317
Meals and entertainment	421
	<hr/>
	\$ 167,954

Administration expenses
Year Ended December 31, 2010
(Unaudited)

(Schedule 2)

Administration expenses

Salaries & wages	\$ 50,401
Professional fees	12,988
Property taxes	12,564
Computer expense	8,871
Office	4,154
Advertising and promotion	4,063
Rent	3,330
Bank charges	3,073
Travel	2,689
Telephone	2,669
Meals and entertainment	689
	<hr/>
	\$ 105,491



See notes to financial statements