

WATER UTILITY ANNUAL REPORT

To the COMPTROLLER of WATER RIGHTS, *Water Utility Act*
For the fiscal year ended: **December 31, 2012**

This space for internal use only

Parr Utilities Ltd.

(File: **0321093**)

1164 Windermere Loop Rd

Invermere BC V0A 1K3

(please correct if address is wrong)

Contact Name: Paul Partlo Title: President

Phone: 250 342 6999 Fax: 250 342 6998 Email: ppartlo@windermerewater.com

Geographical location of works: Windermere, B.C.

Local Operator's Name: Corix Phone: _____ Email: _____

Accountant's Name: SCP LLP chartered accountants Phone: 403 261 9933 Email: _____

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 business:

Shareholder	Address	% Interest	Phone Number
<u>WWSC Holdings Inc.</u>	<u>1003 - 200 La Caille Place Sw.</u>	<u>100</u>	<u>403 265 7037</u>

B. SERVICE AREA:

Number of lots (units) authorized for service: 787 Number of lots (units) connected: 730

C. WATER CONSUMPTION:

If source(s) of water is metered, state the total input (l. gal., U.S. gal., cu. ft., cu. m.) to the system for the year:
199068 m³

D. DESCRIPTION OF SYSTEM ASSETS ACQUISITIONS & DISPOSALS:

COST: 1,7130

see attached

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? If yes, explain on reverse.

4) Do you treat the water?

• If yes, circle type/s of treatment: Filtration, Chlorination, UV, Other (specify): coagulation

Yes	No
<input type="checkbox"/>	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	<input 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]
(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, 2012**

<u>No. of Customers (units)</u>	<u>Residential</u>	<u>Commercial</u>	<u>Total</u>
▪ unmetered full time	499	73	572
▪ unmetered seasonal			
▪ metered full time			
▪ metered seasonal			
▪ vacant lots with rent charges	152		152
▪ vacant lots without rent charges	25		25
 <u>Revenue for Year</u>			
Rates: ▪ unmetered full time	95288	53820	149108
▪ unmetered seasonal			
▪ metered full time			
▪ metered seasonal			
Rent (availability) Charges	68455		68455
Connection Fees	1500		1500
Fire Protection			
Irrigation Sales			
Bulk Sales	165672		165672
Other Water Revenue (Specify) <i>see attached.</i>	27418		27418
 <u>Total Revenue Before Interest</u> <i>(To agree with attached Financial Statement)</i>			
	\$ 358333	\$ 53820	\$ 412153
 <u>Replacement Reserve Fund</u>			
▪ Amount Per Unit	395 ⁴⁸	395 ⁴⁸	
▪ Total For Year	\$ 197342	\$ 28870	\$ 226212

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

File: 0321093

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

Fiscal Year End: **December 31, 2012**

	Replacement Fund	Revenue Deficit Fund	*Deferred Capacity Fund	Maintenance Fund	Construction Fund	Other Fund
Balance, beginning of year						
Add	\$ 489,821. ²⁵	\$ 1,380,486	\$ 316,020. ⁶⁶	\$	\$	\$
Interest Earned	7064. ³⁹	9242. ³⁸	3239. ⁵⁴			
Contributions	226,212. ⁰⁰	8858. ⁸¹	10,500. ⁰⁰			
Replacement Reserve						
from Customer Rates						
from Rent Charges						
from Other	6344. ⁴⁸					
Deduct						
Interest Withdrawn						
Authorized Releases	98156. ⁴³		262,351. ²⁸			
Balance, end of fiscal year	631,285. ⁶⁹	1,398,587. ¹⁹	67,408. ⁹²			
Balance, end of fiscal year per balance confirmation attached	① 609,608. ⁹⁶ ② 21,676	1,398,587. ¹⁹	67,408. ⁹²			
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 _____ Date _____

Telephone Number _____ Fax Number _____

BANK CONFIRMATION FORM

(to be completed by Bank Representative)



for

Parr Utilities Ltd.

File: 0321093

The undersigned does hereby signify that on **December 31, 2012** 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	ILA Date	Acct Type	Acct No.	Total Amount
Revenue Deficit (Kootenay Savings CU)	Dec 4, 2012	<u>Summit Saver 2</u>	<u>147967</u>	<u>1,398,587.19</u>
Replacement (Kootenay Savings CU)	Jul 24, 2007	<u>Summit Saver 0</u>	<u>147967</u>	<u>631,285.69</u>
Deferred Capacity (Kootenay Savings CU)	Jul 24, 2007	<u>Summit Saver 1</u>	<u>147967</u>	<u>67,408.92</u>

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

1028 7th Ave Box 2580
Address

Invermere BC V0A1K0

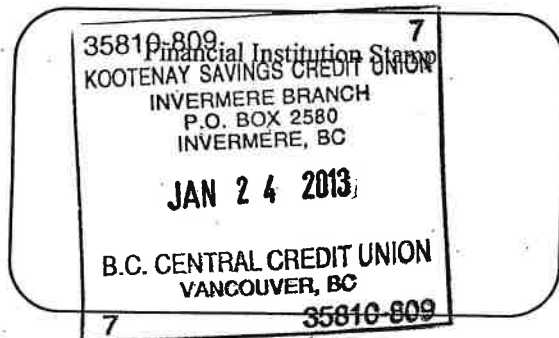
250-342-6961
Telephone

250-342-6963
Fax

Leela LIGHTFOOT
Bank Representative Name (please print)

[Signature]
Bank Representative Signature

Jan 24/13
Date



PARR Utilities
Capital Asset Additions/ Disposals

Pumping Equipment	<u>Projects</u>	Additions
Electrical Pumping Equipment	Lake Intake Project (non reimbursed HST, 4th Qtr 2011)	1,594.04
	2008 Funding Release	(8,789.23)
Distribution Mains	Mackinnon Subdivision - Mulyk Consulting	2,457.20
	Mean Machine Ltd. - Swansea Road water lines	<u>21,868.34</u>
		<u>17,130.35</u>

Parr Utilities
for year ended Dec. 31, 2012

Other Water Revenues

Water Late Payment Penalties	73.99
Administration Fees	795.00
Turn on/off fees	214.32
NSF fee	50.00
Bank Interest	26,284.82
	<u>27,418.13</u>

PARR UTILITIES LTD.
Financial Statements
Year Ended December 31, 2012
(Unaudited)

Draft for discussion purposes only

PARR UTILITIES LTD.
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Year Ended December 31, 2012
(Unaudited)

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Draft for discussion purposes only

REVIEW ENGAGEMENT REPORT

To the Shareholder of Parr Utilities Ltd.

We have reviewed the balance sheet of Parr Utilities Ltd. as at December 31, 2012 and the statements of loss 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 inquiry, 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 the basis of accounting in Note 2 to the financial statements.

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describes the basis of accounting. These financial statements are prepared for the purposes of reporting to management and the Comptroller of Water Rights, Water Utility Act of the province of British Columbia. As a result, these financial statements may not be suitable for another purpose. Our report is intended solely for Parr Utilities Ltd. and the Comptroller of Water Rights and should not be used by parties other than Parr Utilities Ltd. or the Comptroller of Water Rights.

Calgary, Alberta
April 11, 2013

CHARTERED ACCOUNTANTS

PARR UTILITIES LTD.

Balance Sheet

December 31, 2012

(Unaudited)

	2012	2011
ASSETS		
Current		
Cash	\$ 27,209	\$ 166,266
Accounts receivable	94,131	140,614
Prepaid expenses	7,433	6,561
HST recoverable	13,183	22,547
Prepaid rate application costs (Note 3)	10,000	10,000
	<u>151,956</u>	345,988
Long term portion of prepaid rate application cost (Note 3)	60,000	70,000
Deferred capacity reserve fund (Note 4)	67,409	316,021
Revenue deficit reserve fund (Note 5)	1,398,588	1,380,486
Capital replacement reserve fund (Note 6)	631,286	489,821
Revenue deficiency deferral account (Note 7)	695,409	695,409
Construction work in progress	31,512	33,970
Property, plant and equipment (Note 8)	10,730,191	10,951,823
Future income taxes	501,977	241,300
	<u>\$ 14,268,328</u>	<u>\$ 14,524,818</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 136,824	\$ 186,322
Current portion of long term debt (Note 9)	6,344	6,344
	<u>143,168</u>	192,666
Long term debt (Note 9)	44,412	50,756
Due to related companies (Note 10)	9,643,489	10,444,171
Deferred capacity reserve fund	67,409	316,021
Replacement reserve fund	631,286	489,821
	<u>10,529,764</u>	11,493,435
SHAREHOLDER'S EQUITY		
Share capital (Note 11)	100	100
Contributions in aid of construction (Note 12)	4,181,384	3,413,486
Deficit	(442,920)	(382,203)
	<u>3,738,564</u>	3,031,383
	<u>\$ 14,268,328</u>	<u>\$ 14,524,818</u>

See notes to financial statements

PARR UTILITIES LTD.
Statement of Loss and Deficit
Year Ended December 31, 2012
(Unaudited)

	2012	2011
Revenue	\$ 412,153	\$ 457,951
Expenses		
Operating expenses <i>(Schedule 1)</i>	229,033	211,037
Administration expenses <i>(Schedule 2)</i>	103,310	185,466
Amortization of rate application costs	10,000	99,533
Capital replacement reserve funding	226,212	229,000
Revenue deficiency deferral		(45,000)
Amortization of property, plant and equipment	164,992	172,849
	<u>733,547</u>	<u>852,885</u>
Loss from operations	(321,394)	(394,934)
Loss on disposal of asset	-	(26,299)
Loss before income taxes	(321,394)	(421,233)
Future income taxes recovered	(260,677)	(41,384)
Net loss	(60,717)	(379,849)
Deficit - beginning of year	(382,203)	(2,354)
Deficit - end of year	\$ (442,920)	\$ (382,203)

See notes to financial statements

PARR UTILITIES LTD.
Statement of Cash Flows
Year Ended December 31, 2012
(Unaudited)

	2012	2011
Operating activities		
Net loss	\$ (60,717)	\$ (379,849)
Items not affecting cash:		
Amortization of property, plant and equipment	164,992	172,849
Loss on disposal of assets	-	26,299
Future income taxes	(260,677)	(41,384)
Revenue deficiency deferral	-	(45,000)
	<u>(156,402)</u>	
Changes in non-cash working capital:		
Accounts receivable	46,483	(108,669)
Accounts payable and accrued liabilities	(49,497)	(348,316)
Prepaid expenses	(9,128)	72,641
HST recoverable	9,364	69,327
Deposits	-	(172,678)
	<u>(2,778)</u>	(487,695)
Cash flow used by operating activities	<u>(159,180)</u>	<u>(754,780)</u>
Investing activities		
Additions to property, plant and equipment	-	(1,251,559)
Proceeds on disposal of property, plant and equipment	-	25,000
Construction work in progress	2,458	25,403
Contributions in aid of construction	470,529	228,490
Funding received for deferred capacity reserve fund	13,739	1,190
Funding received for capital replacement reserve fund	233,277	231,213
Funding received (cash taken) for revenue deficit reserve fund	18,101	(24,016)
	<u>738,104</u>	<u>(764,279)</u>
Cash flow from (used by) investing activities	<u>738,104</u>	<u>(764,279)</u>
Financing activities		
Advances (to) from related companies	(800,682)	366,114
Advances to parent company	-	(4,584)
Proceeds from long term financing	-	57,101
Repayment of long term debt	(6,344)	-
	<u>(807,026)</u>	418,631
Cash flow from (used by) financing activities	<u>(807,026)</u>	418,631
Decrease in cash flow	(228,102)	(1,100,428)
Cash - beginning of year	2,352,594	3,453,022
Cash - end of year	\$ 2,124,492	\$ 2,352,594
Cash flows supplementary information		
Interest paid	\$ 2,179	\$ 2,165
Cash consists of:		
Cash	\$ 27,209	\$ 166,266
Revenue deficit reserve fund	1,398,588	1,380,486
Capital replacement reserve fund	631,286	489,821
Deferred capacity reserve fund	67,409	316,021

(continues)

See notes to financial statements

PARR UTILITIES LTD.
Statement of Cash Flows *(continued)*
Year Ended December 31, 2012
(Unaudited)

	2012	2011
	<u>\$ 2,124,492</u>	<u>\$ 2,352,594</u>

Draft for discussion purposes only

PARR UTILITIES LTD.
Notes to Financial Statements
Year Ended December 31, 2012
(Unaudited)

1. Description of operations

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

The Company is required to report financial information to the Comptroller of Water Rights, Water Utility Act of the province of British Columbia on an annual basis and is required to report and ensure funds are collected and restricted for several provincially mandated reserves.

2. Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with the recognition and measurement principals of Part V of the CICA Handbook - Accounting, and not the presentation principles or the presentation of all the financial statements or note disclosures required by Canadian generally accepted accounting principles for private enterprises (ASPE).

Construction work in progress

Construction work in progress is comprised of costs directly associated with the construction of a future reservoir and future distribution system extensions. The construction work in progress will ultimately be included in the property, plant and equipment upon completion of the projects. 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:

Lake intake system	1.3%	straight-line method
Supply main	1.3%	straight-line method
Concrete structure - pumping plant	2.0%	straight-line method
Pumping equipment	4.0%	straight-line method
Concrete tanks & foundation	1.7%	straight-line method
Media filtration equipment	3.3%	straight-line method
Pumping equipment - treatment	4.0%	straight-line method
Distribution reserve and stand pipes	1.7%	straight-line method
Transmission mains	1.3%	straight-line method
Distribution mains	1.3%	straight-line method
Customer meters	4.0%	straight-line method

The Company regularly reviews its property, plant and equipment to eliminate obsolete items. The above rates are reduced by one half for all additions during the year. Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

(continues)

PARR UTILITIES LTD.
Notes to Financial Statements
Year Ended December 31, 2012
(Unaudited)

2. Summary of significant accounting policies (continued)

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.

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. Current year additions are reduced by one half of the rate.

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

Measurement of financial instruments

The Company initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The Company subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, accounts receivable, and due from related company.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, current portion of long term debt, long term debt, and due to related companies.

PARR UTILITIES LTD.
Notes to Financial Statements
Year Ended December 31, 2012
(Unaudited)

3. Prepaid rate application costs

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

	2012	2011
Total allowable prepaid rate application cost	\$ 80,000	\$ 100,000
Less amount amortized	(10,000)	(20,000)
	70,000	80,000
Less current portion	(10,000)	(10,000)
Long term portion	\$ 60,000	\$ 70,000

4. Deferred capacity reserve fund

The balances in this account are for the future expansion of the water system. 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.

	2012	2011
Balance, beginning of the year	\$ 316,021	\$ 1,716,330
Cash contributions during the year	10,500	-
Cash withdrawals during the year	(262,351)	(1,401,508)
Interest earned during the year	3,239	1,191
Balance, end of the year	\$ 67,409	\$ 316,021

5. Revenue deficit reserve fund

The Company is 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.

	2012	2011
Balance, beginning of the year	\$ 1,380,486	\$ 1,404,502
Cash contributed during the year	8,859	-
Cash withdrawn during the year	-	(35,708)
Interest earned during the year	9,243	11,692
Balance, end of the year	\$ 1,398,588	\$ 1,380,486

PARR UTILITIES LTD.
Notes to Financial Statements
Year Ended December 31, 2012
(Unaudited)

6. Capital replacement reserve fund

The Company is required by the Comptroller of Water Rights, Water Utility Act of the province of British Columbia to make a quarterly contribution as a reserve fund to be set aside to accommodate future replacement of facilities and equipment. Contributions in the year were \$226,212. 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.

	2012	2011
Balance, beginning of the year	\$ 489,821	\$ 315,709
Cash contribution during the year	226,212	229,000
Loan to operating accounts regarding the meter purchases	-	(63,445)
Repayments to fund regarding the meter purchase loan	6,344	6,344
Interest earned during the year	7,065	2,213
Cash withdrawals	(98,156)	-
Balance, end of the year	\$ 631,286	\$ 489,821

7. Revenue deficiency deferral account

Operating deficiencies are expected to be incurred during the startup and build-out period of the utility when the utility revenues from providing water service are inadequate to recover the operating costs. 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.

PARR UTILITIES LTD.
Notes to Financial Statements
Year Ended December 31, 2012
(Unaudited)

8. Property, plant and equipment

	Cost	Accumulated amortization	2012 Net book value
Lake intake system	\$ 351,687	\$ 6,858	\$ 344,829
Supply main	203,344	7,183	196,161
Concrete structure - pumping plant	336,575	10,097	326,478
Pumping equipment	837,150	78,055	759,095
Concrete tanks & foundation	1,100,000	67,100	1,032,900
Media filtration equipment	2,376,769	221,012	2,155,757
Pumping equipment - treatment	346,564	38,525	308,039
Distribution reserve and stand pipes	614,588	30,716	583,872
Transmission mains	3,607,854	139,319	3,468,535
Distribution mains	1,550,533	62,341	1,488,192
Customer meters	74,635	8,302	66,333
	\$ 11,399,699	\$ 669,508	\$ 10,730,191

	Cost	Accumulated amortization	2011 Net book value
Lake intake system	\$ 351,687	\$ 2,286	\$ 349,401
Supply main	203,344	4,540	198,804
Concrete structure - pumping plant	336,575	3,366	333,209
Pumping equipment	844,345	44,425	799,920
Concrete tanks & foundation	1,100,000	48,400	1,051,600
Media filtration equipment	2,376,769	142,579	2,234,190
Pumping equipment - treatment	346,564	24,663	321,901
Distribution reserve and stand pipes	614,588	20,268	594,320
Transmission mains	3,607,854	92,417	3,515,437
Distribution mains	1,526,207	42,484	1,483,723
Customer meters	74,635	5,317	69,318
	\$ 11,382,568	\$ 430,745	\$ 10,951,823

PARR UTILITIES LTD.
Notes to Financial Statements
Year Ended December 31, 2012
(Unaudited)

9. Long term debt

Long term debt is repayable to the capital replacement reserve fund in quarterly payments of \$1,586, is non-interest bearing and unsecured. The loan matures on December 31, 2020.

Amounts payable within one year

	2012	2011
	\$ 50,756	\$ 57,100
	(6,344)	(6,344)
	\$ 44,412	\$ 50,756

Principal repayment terms are approximately:

2013	\$ 6,344
2014	6,344
2015	6,344
2016	6,344
2017	6,344
Thereafter	19,036
	\$ 50,756

10. Due to (from) related companies

Amounts due to (from) 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

	2012	2011
	\$ 100	\$ 100

PARR UTILITIES LTD.
Notes to Financial Statements
Year Ended December 31, 2012
(Unaudited)

12. Contributions in aid of construction

In certain situations, the Company connects its water system to new developments or subdivisions. The existing infrastructure within the development is contributed to the Company and is included in the capital assets at cost. In addition to the contribution of assets, new customers are required to pay a capital contribution as a partial reimbursement of the Company's core system. The Company also receives funds from customers as a reimbursement of connection construction costs and also through the approved release of reserve funds to offset capital purchases.

	2012	2011
Beginning balance of contributions received	\$ 3,507,594	\$ 2,037,275
Deferred capacity fund	262,345	1,400,309
Replacement reserve fund	89,355	-
Monetary contributions	468,103	70,010
Contributed assets	21,868	-
Ending balance of contributions received	4,349,265	3,507,594
Less accumulated amortization	(167,881)	(94,108)
	\$ 4,181,384	\$ 3,413,486

13. Non-capital tax losses carried forward

The Company has incurred losses of approximately \$435,000 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:

2027	\$ 26,000
2028	61,000
2029	144,000
2030	168,000
2031	36,000
	\$ 435,000

14. Related party transactions

The Company paid rent to a company related by virtue of common shareholders. In 2012, the rent paid to this affiliated company totalled \$99,360 (2011 - \$70,409). This rent is pursuant to a five year lease which terminates on October 31, 2014.

The minimum annual net rental payments over the remaining two years are:

2013	\$52,200
2014	43,500

In 2012, the Company sold water to a company related by virtue of common control totalling \$18,576.

The above transactions are in the normal course of operations and are measured at the exchange amount which approximates fair market value and has been agreed to by the related parties.

PARR UTILITIES LTD.
Notes to Financial Statements
Year Ended December 31, 2012
(Unaudited)

15. Financial instruments

The Company's financial instruments are initially measured at fair value, and are subsequently measured at amortized cost adjusted by transaction costs, which are amortized over the expected life of the instrument. The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, current portion of long term debt, long term debt and due to (from) related companies.

Where there is an indication of impairment and such an impairment is determined to have occurred, the carrying amount of financial assets measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds that could be realized from sale of the financial asset. Such impairments can be subsequently reversed if the value subsequently improves.

Credit risk

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

Fair value

The Company's carrying value of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximates its fair value due to the immediate or short term maturity of these instruments.

The fair value of amounts due to (from) related 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.

16. Comparative figures

Certain of the comparative figures have been reclassified to conform to the current year's financial statement presentation.

PARR UTILITIES LTD.
Operating expenses
(Schedule 1)
Year Ended December 31, 2012
(Unaudited)

	2012	2011
Operating expenses		
Rent and operating cost recovery	\$ 111,390	\$ 70,409
Salaries and wages	66,952	67,917
Insurance and licenses	11,442	11,442
Chemicals	11,134	12,418
Utilities	10,069	11,517
Water testing	9,129	6,792
Repairs and maintenance	4,956	5,464
Fuel	1,701	1,656
Telephone	948	1,389
Trainings and memberships	898	2,184
Advertising	625	1,644
Permits	156	166
Vehicle	96	-
Travel, meals and entertainment	-	5,694
Consulting fee expense (recovery)	(463)	12,345
	<u>\$ 229,033</u>	<u>\$ 211,037</u>

Administration expenses
(Schedule 2)
Year Ended December 31, 2012
(Unaudited)

	2012	2011
Administration expenses		
Salaries and wages	\$ 64,015	\$ 84,395
Professional fees	17,844	36,643
Computer expense	9,102	14,468
Non-reimbursed HST	4,829	-
Travel, meals and entertainment	3,753	6,544
Insurance and licenses	3,425	2,357
Bank charges	2,179	2,165
Office	1,641	2,112
Telephone	1,567	2,273
Training and memberships	1,353	2,061
Advertising and promotion	632	2,694
Repairs and maintenance	-	5,071
Bad debts	-	2,142
Donations	-	2,500
Rent expense (recovery)	(7,030)	20,041
	<u>\$ 103,310</u>	<u>\$ 185,466</u>

See notes to financial statements