

ANNUAL REPORT

2011-2012



ComFor
Management Services Ltd.

P.O. BOX 788, BURNS LAKE, BC V0J 1E0
TEL: (250) 692-7724 FAX: (250) 692-7767



April 4, 2013

510-20

Comfor Management Services Ltd.
PO Box 788
Burns Lake, BC V0J 1E0

RE: Comfor Management Services Ltd. 2012-2013 Annual Report

To all residents of the Lakes District;

As the Mayor of Burns Lake, I look forward to receiving the Annual Report from Comfor Management Services Ltd. As with all local businesses and groups, 2012 was a trying year. Both the Village of Burns Lake and CMSL were required to make difficult decisions; however, out of hardship comes great opportunity.

Comfor Management Services Ltd. is a strong community partner, and despite significant economic difficulties, they were able to continue supporting Burns Lake and the surrounding area. Comfor Management Services Ltd. supports the entire Lakes District community, not just those citizens who reside within the Village of Burns Lake boundaries. CMSL provides employment and contracts for many of our friends, family, and neighbours. Burns Lake is proud to be home to our Community Forest.

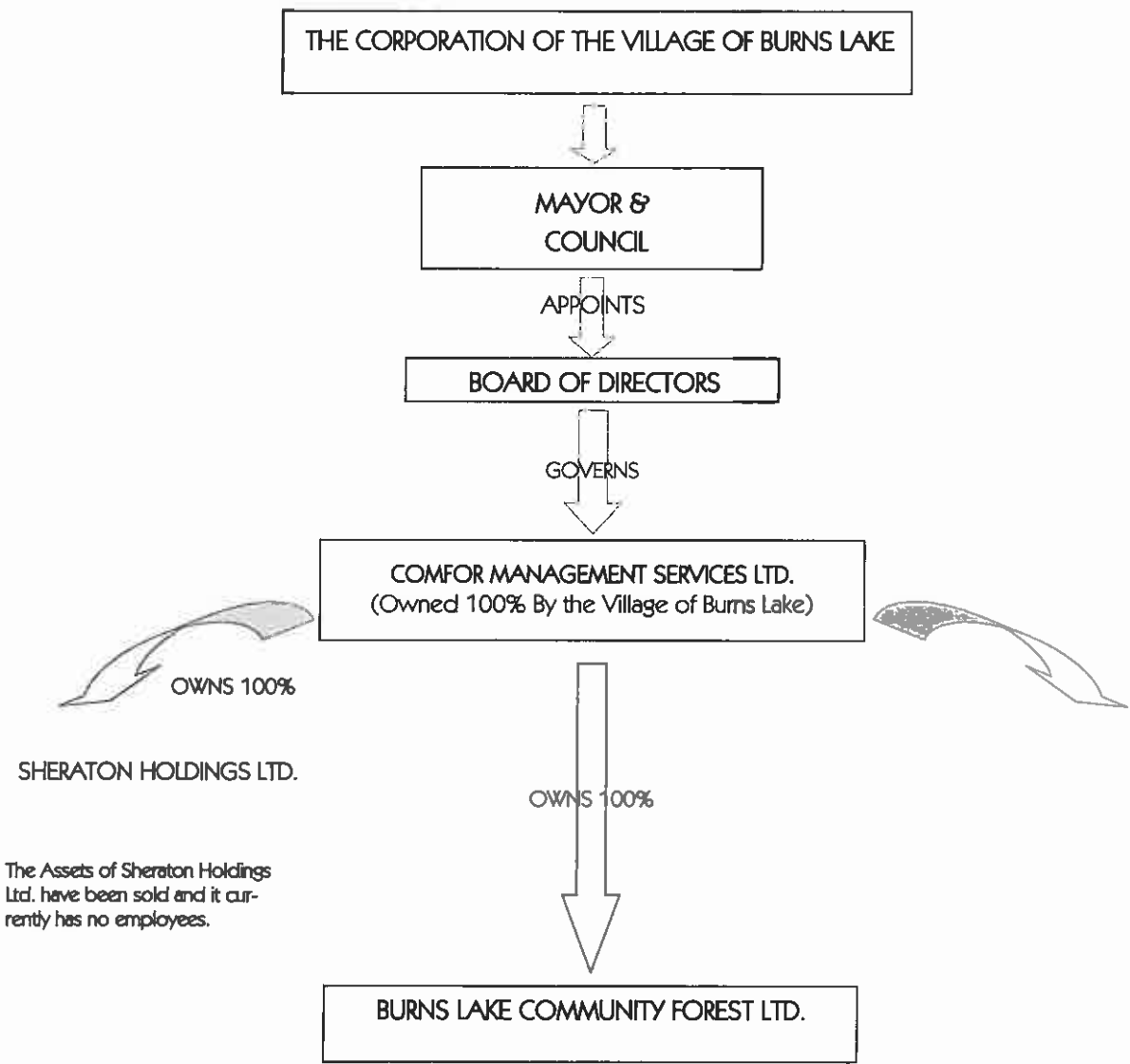
We would like thank the Board of Directors of Comfor Management Services Ltd. for their continued commitment to our community. We strive to provide a fair and equitable opportunity for community representation on the Board of Directors and thank all those who have put their name forward as a prospective Director. Continued patience, wisdom, and understanding is required to help guide CMSL through these turbulent times.

The Village of Burns Lake is looking forward to the prospects 2014 will offer and wishes CMSL great success in their future endeavours.

Sincerely,

Luke Strimbold
Mayor
cc: Village of Burns Lake Council

**CORPORATE STRUCTURE OF
COMFOR MANAGEMENT SERVICES LTD. (November 1, 2012))**



A condition of the Long-Term Community Forest Agreement 'K1A' is to manage for the purpose of;

- 1) making improvements to the land base; and
- 2) generating benefits for all residents of the Lakes Timber Supply Area.

Comfor Management Services Ltd. manages all the assets separately in order to protect the taxpaying residents of Burns Lake from the legal and financial risks associated with business.

500,000 m³ per year) were permitted to facilitate salvage of beetle-killed pine.

BLCF's Annual Allowable Cut (AAC) is presently 260,000 cubic meters (m³), as set on February 25, 2011 .

In the years since 1998, Burns Lake Community Forest Ltd. (through its locally-selected board of directors and dedicated employees) has worked diligently to ensure the community forest meets the public's expectations. While the road to success hasn't always been easy, management and staff and Burns Lake Community Forest Ltd. are proud of the company's achievements over the past decade: hundreds of thousands of man-hours of employment created for local residents, in excess of \$3.1 million donated to community groups and organizations, and the establishment of new outdoor recreation infrastructure throughout the Lakes District.



The community forest remains a significant source of fiber for local sawmills both large and small. Tree species include lodge pole pine, Engelmann white spruce crosses, and subalpine fir, as well as trembling aspen, cottonwood, and birch. Elevation in the community forest ranges from 700 to 1400 meters in the SBSdk, SBSmc2, SBSdw and ESSFmc ecosystem classifications.

The community forest is managed for all resources. The land base supports a variety of wildlife, including moose, mule and white tail deer, black and grizzly bear, as well as many other fur-bearing animals. Guide-outfitters and trappers rely on the land for their income. Bird species are diverse, and many use the riparian areas, streams, and lakes for habitat. There are some active range tenures within K1A.

The community forest also contains lands with significant recreation value. Local residents utilize the community forest for skiing, snowmobiling, mountain biking, all-terrain vehicle (ATV) riding, hunting, fishing, boating, and hiking.

Today, Burns Lake Community Forest Ltd. is governed by a board of directors whose six members are selected from the board of Comfor Management Services Ltd. BLCF's current board consists of Quinten Beach (President), Wes Sam (Vice-president), Rosanne Murray (Secretary), Susan Schienbein, Jeff Brown, and Reg Ogen.

Presently, Burns Lake Community Forest Ltd. is streamlining operations to ensure the business is economically viable when the AAC is reduced in 2014.

To maximize local employment and economic benefits, all of BLCF's forest management, construction, and logging activities are preferentially contracted to residents of the Lakes TSA.

Comfor Management Services Ltd. Corporate Data (as of October 31, 2012)

Office Location: 153 Francois Lake Drive
P.O. Box 788
Burns Lake, BC V0J 1E0
Tel: (250) 692-7724 Fax: (250) 692-7767
e-mail: info@blcomfor.com

Staff: **Comfor Management Services Ltd.**
Helene Loetscher, Office Administrator

Burns Lake Community Forest Ltd.
Ron Harrison, Lead Scaler
Mike Werrell, GIS Analyst
Kerry Martin, Harvesting Supervisor
Joe Fehr, Equipment Operator
Reg Blackwell, Equipment Operator
Bill Mackereth, Equipment Operator

Auditors: Edmison Mehr, Chartered Accountant, Smithers

Bank: Royal Bank of Canada, Burns Lake Branch
Bulkley Valley Credit Union, Burns Lake Branch

Board of Directors: Quinten Beach (President)
Wes Sam (Vice President)
Rosanne Murray (Secretary)

Directors:

Jeff Brown Susan Schienbein
Reg Ogen

Alternate Directors:

Albert Gerow Karen Ogen
David de Wit Luke Strimbold

**COMFOR MANAGEMENT SERVICES LTD.
CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2012**

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**EDMISON MEHR
CHARTERED ACCOUNTANTS**

Box 969 3820 Alfred Avenue
Smithers, B.C. V0J 2N0
Telephone (250)847-4325
Fax (250)847-3074

Partners:
BRIAN R. EDMISON, B.A., CA
MICHAEL B. MEHR, B.Comm, CA
E-mail: info@edmisonmehr.ca

INDEPENDENT AUDITOR'S REPORT

To the Directors of
COMFOR MANAGEMENT SERVICES LTD.
BURNS LAKE, BC

We have audited the accompanying consolidated financial statements of COMFOR MANAGEMENT SERVICES LTD. and its subsidiaries, which comprise the Consolidated Statement of Financial Position as at October 31, 2012 and October 31, 2011, and the Consolidated Statement of Comprehensive Income (Loss) and Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of COMFOR MANAGEMENT SERVICES LTD. as at October 31, 2012, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Smithers, B.C.
April 09, 2013



Edmison Mehr

Edmison Mehr Chartered Accountants
3820 Alfred Avenue
Smithers, BC V0J 2N0

COMFOR MANAGEMENT SERVICES LTD.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS) AND CHANGES IN
EQUITY
FOR THE YEAR ENDED OCTOBER 31, 2012

	2012 12 Months	2011 5 Months
CONTINUING OPERATIONS:		
REVENUE	\$ <u>4,335,090</u>	\$ <u>29,039</u>
COST OF SALES		
Harvesting and supervision	3,271,477	140,316
Silviculture obligation	107,730	32,407
Stumpage	39,890	-
Road maintenance	192,763	67,792
Planning, mapping and permits	191,026	90,104
Depreciation	<u>90,594</u>	<u>-</u>
	<u>3,893,480</u>	<u>330,619</u>
GROSS PROFIT (LOSS)	441,610	(301,580)
ADMINISTRATIVE EXPENSES, Schedule	\$ <u>448,795</u>	\$ <u>191,675</u>
PROFIT (LOSS) FROM OPERATIONS	<u>(7,185)</u>	<u>(493,255)</u>
OTHER INCOME (EXPENSES):		
Investment income (loss)	85,594	(39,132)
Gain on disposal of capital assets	-	20,001
Community donations and gifts	<u>(82,644)</u>	<u>(45,445)</u>
	<u>2,950</u>	<u>(64,576)</u>
PROFIT (LOSS) BEFORE INCOME TAXES	(4,235)	(557,831)
PROVISION FOR INCOME TAXES		
Deferred, Note 8	<u>-</u>	<u>669,000</u>
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS	(4,235)	(1,226,831)
DISCONTINUED OPERATIONS		
Profit for the period from discontinued operations, Note 9	<u>322,716</u>	<u>(85,978)</u>
PROFIT FOR THE PERIOD	318,481	(1,312,809)
UNREALIZED GAIN(LOSS)-AVAILABLE FOR SALE SECURITIES	<u>216,466</u>	<u>(29,600)</u>
COMPREHENSIVE INCOME FOR THE PERIOD	534,947	(1,342,409)
RETAINED EARNINGS, beginning of period	<u>3,899,009</u>	<u>5,241,418</u>
RETAINED EARNINGS, end of period	\$ <u>4,433,956</u>	\$ <u>3,899,009</u>

**COMFOR MANAGEMENT SERVICES LTD.
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED OCTOBER 31, 2012**

	2012 12 Months	2011 5 Months
Accounting	\$ 45,874	\$ 14,820
Advertising and promotion	4,855	1,471
Automotive	4,934	2,401
Bad debts	71,029	26,103
Bank charges and interest	3,521	1,242
Depreciation	4,764	45,732
Directors fees	30,285	4,500
Insurance	10,976	5,170
Legal	3,033	4,093
Licenses	6,491	2,396
Office	23,065	6,949
Property taxes	4,061	1,678
Repairs and maintenance	2,013	875
Telephone	10,938	4,326
Travel and meals	1,653	796
Utilities	4,419	1,455
Wages and benefits	<u>216,884</u>	<u>67,668</u>
	<u>\$ 448,795</u>	<u>\$ 191,675</u>

**COMFOR MANAGEMENT SERVICES LTD.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012**

Cash

Cash includes cash and cash equivalents. Cash equivalents are bank deposits and investments in treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first out basis.

Work in progress

Work in progress is valued at the lower of cost and net realizable value. Cost is determined under the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated selling costs. Cost of work in progress includes materials, direct labour, overhead and other costs incurred in bringing the work in progress to their present location and condition.

Work in progress is written down to net realizable value when the cost of the work in progress is not estimated to be recoverable. When the circumstances that previously caused the work in progress to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the writedown is reversed (the reversal is limited to the amount of the original write-down).

Property, plant and equipment

Property, plant and equipment are recorded at cost and are depreciated over their estimated useful lives on a straight-line basis at the following annual rates:

Buildings	5 and 10 years
Log yard	4% and 8%
Logging roads	5 years
Bridges	5 years
Processing and manufacturing equipment	15% and 30%
Movable equipment	5 years, 10%, 15% and 30%
Automotive	5 years
Tools and small equipment	5 years
Computer and office equipment	3 and 5 years
Data network infrastructure	5 years

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

**COMFOR MANAGEMENT SERVICES LTD.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012**

Income taxes

The parent company is exempt from taxation for its business activities. The two subsidiary companies are subject to taxation.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Statement of Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Revenue recognition

Sales revenue is recognized when the significant risks and rewards of ownership of its product are transferred to the customer, which is generally when goods are shipped or delivered to the customer, and when ultimate collection is reasonably assured.

Interest revenue is recognized using the accrual method.

Financial Instruments

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a settlement date basis. The Corporation's accounting policy for each category is as follows:

**COMFOR MANAGEMENT SERVICES LTD.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012**

Impairment on Financial Assets

At each reporting date the Corporation assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial Liabilities

a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Corporation that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the income statement.

b) Other financial liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise of accounts payables and accrued liabilities and dividend payable. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Accounts payables and accrued liabilities represent liabilities for goods and services provided to the Corporation prior to the end of the period which are unpaid. Accounts payable and accrued liabilities amounts are unsecured and are usually paid within 30 days of recognition.

**COMFOR MANAGEMENT SERVICES LTD.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012**

5. LONG TERM INVESTMENTS

The long term investments are restricted for the purpose of funding future reforestation costs and consist of mutual funds held with RBC Phillips Hager North.

6. ACCRUED REFORESTATION COSTS

The Corporation is responsible for the cost of reforestation required under its timber forest license related to areas logged. The estimated cost is accrued at the appraised value as prescribed by the Province of BC rate allowed for each specific area. The rate ranges from \$1,000 to \$2,400 per hectare depending on the characteristics of the area logged. The estimated accrual is the amount required to reforest to the free growing stage as approved by the Province of BC. As there are many unknown factors that could effect the actual cost to reforest and the time required to achieve a free growing status can often be ten or more years, the future actual cost may differ from that accrued and recorded as an expense in each year.

7. SHARE CAPITAL

Authorized

1,000	Class 'A' common non-participating voting shares
10,000	Class 'B' common participating voting shares
10,000	Class 'C' common participating non-voting shares
100,000	Class 'D' common participating non-voting shares
100,000	Class 'E' preferred non-cumulative non-voting shares
100,000	Class 'F' preferred non-cumulative non-voting shares
100,000	Class 'G' preferred non-cumulative non-voting shares
100,000	Class 'H' preferred non-cumulative non-voting shares
100,000	Class 'I' preferred non-cumulative non-voting shares
100,000	Class 'J' preferred non-cumulative non-voting shares

		<u>2012</u>	<u>2011</u>
Issued			
1	Class 'B' common	\$ <u> </u> 1	\$ <u> </u> 1

**COMFOR MANAGEMENT SERVICES LTD.
NOTES TO THE FINANCIAL STATEMENTS
OCTOBER 31, 2012**

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfil its payment obligations. Financial instruments that potentially subject the Corporation to a concentration of credit risk consist primarily of cash, investments and accounts receivable. The Corporation limits its exposure to credit loss by placing its cash and investments with major Canadian financial institutions. The company reduces its credit risk from customers by reviewing a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. The company has a small number of customers which results in a concentration of credit risk. The Corporation's maximum exposure to credit risk for cash, investments and accounts receivable at the year end are the amounts disclosed in the statement of financial position.

Fair value Risk

The Corporation estimates the fair value of its financial instruments based on current interest rates, market value and pricing of financial instruments with comparable terms. Unless otherwise indicated, the carrying value of these financial instruments approximates their fair market value because of the near maturity of those instruments.

Foreign Currency Risk

Currency risk is the risk to the Corporation's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Corporation is exposed to foreign currency exchange risk on cash, accounts receivable, investments and accounts payable held in U.S. dollars. The Corporation does not use derivative instruments to reduce its exposure to foreign currency risk. Other than investments held in U.S. dollars from time to time, the Corporation's currency risk is not significant.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to evaluate current and expected liquidity requirements under both normal and stressed conditions to ensure that it maintains sufficient reserves of cash or have an available credit facility to meet its liquidity requirements in the short and long term.

As at October 31, 2012, the Corporation had a cash balance of \$2,934,401 (October 31, 2011 - \$2,854,259) to settle current liabilities (excluding silviculture provision) of \$312,056 (October 31, 2011 - \$159,711). The Corporation intends to settle these with funds from its positive working capital position.