

**Century Financial Capital Group Inc.**  
(Incorporated under the laws of Ontario)

**Financial Statements**

**August 31, 2011 and 2010**

## **INDEPENDENT AUDITORS' REPORT**

To the Shareholders of Century Financial Capital Group Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Century Financial Capital Group Inc., which comprise the balance sheets as at August 31, 2011 and 2010 and the statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for each of the years then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 Century Financial Capital Group Inc. as at August 31, 2011 and 2010 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

**Emphasis of matter**

Without qualifying our opinion, we draw attention to note 1 in the financial statements which describes that the Company will require additional financing in order to fund its planned activities. This condition, along with other matters set out in note 1, indicates the existence of material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

Toronto, Canada  
December 20, 2011

***“McCarney Greenwood LLP”***

McCarney Greenwood LLP  
Chartered Accountants  
Licensed Public Accountants

**Century Financial Capital Group Inc.**  
(Incorporated under the laws of Ontario)  
**Balance Sheets**

	<b>August 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Assets</b>		
Current assets		
Cash	\$ 7,547	\$ 10,888
HST receivable	<u>2,259</u>	<u>2,287</u>
	<u>\$ 9,806</u>	<u>\$ 13,175</u>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 31,770	\$ 12,788
Due to related parties (Note 6)	<u>58,760</u>	<u>4,520</u>
	<u>90,530</u>	<u>17,308</u>
<b>Shareholders' Equity</b>		
Share capital		
Authorized		
Unlimited number of common shares		
Unlimited number of convertible Class A preference shares		
Unlimited number of Class B preference shares		
Issued (Note 3)	1,398,105	1,396,105
Deficit	<u>(1,478,829)</u>	<u>(1,400,238)</u>
	<u>(80,724)</u>	<u>(4,133)</u>
	<u>\$ 9,806</u>	<u>\$ 13,175</u>

The notes to the financial statements are an integral part of these statements

**Approved by the Board**     "Harry Bregman"     Director     "Gordon Wilton"     Director

**Century Financial Capital Group Inc.**

(Incorporated under the laws of Ontario)

**Statements of Operations and Comprehensive Loss****Page 2**

	<b>Year ended August 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Revenue</b>		
Investment and finance income	\$ <u>953</u>	\$ <u>1,368</u>
	<u>953</u>	<u>1,368</u>
<b>Expenses</b>		
Management fees (Note 6)	48,000	48,000
Accounting & corporate services	10,364	10,395
Office and general	482	1,343
Professional fees	17,182	14,565
Directors' fees (Note 6)	200	2,500
Transfer agent fees	<u>3,316</u>	<u>3,164</u>
	<u>79,544</u>	<u>79,967</u>
<b>Loss before other items</b>	<u>(78,591)</u>	<u>(78,599)</u>
<b>Other items</b>		
Loss on sale of marketable securities	<u>-</u>	<u>(33,602)</u>
<b>Loss before income taxes</b>	(78,591)	(112,201)
Income taxes - future (Note 4)	<u>-</u>	<u>(4,821)</u>
<b>Net (loss) for the year</b>	\$ <u>(78,591)</u>	\$ <u>(117,022)</u>
<b>Comprehensive (loss) for the year</b>	\$ <u>(78,591)</u>	\$ <u>(117,022)</u>
<hr/>		
<b>Basic and diluted loss per share (Note 3)</b>	\$ <u>(0.01)</u>	\$ <u>(0.01)</u>

The notes to the financial statements are an integral part of these statements

**Century Financial Capital Group Inc.**

(Incorporated under the laws of Ontario)

**Statements of Changes in Shareholders' Equity****Page 3**

	<b>Year ended August 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Share capital</b>		
Balance, beginning of year	\$ 1,396,105	\$ 1,396,105
Issuance of class A preferred shares	<u>2,000</u>	<u>-</u>
Balance, end of year	<u><u>1,398,105</u></u>	<u><u>1,396,105</u></u>
<b>Deficit</b>		
Balance, beginning of year	\$ (1,400,238)	\$ (1,283,216)
Net loss of the year	<u>(78,591)</u>	<u>(117,022)</u>
Balance, end of year	<u><u>\$ (1,478,829)</u></u>	<u><u>\$ (1,400,238)</u></u>
<b>Accumulated other comprehensive loss</b>		
Balance, beginning of year	\$ -	\$ (39,544)
Realization of prior year's losses in fair value of available-for-sale marketable securities	<u>-</u>	<u>39,544</u>
Balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<b>Balance, end of year</b>	<u><u>\$ (80,724)</u></u>	<u><u>\$ (4,133)</u></u>

The notes to the financial statements are an integral part of these statements

**Century Financial Capital Group Inc.**  
(Incorporated under the laws of Ontario)  
**Statement of Cash Flows**

	<b>Year ended August 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Cash used in operating activities</b>		
Net (loss) for the year	\$ (78,591)	\$ (117,022)
Adjustments for:		
Loss on sale of marketable securities	-	33,602
Future income tax	-	4,821
Net change in working capital excluding cash		
HST receivable	28	(1,544)
Accounts payable and accrued liabilities	18,982	4,534
Due to related parties (Note 6)	<u>54,240</u>	<u>-</u>
Cash flows used in operating activities	<u>(5,341)</u>	<u>(75,609)</u>
<b>Cash flows from investing activities</b>		
Purchase of marketable securities	-	(10,079)
Proceeds from sale of marketable securities	<u>-</u>	<u>89,351</u>
Cash flows from investing activities	<u>-</u>	<u>79,272</u>
<b>Cash flows from financing activities</b>		
Issuance of class A preferred shares	<u>2,000</u>	<u>-</u>
Cash flows from financing activities	<u>2,000</u>	<u>-</u>
<b>Increase (decrease) in cash for the year</b>	<u>(3,341)</u>	<u>3,663</u>
<b>Cash, beginning of year</b>	<u>10,888</u>	<u>7,225</u>
<b>Cash, end of year</b>	<u>\$ 7,547</u>	<u>\$ 10,888</u>

The notes to the financial statements are an integral part of these statements

## **Century Financial Capital Group Inc.**

(Incorporated under the laws of Ontario)

### **Notes to Financial Statements**

**August 31, 2011 and 2010**

**Page 5**

#### **1. Going concern assumption**

These financial statements are prepared using Canadian generally accepted accounting principles that are applicable to a going concern which assumes the Company will continue to operate throughout its next fiscal period subsequent to August 31, 2011. The use of these principles may be inappropriate since there is significant doubt about the appropriateness of this assumption. Significant doubt exists because the Company is in a net liability position and there is a net loss this year along with a history of losses. The Company will have to obtain the necessary financing from external or related parties to pay the Company's liabilities as they become due.

These financial statements do not include any adjustments related to the carrying values and classifications

#### **2. Summary of significant accounting policies**

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements:

##### **(a) Basis of presentation**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and expressed in Canadian dollars unless otherwise noted.

##### **(b) Use of estimates**

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results may differ significantly from these estimates.

Accounts which require management to make material estimates in determining amounts recorded include amounts receivable, accruals, and future income taxes.

##### **(c) Cash**

Cash consists of cash on hand and bank balances.



**2. Summary of significance accounting policies (continued)**

(d) Income taxes

The Company follows the asset and liability method of tax accounting for income taxes. Under this method, current income taxes are recognized for the future income tax consequences attributed to the differences between the financial statement carrying values and their respective income tax bases. Future income tax assets and liabilities are measured using the substantially enacted tax rates that are expected to apply when the asset is realized or the liability is settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period that includes the enactment date. Future income tax assets are evaluated, and if realization is not considered "more than likely than not", a valuation allowance is provided.

(e) Basic and diluted loss per share

Basic earnings (loss) per common share amounts are computed by dividing earnings (loss) from operations by the weighted average number of common shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments.

(f) Amounts receivable

Amounts receivable are carried at original amount unless a provision has been recorded for impairment of these receivables. A provision for impairment of accounts receivable is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

**2. Summary of significance accounting policies (continued)**

(g) Financial Instruments - recognition and measurement

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost using the effective interest method. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in the statement of operations in the period in which they arise; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is de-recognized or impaired at which time the amounts would be recorded in the statement of operations. The Company has made the following classifications:

Cash	Held for trading
HST receivable	Loans and Receivables
Accounts payable and accrued liabilities	Other liabilities
Due to related parties	Other liabilities

Transaction costs are expensed as incurred for financial instruments classified as held for trading. Transaction costs, other than impairment losses, are included in other comprehensive income until the asset is removed from balance sheet for financial instruments classified as available-for-sale. For other financial instruments, transaction costs are expensed on initial recognition. The Company accounts for regular purchases and sales of marketable securities using trade date accounting.

(h) Fair Value Hierarchy and Liquidity Risk Disclosure

In June 2009, the Canadian Accounting Standards Board ("AcSB") issued an amendment to CICA Section 3862, "Financial Instruments – Disclosures" in an effort to make Section 3862 consistent with IFRS Section 7 – Disclosures ("IFRS 7"). The purpose was to establish a framework for measuring fair value in Canadian GAAP and expand disclosures about fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). These standards apply to annual financial statements relating to fiscal years ending after September 30, 2009. The adoption of this standard resulted in additional disclosures in the notes to the financial statements (Note 7).

**2. Summary of significance accounting policies (continued)**

(i) Future Accounting Changes

International Financial Reporting Standards (“IFRS”)

In January 2006, the CICA’s AcSB formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. On February 13, 2008, the AcSB confirmed that publicly accountable, profit oriented enterprises will be required to report under IFRS for interim and annual financial statements for periods commencing on or after January 1, 2011. Accordingly, the Company will be required to have prepared, in time for its fiscal 2012 first quarter filing, comparative financial statements in accordance with IFRS for the three months ended November 30, 2011. This will be an ongoing process as the International Accounting Standards Board and the AcSB continue to issue new standards and recommendations. The Company is in the process of evaluating the potential impact of IFRS on its financial statements. Based on the current guidance provided by regulatory bodies, it is anticipated that the Company’s financial results and position as disclosed in its current Canadian GAAP financial statements will not differ significantly from that which is required in accordance with IFRS.

**3. Share capital**

**(a) Issued capital**

	<u>Number</u>	<u>Amount</u>
<b>Common shares</b>		
Balance August 31, 2010 and 2011	<u>11,078,908</u>	<u>\$ 1,046,468</u>
<b>Convertible Class A preference Shares</b>		
Balance August 31, 2010	700,000	\$ 349,637
Shares issued (i)	<u>4,000</u>	<u>2,000</u>
Balance, August 31, 2011	<u>704,000</u>	<u>351,637</u>
	<u>11,782,908</u>	<u>\$ 1,398,105</u>

Convertible Class A preference shares

Convertible Class A preference shares are convertible into common shares of the Company at any time at the option of the holder on the basis of 5 common shares for each Class A share held.

- (i) During the year the Company issued 4,000 units of class A preferred shares for total cash proceeds of \$2,000.

**Century Financial Capital Group Inc.**

(Incorporated under the laws of Ontario)

**Notes to Financial Statements****August 31, 2011 and 2010****Page 9****3. Share capital (continued)**

## Stock options

During the current and prior fiscal year no stock options or warrants were granted, expired or exercised. At August 31, 2011 and 2010 no stock options or warrants were outstanding.

**(b) Basic and diluted (loss) per share**

The following table sets forth the computation of basic and diluted (loss) earnings per share:

	<u>2011</u>	<u>2010</u>
Numerators:		
Net loss for the year	\$ <u>(78,591)</u>	\$ <u>(117,022)</u>
Numerator for basic and diluted loss per share	\$ <u>(78,591)</u>	\$ <u>(117,022)</u>
Denominator:		
Weighted average number of shares	<u>11,078,908</u>	<u>11,078,908</u>
Denominator for basic loss per share	11,078,908	11,078,908
Effect of dilutive securities:		
Convertible Class A preference shares (i)	<u>-</u>	<u>-</u>
Denominator for diluted loss per share	<u>11,078,908</u>	<u>11,078,908</u>
Basic and diluted loss per share	\$ <u>(0.01)</u>	\$ <u>(0.01)</u>

- (i) Convertible Class A preference shares were not included in the computation of diluted loss per share because their inclusion would be anti-dilutive.

**Century Financial Capital Group Inc.**

(Incorporated under the laws of Ontario)

**Notes to Financial Statements****August 31, 2011 and 2010****Page 10****4. Income taxes**

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The Company has no future tax liabilities.

The Company has three future income tax assets are as follows:

	<u>2011</u>	<u>2010</u>
Future tax assets:		
Non-capital losses carried forward	\$ 346,960	\$ 327,074
Cumulative Eligible Capital Balance	147	147
Capital loss	4,200	-
Valuation allowance	<u>(351,307)</u>	<u>(327,221)</u>
Future tax assets	<u>\$ -</u>	<u>\$ -</u>

The Company has provided a valuation allowance equal to the portion of the future tax assets that is presently not considered more likely than not that they will be realized.

The future income tax asset arose as a result of unrealized losses on available-for-sale marketable securities during prior years and non-capital loss carry forwards. As it is not determinable what portion of the amount will reverse in which period it was classified as long-term.

The Company's actual income tax provision (recovery) is made up as follows:

	<u>2011</u>	<u>2010</u>
Loss before income taxes	<u>\$ (78,591)</u>	<u>\$ (112,201)</u>
Income tax at combined federal and provincial rate of 29.17% (2010 - 33%) respectively	\$ (22,925)	\$ (37,026)
Difference between accounting and tax for leases	(278)	(242)
Taxable dividend deduction	-	(210)
Other items	-	10,512
Tax benefit not recognized	<u>23,203</u>	<u>31,787</u>
Income tax provision	<u>\$ -</u>	<u>\$ 4,821</u>

## Century Financial Capital Group Inc.

(Incorporated under the laws of Ontario)

### Notes to Financial Statements

August 31, 2011 and 2010

Page 11

#### 4. Income taxes - continued

At August 31, 2011 the Company has non-capital losses available for carryforward of approximately \$1,388,700. These losses have not been recognized in the financial statements. The non-capital losses expire as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 46,600
2015	3,900
2026	700
2027	149,500
2028	37,000
2029	991,000
2030	80,000
2031	<u>80,000</u>
Total	<u>\$ 1,388,700</u>

#### 5. Capital management

The Company's objective when managing capital is to maintain adequate levels of funding to support the operations of the Company.

The Company considers its capital to be shareholders' equity, which comprises share capital and deficit, which at August 31, 2011 was net deficit of (\$80,724) (2010 - \$4,133).

The Company manages its capital structure in a manner that provides sufficient funding to maintain its operation. Funds are primarily secured through equity raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended August 31, 2011. The Company is not subject to externally imposed capital requirements.

**6. Related party transactions**

The Company entered into a management agreement on March 1, 2002 with a private company to provide management and consulting services. The Company initially agreed to pay \$2,000 per month for these services. Effective March 1, 2004 the fee increased to \$4,000 per month. The management agreement does not have an expiry date but it may be cancelled by either party on sixty days written notice. During both fiscal 2011 and 2010, the Company incurred a total of \$48,000 in management fees. The private company is owned by the spouse of one of the directors. The amount incurred was agreed to by the parties. As at August 31, 2011, the Company has a balance due to the private company for a total of \$58,760 (2010 - \$4,520).

During the years ended August 31, 2011 and 2010 the Company also paid total directors' fees of \$200 and \$2,500 respectively.

**7. Financial instruments**

The Company's financial instruments consist of cash, HST receivable, accounts payable and accrued liabilities, and due to related parties.

The carrying amounts of HST receivable and accounts payable and accrued liabilities approximate their values because of the short-term maturities of these items. It is management's opinion that the Company is not exposed to significant interest or currency risks arising from these financial instruments.

The due to related parties amount bears no interest, with no specific terms of repayment and is due on demand. The fair value of this amount has not been disclosed due to the fact that the cash flow stream is not determinable.

**Fair value disclosure**

The fair value measurement of assets and liabilities recognized on the balance sheet are categorized into levels within a fair value hierarchy based on the nature of valuation inputs.

The fair value hierarchy has the following levels:

- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly or indirectly;
- Level 3: Inputs for the asset or liability that are not based on observable market data

The fair value hierarchy for financial instruments measured at fair value is Level 1 for cash.

**7. Financial instruments - continued**

**Financial risks**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and commodity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

**Sensitivity analysis:**

GAAP requires disclosure of a sensitivity analysis that is intended to illustrate the sensitivity of the Company's financial position, performance and fair value of cash flows associated with the Company's financial instruments to changes in market variables. The sensitivity analysis provided discloses the effect on income at August 31, 2011 assuming that a reasonably possible change in the relevant risk variable has occurred at August 31, 2011 and has been applied to the risk exposures in existence at that date to show the effects of reasonably possible changes. The reasonably possible changes in market variables used in the sensitivity analysis were determined based on implied volatilities where available or historical data.

The sensitivity analysis provided is hypothetical and should be used with caution as the impacts provided are not necessarily indicative of the actual impacts that would be experienced as the Company's actual exposure to market rates may change. Changes in fair values or cash flows based on a variation in a market variable cannot be extrapolated because the relationship between the change in market variable and the change in a particular value or cash flows may not be linear. In addition, the effect of a change in a particular market variable on fair values or cash flows is calculated without considering interrelationships between the various market rates or mitigating actions that would be taken by the Company.

**Credit risk:**

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to HST receivables. The Company has no significant concentration of credit risk arising from operations.



## **Century Financial Capital Group Inc.**

(Incorporated under the laws of Ontario)

### **Notes to Financial Statements**

**August 31, 2011 and 2010**

**Page 14**

#### **7. Financial instruments - continued**

##### Liquidity risk:

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due, or can only do so at excessive cost. The Company's approach to managing liquidity risk is to ensure that it will have sufficient cash and cash equivalents to meet liabilities when due. As at August 31, 2011, the Company had a cash balance of \$7,547 (2010 - \$10,888) to settle current liabilities of \$31,770 (2010 - \$12,788). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

##### Market risk:

###### (i) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Company has cash balances and no interest-bearing debt. The sensitivity analysis shows an increase (decrease) of 5% in the interest rate, with all other variables held constant, could have a negligible effect on net income.

###### (ii) Foreign currency risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting. The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

#### **8. Segmented information**

The Company's operations comprise a single reporting segment which is currently inactive. As the operations comprise a single reporting segment, amounts disclosed in the financial statements for expenses, and loss for the year also represent segmented amounts.

All of the Company's operations and assets are situated in Canada.

#### **9. Comparative figures**

Certain comparative figures have been reclassified to conform with the presentation adopted as at August 31, 2011.