

**CENTURY FINANCIAL CAPITAL GROUP INC.  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE THREE MONTH PERIOD ENDED NOVEMBER 30, 2011**

This management discussion and analysis ("MD&A") of results of operations and financial condition of Century Financial Capital Group Inc. ("Century" or "the Company") describes the operating and financial results of the Company for the three months ("first quarter") ended November 30, 2011. The MD&A supplements, but does not form part of the financial statements of the Company and should be read in conjunction with Century's unaudited financial statements and related notes for the three months ended November 30, 2011 and the audited financial statements for fiscal year ended August 31, 2011.

The Company prepares and files its financial statements in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts herein are in Canadian currency unless otherwise specified.

**Forward-looking Statements**

*Some statements contained in this MD&A are forward-looking, and therefore involve uncertainties or risks that could cause actual results to differ materially. The Company's line of business involves the leasing of various types of industrial equipment. Leasing is a business that can be impacted by the direction of interest rates, which can be volatile and unpredictable. The Company disclaims any obligation to update forward-looking statements.*

**Date of MD&A**

This MD&A was prepared using information that is current as of February 15, 2012, unless otherwise stated.

**Overall Performance**

Century Financial Capital Group Inc. was engaged in the leasing of various kinds of operating and manufacturing equipment such as industrial and construction machinery. However, the Company has no more leases and its operation is currently inactive. Even though the leases have been fully written off, the Company is still endeavoring to recover some of the amounts due on the leases written off due to defaults and non-payments. The majority of these default and non-payments were partially due to the global recession of the last three years. All of the Corporation's operations and assets are situated in Canada.

**Results of Operations**

**Three Months Ended November 30, 2011**

Century's gross revenue decreased to \$nil for the three months ended November 30, 2011 compared with \$953 for the three months ended August 31, 2011 and with gross revenue of \$Nil for the three months ended November 30, 2010. The Company had a net loss of \$16,016 for the first quarter of 2011 compared to a net loss of \$29,701 for the fourth quarter of 2011 and with a net loss of \$13,509 for the three months ended November 30, 2010. The increased loss in the previous quarter over the latest three-month period is primarily due to accrued audit fees of \$12,500. Total expenses for the three months ended November 30, 2011 was \$16,016 compared with expenses of \$30,654 for the three months ended August 31, 2011 and with expenses of \$13,509 for the three months ended November 30, 2010.

## Summary of Quarterly Results

The following tables set out financial performance highlights for the last eight. The quarters ended February 28, 2010, May 31, 2010 and August 31, 2010 were prepared in accordance with Canadian GAAP. The subsequent five quarters were prepared in accordance with International Financial Reporting Standards ("IFRS").

	<b>First Quarter Nov. 30, 2011</b>	<b>Fourth Quarter Aug. 31, 2011</b>	<b>Third Quarter May 31, 2011</b>	<b>Second Quarter Feb. 28, 2011</b>
Revenues	\$ 0	\$ 953	\$ 0	\$ 0
Expenses	16,016	30,654	15,010	20,371
Gain (loss) on sale of marketable securities	0	0	0	0
Future income tax recovery (expense)	0	0	0	0
Net income (loss)	(16,016)	(29,701)	(15,010)	(20,371)
Net income (loss) per share(basic and diluted)	(0.00)	(0.01)	(0.00)	(0.00)
Cash flows from (used in) operating activities	(2,194)	(1,236)	540	(5,183)
Cash and cash equivalents, end of period	5,353	7,547	8,783	6,243
Assets	7,350	9,806	10,733	10,343
Long-term liabilities	0	0	0	0
Dividends	0	0	0	0

	<b>First Quarter Nov. 30, 2010</b>	<b>Fourth Quarter Aug. 31, 2010</b>	<b>Third Quarter May 31, 2010</b>	<b>Second Quarter Feb. 28, 2010</b>
Revenues	\$ 0	\$ 734	\$ 0	\$ 278
Expenses	13,509	27,312	14,824	22,925
Gain (loss) on sale of marketable securities	0	0	0	(27,322)
Future income tax recovery (expense)	0	(4,821)	0	0
Net income (loss)	(13,509)	(31,398)	(14,824)	(49,969)
Net income (loss) per share(basic and diluted)	(0.00)	(0.01)	(0.00)	(0.00)
Cash flows from (used in) operating activities	538	(11,088)	(31,070)	(22,794)
Cash and cash equivalents, end of period	11,426	10,888	21,975	53,045
Assets	13,220	13,175	27,533	59,463
Long-term liabilities	0	0	0	0
Dividends	0	0	0	0

## Summary of Fiscal Year Results Years Ended August 31, 2011 and 2010

Century's gross revenue for the fiscal year 2011 decreased to \$953 compared with \$1,368 for fiscal year 2010. This year-over-year decrease is primarily a result of decreased amounts recovered from past years' defaulted lease balances. The Company reported a net loss of \$78,591 for fiscal year 2011 compared with a net loss of \$117,022 for fiscal year 2010. The

increase in loss is primarily due to for the loss on sale of marketable securities of \$33,602 during fiscal year 2010. Total expenses for fiscal year 2011 were \$79,544 compared with \$79,967 for fiscal year 2010, as the Company continues its efforts to lower office and general expenses.

	For year ended August 31, 2011	For year ended August 31, 2010	For year ended August 31, 2009
Revenues	\$953	\$1,368	\$6,118
Expenses	79,544	79,967	172,257
Gain (loss) on sale of marketable securities	0	(33,602)	(20,721)
Future income tax recovery (expense)	0	(4,821)	(10,877)
Net income (loss)	(78,591)	(117,022)	(197,737)
Net income (loss) per share (basic and diluted)	(0.01)	(0.01)	(0.02)
Cash flows from (used in) operating activities	(5,341)	(75,609)	(86,125)
Cash and cash equivalents, end of period	7,547	10,888	7,225
Assets	9,806	13,175	86,119
Long-term liabilities	0	0	0
Dividends	0	0	0

#### **Liquidity and Capital Resources**

Century reported working capital of a \$96,740 deficiency at November 30, 2011 (\$80,724 deficiency at August 31, 2011; \$17,642 at November 30, 2010) and cash of \$5,353 at November 30, 2011 (\$7,547 at August 31, 2011; \$11,426 at November 30, 2010).

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

The Company considers its capital to be equity, which comprises share capital and deficit, which at November 30, 2011 was a net deficit of \$96,740 (August 31, 2011 - \$80,724).

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 size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three month period ended November 30, 2011. The Company is not subject to externally imposed capital requirements.

The management is concerned that the Company due to extreme fluctuations of market conditions over the past 3 years has had created a major loss in its lease portfolio. Management is actively seeking to encourage an infusion of capital from private outside investors to reactivate the Company. This may take time but management will start a search program as soon as possible.

#### **Off Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **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 notice. During both the three month periods ended November 30, 2011 and November 30, 2010, the Company incurred a total of \$12,000 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 November 30, 2011, the Company has a balance due to the private company for a total of \$72,320 (2010 - \$18,080).

### **Critical Accounting Estimates**

The preparation of these financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The more significant accounting policies are as follows:

(a) Basis of presentation

These financial statements have been prepared in accordance with IFRS 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.

(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.

(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.

**International Financial Reporting Standards ("IFRS") Implementation Plan**

IFRS has replaced Canadian GAAP for publicly accountable enterprises effective for fiscal years beginning on or after January 1, 2011. Accordingly, the Company reports interim and annual financial statements (with comparatives) in accordance with IFRS beginning with the quarter ended November 30, 2011. The Company has completed the development of an IFRS implementation plan to prepare for this transition, and has analyzed the key areas where changes to current accounting policies are required.

As the analysis of each of the key areas progressed, other elements of the Company's IFRS implementation plan were addressed, including: the implication of changes to accounting policies and processes; financial statement note disclosures on information technology; internal controls; contractual arrangements; and employee training. The table below summarizes the timing of activities related to the Company's transition to IFRS.

Initial analysis of key areas for which changes to accounting policies may be required	Completed
Detailed analysis of all relevant IFRS requirements and identification of areas requiring policy changes or those with accounting policy alternatives	Completed
Assessment of first-time adoption (IFRS-1) requirements and alternatives	Completed
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives	Completed
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	Completed
Management and employee education and training	Completed
Quantification of the Financial Statement impact of changes in accounting policies	Completed

#### **Financial and other instruments**

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

The carrying amount of HST receivable and accounts payable and accrued liabilities approximates their values because of the short-term maturities of these items. It is managements' 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.

#### **Disclosure of outstanding share data**

As of November 30, 2011, the following securities were outstanding:

- 1) 11,078,908 common shares
  - 2) 704,000 Class A preference shares\*
- (\*Convertible at any time by the holder on the basis of 5 common shares for each Class A share held.)

By Articles of Amendment dated June 24, 2011, the Company's Class A preference shares shall automatically be converted into fully paid common shares of the Company upon the completion of a transaction, or series of transactions, that results in change of control of the Company.

The resolution authorizing the amendment was approved at a special meeting of the Class A preference shareholders held on June 15, 2011.

By Articles of Amendment dated October 17, 2011, the Company's Class A preference shares shall automatically be converted into fully paid common shares of the Company by a unanimous resolution of the Board of Directors, not earlier than October 14, 2011.

The resolution authorizing the amendment was approved at a special meeting of the Class A preference shareholders held on October 5, 2011.

#### **Fees for audit services rendered**

For the fiscal year ended August 31, 2011, McCarney Greenwood LLP, Chartered Accountants, billed the Company \$12,750 for audit fees. In addition, McCarney Greenwood LLP billed the Company \$1,500 for preparation of Federal and Ontario Corporation Tax Returns for the year ended August 31, 2011.

#### **Audit Committee**

The Company presently has an audit committee composed of the Secretary-Treasurer, Gordon Wilton, who is a director and two outside directors, Lawrence McKay and Gerald Iscove. All three members of the Audit Committee are "financially literate" as defined under Multilateral Instrument 52-110.

#### **Audit Committee Charter**

##### **1.0 Purpose of the Committee**

1.1 The purpose of the Audit Committee is to assist the Board in its oversight of the integrity of the Company's financial statements and other relevant public disclosures, the Company's compliance with legal and regulatory requirements relating to financial reporting, the external auditors' qualifications and independence and the performance of the internal audit function and the external auditors.

##### **2.0 Members of the Audit Committee**

2.1 At least one Member must be "financially literate" as defined under Multilateral Instrument 52-110 (the "Instrument") having sufficient accounting or related financial management expertise to read and understand a set of financial statements, including the related notes, that present a breadth and level of complexity of the accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

2.2 The Audit Committee shall consist of no less than three directors.

2.3 A majority of the Members of the Audit Committee shall be "independent" as defined under the Instrument, while the Company is in the developmental stage of its businesses.

##### **3.0 Relationship with External Auditors**

3.1 The external auditors are the independent representatives of the shareholders, but the external auditors are also accountable to the Board of Directors and the Audit Committee.

3.2 The external auditors must be able to complete their audit procedures and reviews with professional independence, free from any undue interference from the management or directors.

3.3 The Audit Committee must direct and ensure that the management fully co-operates with the external auditors in the course of carrying out their professional duties.

3.4 The Audit Committee will have direct communications access at all times with the external auditors.

#### **4.0 Non-Audit Services**

4.1 The external auditors are prohibited from providing any non-audit services to the Company, without the express written consent of the Audit Committee. In determining whether the external auditors will be granted permission to provide non-audit services to the Company, the Audit Committee must consider that the benefits to the Company from the provision of such services, outweighs the risk of any compromise to or loss of the independence of the external auditors in carrying out their auditing mandate.

4.2 Notwithstanding section 4.1, the external auditors are prohibited at all times from carrying out any of the following services, while they are appointed the external auditors of the Company:

- (i) acting as an agent of the Company for the sale of all or substantially all of the undertaking of the Company; and
- (ii) performing any non-audit consulting work for any director or senior officer of the Company in their personal capacity, but not as a director, officer or insider of any other entity not associated or related to the Company.

#### **5.0 Appointment of Auditors**

5.1 The external auditors will be appointed each year by the shareholders of the Company at the annual meeting of the shareholders.

5.2 The Audit Committee will nominate the external auditors for appointment, such nomination to be approved by the Board of Directors.

#### **6.0 Evaluation of Auditors**

6.1 The Audit Committee will review the performance of the external auditors on at least an annual basis, and notify the directors and the external auditors in writing of any concerns in regards to the performance of the external auditors, or the accounting or auditing methods, procedures, standards, or principles applied by the external auditors, or any other accounting or auditing issues which come to the attention of the Audit Committee.

#### **7.0 Remuneration of the Auditors**

7.1 The remuneration of the external auditors will be determined by the Board of Directors, upon the annual authorization of the shareholders at each annual meeting of the shareholders.

7.2 The remuneration of the external auditors will be determined based on the time required to complete the audit and preparation of the audited financial statements, and the difficulty of the audit and performance of the standard auditing procedures under generally accepted auditing standards and generally accepted accounting principles of Canada.

#### **8.0 Termination of the Auditors**

8.1 The Audit Committee has the power to terminate the services of the external auditors, with or without the approval of the Board of Directors, acting reasonably.



## **9.0 Funding of Auditing and Consulting Services**

- 9.1 Auditing expenses will be funded by the Company. The auditors must not perform any other consulting services for the Company, which could impair or interfere with their role as the independent auditors of the Company.

## **10.0 Role and Responsibilities of the Internal Auditor**

- 10.1 At this time, due to the Company's size and limited financial resources, the Secretary-Treasurer of the Company shall be responsible for implementing internal controls and performing the role as the internal auditor to ensure that such controls are adequate.

## **11.0 Oversight of Internal Controls**

- 11.1 The Audit Committee will have the oversight responsibility for ensuring that the internal controls are implemented and monitored, and that such internal controls are effective.

## **12.0 Continuous Disclosure Requirements**

- 12.1 At this time, due to the Company's size and limited financial resources, the Secretary-Treasurer of the Company is responsible for ensuring that the Company's continuous reporting requirements are met and in compliance with applicable regulatory requirements.

## **13.0 Other Auditing Matters**

- 13.1 The Audit Committee may meet with the Auditors independently of the management of the Company at any time, acting reasonably.
- 13.2 The Auditors are authorized and directed to respond to all enquiries from the Audit Committee in a thorough and timely fashion, without reporting these enquiries or actions to the Board of Directors or the management of the Company.

## **14.0 Annual Review**

- 14.1 The Audit Committee Charter will be reviewed annually by the Board of Directors and the Audit Committee to assess the adequacy of this Charter.

## **15.0 Independent Advisers**

- 15.1 The Audit Committee shall have the power to retain legal, accounting or other advisors to assist the Committee.

## **Corporate Governance**

The Company's Board of Directors has ultimate responsibility for the management of the Company. The Board of Directors discharges its responsibilities directly and through its Audit Committee.

The Company is a small corporation with no full-time employees and only four directors. The directors are as follows: Harry Bregman, President, Gordon Wilton, Secretary-Treasurer, Lawrence McKay and Gerald Iscove. Responsibility for the day-to-day management of the Company is undertaken by Harry Bregman, the President who also undertakes primary responsibility for the effective communication between the Company, its shareholders and the public. Shareholders communication, particularly financial communication, is reviewed by the Company's Board of Directors. Having regard to the size of the board and the amount of time required to administer the business affairs of the Company most corporate governance activities and issues are dealt with by the full board.

A majority of the directors of the Company are unrelated within the meaning of the guidelines published by the Toronto Stock Exchange. The Board members who would be considered related would be Harry Bregman, the President and Gordon Wilton, the Secretary-Treasurer, being officers of the Company. None of the remaining directors are employed by the Company, have material consulting contracts with the Company or receive remuneration from the Company. The Board has not appointed a committee responsible for the appointment/assessment of directors. Any changes to the composition of the Board of Directors are discussed and determined by the full board in conjunction with the President.

In the past, the Company has made available, at the Company's expense, outside legal advisors to the directors of the Company on an "as needed" basis. The outside two current directors of the Company have experience as directors of public corporations and as such are fully qualified to discharge their functions as outside directors. Based upon this and on the size and simplicity of the Company's operations, the Company has not implemented at this time all of the formal corporate governance guidelines established by the Toronto Stock Exchange. The Board has under advisement the review of a strategic planning process and development of policies in this regard.

**Additional Information**

Additional information relating to the Company is available on the Internet at the SEDAR website located at [www.sedar.com](http://www.sedar.com).