

**CENTURY FINANCIAL CAPITAL GROUP INC.  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE NINE MONTH PERIOD ENDED MAY 31, 2013**

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 nine months (“third quarter”) ended May 31, 2013. 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 nine months ended May 31, 2013 and the audited financial statements for fiscal year ended August 31, 2012.

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 July 25, 2013, 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**

**Nine Months Ended May 31, 2013**

Century’s gross revenue increased to \$4,900 for the nine months ended May 31, 2013 compared with \$572 for the nine months ended May 31, 2012. The Company had a net loss of \$9,571 for the nine months ended May 31, 2013 compared to a net loss of \$50,521 for the nine months ended May 31, 2012. The increased loss in the previous nine month period over the latest nine-month period is primarily due to no management fees being accrued for the nine month period ended May 31, 2013 at the request of the service provider. Total expenses for the nine months ended May 31, 2013 was \$14,471 compared with expenses of \$51,093 for the nine months ended May 31, 2012.

**Three Months Ended May 31, 2013**

Century’s gross revenue was \$4,424 for the three months ended May 31, 2013, compared with \$476 for the three months ended February 28, 2013 and \$nil for the three months ended May 31, 2012. The Company had a net income of \$1,890 for the three month period ended May 31, 2013 compared to a net loss of \$9,545 for the three month period ended February 28, 2013 and with a net loss of \$14,807 for the three months ended May 31, 2012. The income in the latest quarter

was due to gross revenues of \$4,424 derived from leases which were previously written off. Total expenses for the three months ended May 31, 2013 was \$2,534 compared with expenses of \$10,021 for the three months ended February 28, 2013 and with expenses of \$14,807 for the three months ended May 31, 2012.

### Summary of Quarterly Results

The following tables set out financial performance highlights for the last eight quarters and were prepared in accordance with International Financial Reporting Standards (“IFRS”).

	<b>Third Quarter May 31, 2013</b>	<b>Second Quarter Feb. 28, 2013</b>	<b>First Quarter Nov. 30, 2012</b>	<b>Fourth Quarter Aug. 31, 2012</b>
Revenues	\$ 4,424	\$ 476	\$ 0	\$ 571
Expenses	2,534	10,021	1,916	23,065
Gain (loss) on sale of marketable securities	0	0	0	0
Future income tax recovery (expense)	0	0	0	0
Net income (loss)	1,890	(9,545)	(1,916)	(22,494)
Net income (loss) per share(basic and diluted)	0.00	(0.00)	(0.00)	(0.01)
Cash flows from (used in) operating activities	3,466	(2,170)	(130)	786
Cash and cash equivalents, end of period	3,629	163	2,333	2,463
Assets	3,957	2,350	2,580	4,383
Long-term liabilities	0	0	0	0
Dividends	0	0	0	0

	<b>Third Quarter May 31, 2012</b>	<b>Second Quarter Feb. 29, 2012</b>	<b>First Quarter Nov. 30, 2011</b>	<b>Fourth Quarter Aug. 31, 2011</b>
Revenues	\$0	\$572	\$ 0	\$ 953
Expenses	14,807	20,270	16,016	30,654
Gain (loss) on sale of marketable securities	0	0	0	0
Future income tax recovery (expense)	0	0	0	0
Net loss	(14,807)	(19,698)	(16,016)	(29,701)
Net loss per share(basic and diluted)	(0.00)	(0.00)	(0.00)	(0.01)
Cash flows from (used in) operating activities	(47)	(3,629)	(2,194)	(1,236)
Cash and cash equivalents, end of period	1,677	1,724	5,353	7,547
Assets	3,600	5,839	7,350	9,806
Long-term liabilities	0	0	0	0
Dividends	0	0	0	0

**Summary of Fiscal Year Results  
Years Ended August 31, 2012 and 2011**

Century's gross revenue for the fiscal year 2012 increased to \$1,143 compared with \$953 for fiscal year 2011. This year-over-year increase is primarily a result of increased amounts recovered from past years' defaulted lease balances. The Company reported a net loss of \$73,015 for fiscal year 2012 compared with a net loss of \$78,591 for fiscal year 2011. The decrease in loss is primarily due to for the decrease in accrued professional fees during fiscal year 2012. Total expenses for fiscal year 2012 were \$74,158 compared with \$79,544 for fiscal year 2011, as the Company continues its efforts to lower office and general expenses.

	For year ended August 31, 2012	For year ended August 31, 2011	For year ended August 31, 2010
Revenues	\$1,143	\$953	\$1,368
Expenses	74,158	79,544	79,967
Gain (loss) on sale of marketable securities	0	0	(33,602)
Future income tax recovery (expense)	0	0	(4,821)
Net loss	(73,015)	(78,591)	(117,022)
Net loss per share (basic and diluted)	(0.01)	(0.01)	(0.01)
Cash flows used in operating activities	(5,084)	(5,341)	(75,609)
Cash and cash equivalents, end of period	2,463	7,547	10,888
Assets	4,383	9,806	13,175
Long-term liabilities	0	0	0
Dividends	0	0	0

**Liquidity and Capital Resources**

Century reported working capital deficiency of \$163,310 at May 31, 2013 (deficiency of \$153,739 at August 31, 2012; deficiency of \$131,245 at May 31, 2012) and cash of \$3,629 at May 31, 2013 (\$2,463 at August 31, 2012; \$1,677 at May 31, 2012).

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 May 31, 2013 was a net deficit of \$163,310 (August 31, 2012 – \$153,739).

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 nine month period ended May 31, 2013. 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 four years has 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 the nine month period ended May 31, 2013, the Company accrued \$nil (2012 - \$36,000) 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 May 31, 2013, the Company has a balance due to the private company for a total of \$130,852 (2012 - \$99,440).

#### **Critical Accounting Estimates and management uncertainty**

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. :

Key areas requiring judgment and estimation uncertainty includes:

- Valuation of financial instruments, including provisions and accruals
- Valuation of deferred income tax assets and liabilities

#### **Change in Accounting Policies including Initial Adoption**

New accounting pronouncements not yet adopted:

At the date of authorization of these financial statements, the following standards and interpretations were issued but are not yet effective. The Company has not yet adopted these standards and monitors changes to IFRS on an ongoing basis for its applicability.

#### **IFRS 7 - Financial Instruments: Disclosures (Amendment)**

In December 2011, the IASB amended this standard to set out additional disclosure requirements regarding the offsetting of financial assets and financial liabilities. The standard was also amended to reflect the effects of adopting IFRS 9, *Financial Instruments*. This amendment is effective for the Company commencing September 1, 2015.

#### **IFRS 9 - Financial Instruments**

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets:

amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for the Company commencing September 1, 2015.

#### IFRS 13 - Fair Value Measurements

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The company intends to adopt the standard for the accounting period beginning on September 1, 2013.

#### IAS 1 – Presentation of Financial Statements (Amendment)

In June 2011, the IASB issued amendments to standards to align the presentation requirements for other comprehensive income (OCI). The IASB issued amendments to IAS 1 —Presentation of Financial Statements to require companies preparing financial statements under IFRS to group items within OCI that may be reclassified to the profit or loss. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. The amendments to IAS 1 set out in *Presentation of Items of Other Comprehensive Income* will be implemented beginning on September 1, 2013.

#### **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 at May 31, 2013, 14,598,908 common shares were issued and outstanding.

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 to the Company.

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

By Articles of Amendment dated October 17, 2011, the Company's Class A preference shares shall automatically be converted to 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 on October 5, 2011.

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 preference share held and were converted February 28, 2013.

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

**For the fiscal year ended August 31, 2012**, Schwartz Levitsky Feldman LLP billed the Company \$11,025 for audit services.

**For the fiscal year ended August 31, 2011**, McCarney Greenwood LLP billed the Company \$12,750 for audit services and \$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).