

Algonquin Opportunity (No. 1) Corporation

Financial Statements

For the year ended 31 December 2013

Wilfred J. Lamb
CHARTERED PROFESSIONAL ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

The Shareholders,
Algonquin Opportunity (No. 1) Corporation.

I have audited the accompanying financial statements of Algonquin Opportunity (No. 1) Corporation, which comprise the balance sheet as at 31 December 2013, and the statements of deficit, operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Accounting Standards for Private Enterprises, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on our audit. I conducted my audit in accordance with Canadian Auditing Standards. Those standards require that I comply with ethical requirements and plan and perform the audit 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Algonquin Opportunity (No. 1) Corporation as at 31 December 2013, and the results of its operations and cash flows for the year then ended in accordance with Canadian Accounting Standards for Private Enterprises.

KANATA, Ontario.
6 February 2014.


Wilfred Lamb,
CPA, CA, LPA.

Algonquin Opportunity (No. 1) Corporation

Balance Sheet

As at 31 December 2013
(with 2012 figures for comparison)

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Current:		
Cash and short term investments	\$ 776,124	\$ 100,832
Short term investments (Note 5)	\$ 776,124	\$ 100,832
Long term:		
Fixed income investment (Note 5)	\$ 730	\$ 661,738
Future income tax asset (Note 2 (c))	\$ 730	1,665
	\$ 776,854	\$ 663,403
		\$ 764,235
<u>LIABILITIES AND SHAREHOLDERS' DEFICIT</u>		
Current liabilities:		
Accounts payable	\$ 5,000	\$ 5,000
Due to Algonquin Treaty Negotiation Funding Trust (Note 6)	25,823	18,300
	\$ 30,823	\$ 23,300
Long term liability:		
Due to Province of Ontario (Note 7)	\$ 750,000	\$ 750,000
	\$ 780,823	\$ 773,300
Shareholders' deficit:		
Capital stock:		
Authorized - unlimited number of common shares		
Issued - 100 common shares	\$ 10	\$ 10
Deficit	(3,979)	(9,075)
	\$ (3,969)	\$ (9,065)
	\$ 776,854	\$ 764,235

Approved on behalf of the Board: _____

(See accompanying notes)

Algonquin Opportunity (No. 1) Corporation

Statement of Deficit

For the year ended 31 December 2013
(with 2012 figures for comparison)

	<u>2013</u>	<u>2012</u>
Balance at the beginning of the year	\$ (9,075)	\$ (690)
Net income (loss) for the year	<u>5,096</u>	<u>(8,385)</u>
Balance at the end of the year	<u>\$ (3,979)</u>	<u>\$ (9,075)</u>

(See accompanying notes)

Algonquin Opportunity (No. 1) Corporation

Statement of Operations

For the year ended 31 December 2013
(with 2012 figures for comparison)

	<u>2013</u>	<u>2012</u>
Revenue:		
Investment income	\$ <u>13,555</u>	\$ <u>13,754</u>
Expenses:		
Consulting fees	\$ 145	\$ 19,111
Interest and bank charges		7
Professional fees	<u>7,379</u>	<u>4,686</u>
	\$ <u>7,524</u>	\$ <u>23,804</u>
Income (loss) before future income taxes	\$ 6,031	\$ (10,050)
Future income taxes recovery (provision)	<u>(935)</u>	<u>1,665</u>
Net income (loss) for the year	\$ <u><u>5,096</u></u>	\$ <u><u>(8,385)</u></u>

(See accompanying notes)

Algonquin Opportunity (No. 1) Corporation

Statement of Cash Flows

For the year ended 31 December 2013
(with 2012 figures for comparison)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Net income (loss) for the year	\$ <u>5,096</u>	\$ <u>(8,385)</u>
Net change in non cash working capital balances related to operations:		
Decrease (increase) in due from Algonquins of Ontario Opportunities Trust		\$ 10
Decrease (increase) in future income tax asset	\$ <u>935</u>	<u>(1,665)</u>
	\$ <u>935</u>	\$ <u>1,655</u>
Cash flows from (used for) operating activities	\$ <u>6,031</u>	\$ <u>(10,040)</u>
Cash flows from investing activities:		
Decrease (increase) in fixed income investment		\$ (661,738)
Decrease (increase) in long term income investment	\$ 661,738	
Decrease (increase) in short term investments	<u>(776,124)</u>	<u> </u>
Cash flows used for financing activities	\$ <u>(114,386)</u>	\$ <u>(661,738)</u>
Cash flows from financing activities:		
Increase in due to Algonquin Treaty Negotiation Funding Trust	\$ <u>7,523</u>	\$ <u>230</u>
Net decrease in cash and cash equivalents during the year	\$ (100,832)	\$ (671,548)
Cash and cash equivalents at the beginning of the year	<u>100,832</u>	<u>772,380</u>
Cash and cash equivalents at the end of the year	\$ <u><u>-</u></u>	\$ <u><u>100,832</u></u>

(See accompanying notes)

Algonquin Opportunity (No. 1) Corporation

Notes to the Financial Statements

For the year ended 31 December 2013

1. NATURE OF THE BUSINESS

The company was incorporated on 23 March 2009 under the laws of Ontario and its operations consist of pursuing economic development opportunities.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition:

Revenue, including investment income, is recorded on the accrual basis of accounting.

b) Use of estimates:

The preparation of financial statements in accordance with Canadian Accounting Standards for Private Enterprises 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 revenue and expenses during the reporting period. Actual results may differ from management's best estimates as additional information becomes available in the future.

c) Income taxes:

The company applies the future income taxes method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on the difference between the carrying amounts of existing assets and liabilities and their respective tax basis. Any change in the net amount of future income tax assets and liabilities is included in income. Future income tax assets and liabilities are determined based on enacted or substantively enacted tax rates and laws which are expected to apply to taxable income for the years in which the assets and liabilities will be recovered. Future income tax assets are recognized when it is more likely than not that they will be realized.

d) Cash and cash equivalents:

Cash and cash equivalents are comprised of cash and investments due no greater than three months from the date of acquisition or that are cashable on demand.

e) Financial instruments:

The company's financial instruments consist of cash and short term investments, accounts payable, due to Algonquin Treaty Negotiation Funding Trust and due to Province of Ontario. The carrying amount approximates their fair value, except where fair values are not readily obtainable.

3. FINANCIAL INSTRUMENTS

Risks and concentrations:

The company is exposed to various risks through financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of the company's risk exposure at the balance sheet date, 31 December 2013.

Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with the financial liabilities. The enterprise is exposed to this risk mainly in respect of its due to Province of Ontario and accounts payable.

Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The company is not exposed to any significant credit risk.

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For the year ended 31 December 2013

Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk; currency risk, interest rate risk and other price risk. The company is mainly exposed to interest rate risk.

Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is exposed to interest rate risk on its short term investments. Fixed income investments subject the company to a fair value risk.

4. ECONOMIC DEPENDENCE

The company is dependent on loans from the Government of Ontario to finance their operations.

5. INVESTMENTS

Investments consist of:	<u>2013</u>	<u>2012</u>
Current:		
Bank of Nova Scotia, cashable, 1.1% matures 25 April 2014	\$ 50,377	\$ -
Bank of Nova Scotia, non-redeemable, 1.85% matures 25 April 2014	673,957	
Bank of Nova Scotia, non-redeemable, 1.65% matures 25 October 2014	<u>51,790</u>	<u> </u>
	<u>\$ 776,124</u>	<u>\$ -</u>
Long term:		
Bank of Nova Scotia, non-redeemable, 1.85% matures 25 April 2014	<u>\$ -</u>	<u>\$ 661,738</u>

6. DUE TO ALGONQUIN TREATY NEGOTIATION FUNDING TRUST

The amounts due to Algonquin Treaty Negotiation Funding Trust are interest free and have no specific repayment terms.

7. DUE TO PROVINCE OF ONTARIO

The amounts due to Province of Ontario are interest free and have no specific repayment terms.