# AOO Realty (Lebreton) Corp.

# Financial Statements

**For the year ended 31 March, 2018**

COLLINS BARROW

an independent member of
BAKER TILLY
INTERNATIONAL

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# Independent Auditor's Report

**To the Shareholder of AOO Realty (Lebreton) Corp.**

We have audited the accompanying financial statements of AOO Realty (Lebreton) Corp., which comprise the balance sheet as at March 31, 2018, and the statement of 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*

Our responsibility is to express an opinion on these 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 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 judgement, 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 AOO Realty (Lebreton) Corp. as at March 31, 2018, and the results of operations and cash flows for the year then ended in accordance with Canadian Accounting Standards for Private Enterprises.

Collins Barrow Ottawa LLP

Chartered Professional Accountants, Licensed Public Accountants
July 12, 2018
Ottawa, Ontario

AOO Realty (Lebreton) Corp.

Balance Sheet

As at 31 March 2018
(with 2017 figures for comparison)

| | 2018 | 2017 |
|---|---|---|
| **ASSETS** | | |
| Current: | | |
| Investment in joint venture (Note 7) | $ 3,250,645 | $ 3,159,645 |
| Government remittances receivable | 487 | - |
| | $ 3,251,132 | $ 3,159,645 |
| **LIABILITIES AND SHAREHOLDER'S EQUITY** | | |
| Current liabilities: | | |
| Due to Algonquin Treaty Negotiations Funding Trust (Note 4) | $ 10,477 | $ - |
| Due to Algonquins of Ontario Opportunities Trust (Note 4) | 1,160 | 1,160 |
| Income taxes payable | 37,582 | - |
| | 49,219 | 1,160 |
| Long term liability: | | |
| Due to Canada Lands Company CLC Limited (Note 5) | 3,158,475 | 3,158,475 |
| Shareholder's equity: | | |
| Capital stock: | | |
| Authorized - unlimited number of common shares | | |
| Issued - 100 common shares | 10 | 10 |
| Retained earnings | 43,428 | - |
| | 43,438 | 10 |
| | $ 3,251,132 | $ 3,159,645 |

Approved on behalf of the Board: ______________________

(See accompanying notes)

AOO Realty (Lebreton) Corp.

Statement of Retained Earnings

For the year ended 31 March 2018
(with figures for the five months ended 31 March 2017 for comparison)

| | 2018 | 2017 |
|---|---|---|
| Balance at the beginning of the year | $ - | $ - |
| Net income for the year | 43,428 | - |
| Balance at the end of the year | $ 43,428 | $ - |

(See accompanying notes)

AOO Realty (Lebreton) Corp.

Statement of Income

For the year ended 31 March 2018
(with figures for the five months ended 31 March 2017 for comparison)

| | 2018 | 2017 |
|---|---|---|
| Revenue: | | |
| Joint venture income | $ 91,000 | $ - |
| Expenses: | | |
| Professional fees | 3,750 | - |
| Income before income taxes | 87,250 | - |
| Income taxes (Note 6) | 43,822 | - |
| Net income for the year | $ 43,428 | $ - |

(See accompanying notes)

AOO Realty (Lebreton) Corp.

Statement of Cash Flows

For the year ended 31 March 2018
(with figures for the five months ended 31 March 2017 for comparison)

| | 2018 | 2017 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income for the year | $ 43,428 | $ - |
| Net change in non cash working capital balances related to operations: | | |
| - increase (decrease) in income taxes payable | 37,582 | - |
| - decrease (increase) in government remittances receivable | (487) | - |
| Cash flows from (used for) operating activities | 80,523 | - |
| Cash flows used for investing activities: | | |
| Decrease (increase) in beneficial interest in land | - | (3,159,645) |
| Increase in investment in joint venture | (91,000) | - |
| Cash flows from (used for) investing activities | (91,000) | (3,159,645) |
| Cash flows from financing activities: | | |
| Proceeds from Canada Lands Company CLC Limited | - | 3,158,475 |
| Shares issued | - | 10 |
| Increase in investment in joint venture | - | - |
| Proceeds from Algonquin Treaty Negotiations Funding Trust | 10,477 | - |
| Proceeds from Algonquins of Ontario Opportunities Trust | - | 1,160 |
| Cash flows from (used for) financing activities | 10,477 | 3,159,645 |
| Net increase in cash and cash equivalents during the year | - | - |
| Cash and cash equivalents at the beginning of the year | - | - |
| Cash and cash equivalents at the end of the year | $ - | $ - |

(See accompanying notes)

1. NATURE OF THE BUSINESS

The company was incorporated on 9 November 2016, under the laws of Ontario and its operations consist of pursuing economic development opportunities.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation:
These financial statements have been prepared in accordance with Canadian Accounting Standards for Private Enterprises which are part of Canadian generally accepted accounting principles and include the following 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 uses the income taxes payable method of accounting for income taxes. Under this method, the company reports as an expense (income) of the period only the cost (benefit) of current income taxes determined in accordance with the rate established by taxation authorities.

d) Cash and cash equivalents:
Cash and cash equivalents are comprised of cash on hand and in bank 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 investment in joint venture, an amount due to Algonquin Treaty Negotiations Funding Trust, Algonquins of Ontario Opportunities Trust and Canada Lands Company CLC Limited. The carrying amount approximates their fair value, except where fair values are not readily obtainable.

f) Joint venture:
As the company is only entitled to net revenues, the company uses the equity method to account for the joint venture.

3. FINANCIAL INSTRUMENTS

Risks and concentrations:
The company is exposed to various risks through its 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 March 2018.

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 Canada Lands Company CLC Limited, Algonquins of Ontario Opportunities Trust and Algonquin Treaty Negotiations Funding Trust.

3. FINANCIAL INSTRUMENTS (continued)

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.

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 not exposed to market rate risk or other price 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 not exposed to interest rate risk.

4. DUE TO RELATED PARTIES

The amounts owing to Algonquins of Ontario Opportunities Trust and Algonquin Treaty Negotiations Funding Trust are interest free and have no specific repayment terms.

5. DUE TO CANADA LANDS COMPANY CLC LIMITED

The amount due to Canada Lands Company CLC Limited is interest free. It is due to be paid if a treaty is reached within the year ending 9 February 2027. If no treaty is reached, the debt is forgiven.

6. INCOME TAXES

Income taxes are accounted for by the taxes payable method. Under the taxes payable method, only current income tax assets and liabilities are recognized. As a result, the company's income tax expense varies from the amount that would otherwise result from the application of the statutory income tax rates as set out below:

| | 2018 | 2017 |
|---|---|---|
| Net income before income taxes | $ 87,250 | $ - |
| Expected income tax at the combined tax rate of 50.17% | $ 43,770 | $ - |
| Non-deductible interest | 52 | - |
| Income tax expense for the year | $ 43,822 | $ - |

7. JOINT VENTURE

The company entered into a joint venture called 291 Carling Avenue/369 Lebreton Street South Ottawa, Ontario Joint Venture Agreement dated 9 February 2017. The joint venture relates to the development and sale or lease of land including the 1/3 beneficial ownership owned by the company. The company does not have the ability to a conveyance of title to its interest in the property.

7. JOINT VENTURE (continued)

Investment in joint venture consists of:

| | | |
|---|---|---|
| 1/3 beneficial ownership in land | $ | 3,159,645 |
| 1/3 share of net income since inception | | 91,000 |
| | $ | 3,250,645 |