

AOO Realty (Rockcliffe) Inc.



Financial Statements

For the year ended 31 March 2019

Baker Tilly Ottawa LLP
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Independent Auditor's Report

To the Shareholder of the AOO Realty (Rockcliffe) Inc.

Opinion

We have audited the financial statements of AOO Realty (Rockcliffe) Inc. (the "company") which comprise the balance sheet as at March 31, 2019, and the statements of retained earnings, income and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Private Enterprises.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Baker Tilly Ottawa LLP

Chartered Professional Accountants, Licensed Public Accountants
July 17, 2019
Ottawa, Ontario

AOO Realty (Rockcliffe) Inc.

Balance Sheet

As at 31 March 2019
(with 2018 figures for comparison)

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current:		
Cash	\$ 664	\$ 100,325
Accrued interest	11,672	15,493
Due from related party (Note 4)	213,816	
Government remittances receivable	133	488
Investments (Note 7)	<u>1,020,734</u>	<u>1,125,429</u>
	<u>\$ 1,247,019</u>	<u>\$ 1,241,735</u>
 <u>LIABILITIES AND SHAREHOLDER'S EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 2,500	
Due to related party (Note 4)		\$ 7,292
Income taxes payable	<u>8,605</u>	<u>7,021</u>
	<u>\$ 11,105</u>	<u>\$ 14,313</u>
Long term liability:		
Due to Canada Lands Corporation (Note 5)	<u>\$ 1,071,909</u>	<u>\$ 1,071,909</u>
Shareholder's equity:		
Capital stock:		
Authorized - unlimited number of common shares		
Issued - 100 common shares	\$ 10	\$ 10
Retained earnings	<u>163,995</u>	<u>155,503</u>
	<u>\$ 164,005</u>	<u>\$ 155,513</u>
	<u>\$ 1,247,019</u>	<u>\$ 1,241,735</u>

Approved on behalf of the Board:



(See accompanying notes)

AOO Realty (Rockcliffe) Inc.

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(with 2018 figures for comparison)

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Approved on behalf of the Board:

(See accompanying notes)

AOO Realty (Rockcliffe) Inc.

Statement of Retained Earnings

For the year ended 31 March 2019
(with 2018 figures for comparison)

	<u>2019</u>	<u>2018</u>
Balance at the beginning of the year	\$ 155,503	\$ 148,530
Net income for the year	<u>8,492</u>	<u>6,973</u>
Balance at the end of the year	<u>\$ 163,995</u>	<u>\$ 155,503</u>

(See accompanying notes)

AOO Realty (Rockcliffe) Inc.

Statement of Income

For the year ended 31 March 2019
(with 2018 figures for comparison)

	<u>2019</u>	<u>2018</u>
Revenue:		
Interest income	\$ <u>20,713</u>	\$ <u>17,862</u>
Expenses:		
Interest and bank charges	\$ 41	\$ 6
Professional fees	<u>3,520</u>	<u>3,750</u>
	\$ <u>3,561</u>	\$ <u>3,756</u>
Income before income taxes	\$ 17,152	\$ 14,106
Income taxes (Note 6)	<u>8,660</u>	<u>7,133</u>
Net income for the year	\$ <u><u>8,492</u></u>	\$ <u><u>6,973</u></u>

AOO Realty (Rockcliffe) Inc.

Statement of Cash Flows

For the year ended 31 March 2019
(with 2018 figures for comparison)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Net income for the year	\$ 8,492	\$ 6,973
Net change in non cash working capital balances related to operations:		
- increase (decrease) in accounts payable	2,500	
- decrease (increase) in government remittances receivable	355	(392)
- increase (decrease) in income taxes payable	1,584	(19,189)
- decrease (increase) in investments	104,695	(1,125,429)
- decrease (increase) in accrued interest	<u>3,821</u>	<u>(15,493)</u>
Cash flows from (used for) operating activities	\$ <u>121,447</u>	\$ <u>(1,153,530)</u>
Cash flows from financing activities:		
Advances from related party	\$ (213,816)	
Advances (repayment) to related party	<u>(7,292)</u>	\$ <u>30,559</u>
Cash flows from (used for) financing activities	\$ <u>(221,108)</u>	\$ <u>30,559</u>
Net decrease in cash and cash equivalents during the year	\$ (99,661)	\$ (1,122,971)
Cash and cash equivalents at the beginning of the year	<u>100,325</u>	<u>1,223,296</u>
Cash and cash equivalents at the end of the year	\$ <u><u>664</u></u>	\$ <u><u>100,325</u></u>

(See accompanying notes)

AOO Realty (Rockcliffe) Inc.

Notes to the Financial Statements

For the year ended 31 March 2019

1. NATURE OF THE BUSINESS

The company was incorporated on 23 June 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. Sales of rights are recorded at the closing date as per the agreement.

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 cash, investments, due from related party, accounts payable, due to related party and due to Canada Lands Corporation. 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 March 2019.

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 the amount due to Canada Lands Corporation.

AOO Realty (Rockcliffe) Inc.

Notes to the Financial Statements

For the year ended 31 March 2019

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 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 investments.

4. RELATED PARTY

The amount due to or from Algonquin Opportunity (No. 2) Corporation is interest free and has no specific terms or repayment.

5. DUE TO CANADA LANDS CORPORATION

The amount due to Canada Lands Corporation is interest free. It is due to be paid if a treaty is reached within the year ending 26 July 2026. 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. Currently there are no differences between the income tax expense and the applicable statutory income tax rate.

7. INVESTMENTS

Investments consist of two guaranteed investment certificates with a cost of \$ 767,042 with an interest rate of 1.85% maturing August 2019 and of \$ 253,692 with an interest rate of 1.85% maturing in October 2019.