

JAZZIT SIMPLE EXAMPLE LTD.
Financial Statements
Year Ended September 30, 2013
(Unaudited)

JAZZIT SIMPLE EXAMPLE LTD.
Index to Financial Statements
Year Ended September 30, 2013
(Unaudited)

	Page
REVIEW ENGAGEMENT REPORT	1
FINANCIAL STATEMENTS	
Balance Sheet	2
Statement of Income	3
Statement of Retained Earnings	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 11

REVIEW ENGAGEMENT REPORT

To the Shareholders of Jazzit Simple Example Ltd.

We have reviewed the balance sheet of Jazzit Simple Example Ltd. as at September 30, 2013 and the statements of income, retained earnings and cash flows for the year then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to us by the company.

A review does not constitute an audit and, consequently, we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for private enterprises.

A handwritten signature in black ink that reads "Jazzit". The signature is stylized, with a large, sweeping initial "J" and the word "Jazzit" written in a cursive, lowercase font.

Calgary, Alberta
November 15, 2013

CHARTERED PROFESSIONAL ACCOUNTANTS

JAZZIT SIMPLE EXAMPLE LTD.

Balance Sheet

September 30, 2013

(Unaudited)

	2013	2012
ASSETS		
CURRENT		
Cash	\$ 2,843,229	\$ 736,455
Marketable securities <i>(Note 5)</i>	3,150	5,150
Accounts receivable	4,114,813	5,500,114
Inventories	857,063	792,799
Prepaid expenses	6,391	5,783
Due from shareholders <i>(Note 7)</i>	200,000	-
	8,024,646	7,040,301
PROPERTY, PLANT AND EQUIPMENT <i>(Note 8)</i>	6,303,978	4,742,119
INCORPORATION COSTS <i>(Note 9)</i>	231,486	238,196
DUE FROM SHAREHOLDERS <i>(Note 7)</i>	125,000	-
	\$ 14,685,110	\$ 12,020,616
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Accounts payable	\$ 4,506,731	\$ 3,489,256
Income taxes payable	71,854	45,383
Management fees payable	473,629	546,138
Callable debt due in one year <i>(Note 10)</i>	238,500	251,664
Current portion of long term debt <i>(Note 11)</i>	61,500	-
Current portion of obligations under capital lease <i>(Note 12)</i>	25,000	25,000
Goods and services tax payable	93,122	-
Bonuses payable	250,000	-
	5,720,336	4,357,441
Callable debt due thereafter <i>(Note 10)</i>	1,335,371	1,160,021
	7,055,707	5,517,462
LONG TERM DEBT <i>(Note 11)</i>	399,629	200,000
OBLIGATIONS UNDER CAPITAL LEASE <i>(Note 12)</i>	100,000	125,000
DUE TO RELATED PARTIES <i>(Note 13)</i>	1,000,000	1,000,000
DUE TO SHAREHOLDERS <i>(Note 7)</i>	-	25,000
	8,555,336	6,867,462
SHAREHOLDERS' EQUITY		
Share capital <i>(Note 14)</i>	373	373
Retained earnings	6,129,401	5,152,781
	6,129,774	5,153,154
	\$ 14,685,110	\$ 12,020,616

APPROVED BY THE SOLE DIRECTOR

_____ Director

JAZZIT SIMPLE EXAMPLE LTD.
Statement of Income
Year Ended September 30, 2013
(Unaudited)

	2013	2012
TRADE SALES	\$ 20,406,850	\$ 20,715,550
COST OF SALES		
Opening Inventory	792,799	3,599,866
Purchases	<u>20,343,744</u>	<u>19,566,873</u>
	21,136,543	23,166,739
Closing Inventory	<u>(857,063)</u>	<u>(792,799)</u>
	20,279,480	22,373,940
GROSS PROFIT (1%; 2012 - (8)%)	127,370	(1,658,390)
FEES		
Commissions	221,278	88,075
Management fees	<u>5,000,000</u>	<u>8,000,000</u>
	5,221,278	8,088,075
EXPENSES		
Amortization	562,773	475,075
Amortization of intangible assets	6,710	-
Bank charges	450	501
Insurance	9,864	96,748
Interest on long term debt	178,077	-
Interest on obligations under capital lease	17,025	-
Management salaries	-	1,476,817
Miscellaneous	482,432	534,653
Office	-	5,783
Salaries and wages	510,009	2,743,703
Vehicle	<u>2,544,372</u>	<u>-</u>
	4,311,712	5,333,280
INCOME FROM OPERATIONS	1,036,936	1,096,405
OTHER INCOME		
Dividend income	25,000	-
Gain on disposal of assets	1,288	-
Unrealized gain (loss) on other investments	<u>250</u>	<u>-</u>
	26,538	-
INCOME BEFORE INCOME TAXES	1,063,474	1,096,405
INCOME TAXES	<u>71,854</u>	<u>423,052</u>
NET INCOME	\$ 991,620	\$ 673,353

JAZZIT SIMPLE EXAMPLE LTD.
Statement of Retained Earnings
Year Ended September 30, 2013
(Unaudited)

	2013	2012
RETAINED EARNINGS - BEGINNING OF YEAR	\$ 5,152,781	\$ 4,479,428
NET INCOME FOR THE YEAR	<u>991,620</u>	<u>673,353</u>
	6,144,401	5,152,781
DIVIDENDS PAID	<u>(15,000)</u>	-
RETAINED EARNINGS - END OF YEAR	<u>\$ 6,129,401</u>	<u>\$ 5,152,781</u>

JAZZIT SIMPLE EXAMPLE LTD.
Statement of Cash Flows
Year Ended September 30, 2013
(Unaudited)

	2013	2012
OPERATING ACTIVITIES		
Net income	\$ 991,620	\$ 673,353
Items not affecting cash:		
Amortization of property, plant and equipment	562,773	475,075
Amortization of intangible assets	6,710	-
Gain on disposal of assets	(1,288)	-
Unrealized gain (loss) on other investments	(250)	-
	<u>1,559,565</u>	<u>1,148,428</u>
Changes in non-cash working capital <i>(Note 16)</i>	<u>2,634,988</u>	<u>568,027</u>
Cash flow from operating activities	<u>4,194,553</u>	<u>1,716,455</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,138,725)	(2,000,000)
Proceeds on disposal of property, plant and equipment	15,381	-
Proceeds from sale (purchase) of marketable securities	2,250	(5,000)
	<u>(2,121,094)</u>	<u>(2,005,000)</u>
Cash flow used by investing activities	<u>(2,121,094)</u>	<u>(2,005,000)</u>
FINANCING ACTIVITIES		
Dividends paid	(15,000)	-
Advances from related parties	-	1,000,000
Advances from (to) shareholders	(350,000)	25,000
Proceeds from callable debt financing	200,000	-
Proceeds from long term financing	322,629	-
Repayment of callable debt	(37,814)	-
Repayment of long term debt	(61,500)	-
Repayment of obligations under capital lease	(25,000)	-
	<u>33,315</u>	<u>1,025,000</u>
Cash flow from financing activities	<u>33,315</u>	<u>1,025,000</u>
INCREASE IN CASH FLOW	2,106,774	736,455
Cash - beginning of year	<u>736,455</u>	<u>-</u>
CASH - END OF YEAR	\$ 2,843,229	\$ 736,455
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest received	\$ -	\$ -
Interest paid	\$ 195,102	\$ -
Income taxes paid	\$ 45,383	\$ 377,669

JAZZIT SIMPLE EXAMPLE LTD.
Notes to Financial Statements
Year Ended September 30, 2013
(Unaudited)

1. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for private enterprises (ASPE).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated amortization. Property, plant and equipment is amortized over its estimated useful life on a declining balance basis at the following rates and methods:

Land		non-amortizable
Buildings	4%	declining balance method
Equipment	20%	declining balance method
Motor vehicles	30%	declining balance method
Furniture and fixtures	20%	declining balance method

The company regularly reviews its property, plant and equipment to eliminate obsolete items. Government grants are treated as a reduction of property, plant and equipment cost.

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Callable debt

The company's demand loans are classified as current liabilities because the lender has the right to demand repayment within one year.

3. DESCRIPTION OF BUSINESS

Jazzit Simple Example Ltd. (the "company") is incorporated under the Business Corporations Act of Alberta. The company's principal business activity is.....

4. FINANCIAL INSTRUMENTS

The company is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the company's risk exposure and concentration as of September 30, 2013.

(continues)

JAZZIT SIMPLE EXAMPLE LTD.
Notes to Financial Statements
Year Ended September 30, 2013
(Unaudited)

4. FINANCIAL INSTRUMENTS *(continued)*

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The company is exposed to credit risk from customers. In order to reduce its credit risk, the company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The company has a significant number of customers which minimizes concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long-term debt, obligations under capital leases, contributions to the pension plan, and accounts payable.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The company is exposed to other price risk through its investment in quoted shares.

All secured financial liabilities have a combined carrying amount of \$XXX,XXX (\$XXX,XXX in 2012).

5. MARKETABLE SECURITIES

	2013	2012
Wyle's Acme Company	\$ 2,000	\$ 1,650
Tweetie's Bird Seed Co.	75	2,500
Sylvester's Cat Nip Inc.	1,075	1,000
	\$ 3,150	\$ 5,150

6. INVENTORIES

	2013	2012
Merchandise	\$ 797,063	\$ 717,799
Other	35,000	45,000
Supplies	25,000	30,000
	\$ 857,063	\$ 792,799

JAZZIT SIMPLE EXAMPLE LTD.
Notes to Financial Statements
Year Ended September 30, 2013
(Unaudited)

7. DUE TO SHAREHOLDERS

	2013	2012
Current portion due from shareholders		
Due to (from) individual shareholder 1 - current	\$ 150,000	\$ -
Due to (from) individual shareholder 2 - current	50,000	-
	200,000	-
Long term portion due from shareholder		
Due to (from) individ shareholder 1 - long term	125,000	-
	\$ 325,000	\$ -
Insert the details of your note here.		
Long term portion due to shareholder		
Due to (from) individ shareholder 1 - long term	\$ -	\$ 25,000

The amounts due to shareholders are non-interest bearing, have no set repayment terms and are secured by promissory notes. The shareholders have postponed repayment in favour of the bank. Accordingly, the advances from shareholders have been classified as a long term liability.

8. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2013 Net book value	2012 Net book value
Land	\$ 1,737,684	\$ -	\$ 1,737,684	\$ 1,450,000
Buildings	3,876,952	899,585	2,977,367	1,812,534
Equipment	3,807,858	2,485,904	1,321,954	1,292,957
Motor vehicles	164,086	119,966	44,120	16,608
Furniture and fixtures	610,323	387,470	222,853	170,020
	\$ 10,196,903	\$ 3,892,925	\$ 6,303,978	\$ 4,742,119

9. INCORPORATION COSTS

	2013	2012
Incorporation costs - cost	\$ 268,391	\$ 268,391
Accumulated amortization	(36,905)	(30,195)
	\$ 231,486	\$ 238,196

JAZZIT SIMPLE EXAMPLE LTD.
Notes to Financial Statements
Year Ended September 30, 2013
(Unaudited)

10. CALLABLE DEBT

	2013	2012
Royal Bank loan bearing interest at 8.5% per annum, repayable in monthly blended payments of \$14,452. The loan matures on September 13, 2020 and is secured by 1st mortgage on 123 - 4th Ave SE Calgary, AB and personal guarantees by the principals of the corporation. Loan is callable on demand.	\$ 1,573,871	\$ 1,411,685
Principal due in one year	(238,500)	(251,664)
	<u>\$ 1,335,371</u>	<u>\$ 1,160,021</u>

Principal repayment terms are approximately:

2014	\$ 238,500
2015	238,500
2016	238,500
2017	300,000
2018	558,371
	<u>\$ 1,573,871</u>

11. LONG TERM DEBT

	2013	2012
TD Canada Trust loan bearing interest at 9% per annum, repayable in monthly blended payments of \$8,000. The loan matures on October 15, 2018 and is secured by general security agreement covering the assets of the corporation.	\$ 461,129	\$ 200,000
Amounts payable within one year	(61,500)	-
	<u>\$ 399,629</u>	<u>\$ 200,000</u>

Principal repayment terms are approximately:

2014	\$ 61,500
2015	61,500
2016	61,500
2017	75,000
2018	201,629
	<u>\$ 461,129</u>

JAZZIT SIMPLE EXAMPLE LTD.
Notes to Financial Statements
Year Ended September 30, 2013
(Unaudited)

12. OBLIGATIONS UNDER CAPITAL LEASE

	2013	2012
ABC Financing lease bearing interest at 6.5% per annum, repayable in monthly blended payments of \$2,825. The lease matures on October 1, 2016 and is secured by specific assets.	\$ 125,000	\$ 150,000
Amounts payable within one year	(25,000)	(25,000)
	\$ 100,000	\$ 125,000
Future minimum capital lease payments are approximately:		
2014	\$ 26,000	
2015	26,000	
2016	26,000	
2017	26,000	
2018	26,000	
Total minimum lease payments	130,000	
Less: amount representing interest at various rates	(5,000)	
	\$ 125,000	

13. DUE TO RELATED PARTIES

	2013	2012
Long term portion due to related parties		
Due to (from) related party 1 - long term	\$ 650,000	\$ 750,000
Due to (from) related party 2 - long term	350,000	250,000
	\$ 1,000,000	\$ 1,000,000

Advances from a related company are non-interest bearing and have no set repayment terms. The company is related by ...

14. SHARE CAPITAL

Authorized:

Unlimited	Preferred shares, redeemable and retractable at \$XX
Unlimited	Common voting shares
Unlimited	Common non-voting shares

(continues)

JAZZIT SIMPLE EXAMPLE LTD.
Notes to Financial Statements
Year Ended September 30, 2013
(Unaudited)

14. SHARE CAPITAL *(continued)*

	2013	2012
Issued:		
100 Preferred shares Class #1	\$ 100	\$ 100
273 Common shares Class #1	273	273
	\$ 373	\$ 373

15. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 42.62% (2012 - 42.62%) to the income for the year and is reconciled as follows:

	2013	2012
Income before income taxes	\$ 1,063,474	\$ 1,096,405
Income tax expense at the combined basic federal and provincial tax rate:	\$ 453,253	\$ 467,288
Increase (decrease) resulting from:		
Small business deduction	(25,000)	(24,000)
Capital cost allowance claimed in excess of amortization	(35,000)	(20,236)
Non-capital loss carried forward	(1,062,185)	-
Effective tax expense	\$ (668,932)	\$ 423,052

16. CHANGES IN NON-CASH WORKING CAPITAL

	2013	2012
Accounts receivable	\$ 1,385,301	\$ (2,714,168)
Inventories	(64,264)	(792,799)
Accounts payable	1,017,475	3,489,256
Income taxes	26,471	45,383
Prepaid expenses	(608)	(5,783)
Goods and services tax payable (recoverable)	93,122	-
Management fees payable	(72,509)	546,138
Bonuses payable	250,000	-
	\$ 2,634,988	\$ 568,027