

JAZZ-IT! SIMPLE EXAMPLE LTD.
Financial Statements
Year Ended September 30, 2013
(Unaudited)

JAZZ-IT! 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 JAZZ-it! Simple Example Ltd.

We have reviewed the balance sheet of JAZZ-it! 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 "JAZZ-it!". The signature is stylized, with a large, sweeping 'J' and a prominent exclamation point.

Calgary, Alberta
November 30, 2013

CHARTERED ACCOUNTANTS

JAZZ-IT! SIMPLE EXAMPLE LTD.**Balance Sheet****September 30, 2013***(Unaudited)*

	2013	2012
ASSETS		
CURRENT		
Cash	\$ 2,843,229	\$ 736,455
Marketable securities <i>(Note 4)</i>	3,150	5,150
Accounts receivable	4,114,813	5,500,114
Inventories <i>(Note 5)</i>	857,063	792,799
Prepaid expenses	6,391	5,783
Due from shareholders <i>(Note 6)</i>	200,000	-
	8,024,646	7,040,301
PROPERTY, PLANT AND EQUIPMENT <i>(Note 7)</i>	6,312,589	4,742,119
INCORPORATION COSTS <i>(Note 8)</i>	231,486	238,196
DUE FROM SHAREHOLDERS <i>(Note 6)</i>	125,000	-
	\$ 14,693,721	\$ 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 9)</i>	238,500	251,664
Current portion of long term debt <i>(Note 10)</i>	61,500	-
Current portion of obligations under capital lease <i>(Note 11)</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 9)</i>	1,335,371	1,160,021
	7,055,707	5,517,462
LONG TERM DEBT <i>(Note 10)</i>	399,629	200,000
OBLIGATIONS UNDER CAPITAL LEASE <i>(Note 11)</i>	100,000	125,000
DUE TO RELATED PARTIES <i>(Note 12)</i>	1,000,000	1,000,000
DUE TO SHAREHOLDERS <i>(Note 6)</i>	-	25,000
	8,555,336	6,867,462
SHAREHOLDERS' EQUITY		
Share capital <i>(Note 13)</i>	373	373
Retained earnings	6,138,012	5,152,781
	6,138,385	5,153,154
	\$ 14,693,721	\$ 12,020,616

APPROVED BY THE SOLE DIRECTOR_____
Director

See notes to financial statements

JAZZ-it! Leaders in CaseWare productivity

JAZZ-IT! 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	556,874	475,075
Amortization of intangible assets	6,710	-
Bank charges	451	502
Insurance	9,863	96,747
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>
	4,305,813	5,333,280
INCOME FROM OPERATIONS	1,042,835	1,096,405
OTHER INCOME		
Dividend income	25,000	-
Gain on disposal of assets	4,000	-
Unrealized gain (loss) on other investments	<u>250</u>	<u>-</u>
	29,250	-
INCOME BEFORE INCOME TAXES	1,072,085	1,096,405
INCOME TAXES	<u>71,854</u>	<u>423,052</u>
NET INCOME	\$ 1,000,231	\$ 673,353

See notes to financial statements

JAZZ-IT! 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>1,000,231</u>	<u>673,353</u>
	6,153,012	5,152,781
DIVIDENDS PAID	<u>(15,000)</u>	-
RETAINED EARNINGS - END OF YEAR	\$ 6,138,012	\$ 5,152,781

JAZZ-IT! SIMPLE EXAMPLE LTD.**Statement of Cash Flows****Year Ended September 30, 2013***(Unaudited)*

	2013	2012
OPERATING ACTIVITIES		
Net income	\$ 1,000,231	\$ 673,353
Items not affecting cash:		
Amortization of property, plant and equipment	563,584	475,075
Gain on disposal of assets	(4,000)	-
Unrealized gain (loss) on other investments	(250)	-
Amortization of intangible assets	6,710	-
	<u>1,566,275</u>	<u>1,148,428</u>
Changes in non-cash working capital <i>(Note 15)</i>	<u>2,634,990</u>	<u>568,027</u>
Cash flow from operating activities	<u>4,201,265</u>	<u>1,716,455</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,145,437)	(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>(2,127,806)</u>	<u>(2,005,000)</u>
Cash flow used by investing activities	<u>(2,127,806)</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	<u>\$ -</u>	<u>\$ -</u>
Interest paid	<u>\$ 195,102</u>	<u>\$ -</u>
Income taxes paid	<u>\$ 45,383</u>	<u>\$ 377,669</u>

See notes to financial statements

JAZZ-IT! SIMPLE EXAMPLE LTD.

Notes to Financial Statements

Year Ended September 30, 2013

(Unaudited)

1. DESCRIPTION OF BUSINESS

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

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 are stated at cost or deemed cost less accumulated amortization. Property, plant and equipment are amortized over their estimated useful lives 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.

JAZZ-IT! SIMPLE EXAMPLE LTD.**Notes to Financial Statements****Year Ended September 30, 2013***(Unaudited)*

3. FINANCIAL INSTRUMENTS**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.

Fair Value

The company's carrying value of cash and cash equivalents, accounts receivable, and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

The fair value of amounts due to shareholders is less than carrying value because the amounts are non-interest bearing. However, because the amounts due to shareholders have no fixed repayment terms, the fair value and the exposure to related risk cannot be determined with any degree of certainty, and the amounts are therefore reported at their carrying value.

The carrying value of the long term debt approximates the fair value as the interest rates are consistent with the current rates offered to the company for debt with similar terms.

4. 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

5. INVENTORIES

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

JAZZ-IT! SIMPLE EXAMPLE LTD.**Notes to Financial Statements****Year Ended September 30, 2013***(Unaudited)***6. DUE TO SHAREHOLDERS**

	<u>2013</u>	<u>2012</u>
Current portion due from shareholders		
Due to (from) individual shareholder 1 - current	\$ 150,000	\$ -
Due to (from) individual shareholder 2 - current	50,000	-
	<u>200,000</u>	<u>-</u>
Long term portion due from shareholder		
Due to (from) individ shareholder 1 - long term	125,000	-
	<u>\$ 325,000</u>	<u>\$ -</u>
Long term portion due to shareholder		
Due to (from) individ shareholder 1 - long term	<u>\$ -</u>	<u>\$ 25,000</u>

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.

7. PROPERTY, PLANT AND EQUIPMENT

	<u>2013</u>		<u>2012</u>	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Land	\$ 1,737,684	\$ -	\$ 1,450,000	\$ -
Buildings	3,879,664	899,585	2,555,273	742,739
Equipment	3,807,858	2,480,005	3,203,882	1,910,925
Motor vehicles	164,086	119,966	119,381	102,773
Furniture and fixtures	610,323	387,470	501,777	331,757
	<u>\$ 10,199,615</u>	<u>\$ 3,887,026</u>	<u>\$ 7,830,313</u>	<u>\$ 3,088,194</u>
Net book value	<u>\$ 6,312,589</u>		<u>\$ 4,742,119</u>	

8. INCORPORATION COSTS

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

JAZZ-IT! SIMPLE EXAMPLE LTD.**Notes to Financial Statements****Year Ended September 30, 2013***(Unaudited)***9. CALLABLE DEBT**

	<u>2013</u>	<u>2012</u>
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>

10. LONG TERM DEBT

	<u>2013</u>	<u>2012</u>
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>

JAZZ-IT! SIMPLE EXAMPLE LTD.**Notes to Financial Statements****Year Ended September 30, 2013***(Unaudited)***11. OBLIGATIONS UNDER CAPITAL LEASE**

	<u>2013</u>	<u>2012</u>
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)
	<u>\$ 100,000</u>	<u>\$ 125,000</u>

Future minimum capital lease payments are approximately:

2014	\$ 26,000
2015	26,000
2016	26,000
2017	26,000
2018	<u>26,000</u>
Total minimum lease payments	130,000
Less: amount representing interest at various rates	<u>(5,000)</u>
	<u>\$ 125,000</u>

12. DUE TO RELATED PARTIES

	<u>2013</u>	<u>2012</u>
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
	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

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

13. SHARE CAPITAL

Authorized:

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

(continues)

JAZZ-IT! SIMPLE EXAMPLE LTD.**Notes to Financial Statements****Year Ended September 30, 2013***(Unaudited)***13. SHARE CAPITAL (continued)**

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

14. 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	\$ 1,072,085	\$ 1,096,405
Income tax expense at the combined basic federal and provincial tax rate:	\$ 456,923	\$ 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	\$ (665,262)	\$ 423,052

15. CHANGES IN NON-CASH WORKING CAPITAL

	2013	2012
Accounts receivable	\$ 1,385,301	\$ (2,714,168)
Inventories	(64,264)	(792,799)
Accounts payable	1,017,477	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	-
	\$ 2,634,990	\$ 568,027