Applied Inventions Management Inc.

Consolidated Financial Statements

For the Years Ended August 31, 2010, 2009 and 2008

Collins Barrow
Chartered Accountants

Collins Barrow Toronto LLP
Collins Barrow Place
11 King Street West
Suite 700, Box 27
Toronto, Ontario
M5H 4C7 Canada

T. 416.480.0160
F. 416.480.2646

www.collinsbarrow.com

AUDITORS' REPORT

To the Shareholders of
Applied Inventions Management Inc.

We have audited the consolidated balance sheets of Applied Inventions Management Inc. as at August 31, 2010, 2009 and 2008 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at August 31, 2010, 2009 and 2008 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
May 31, 2011
Toronto, Ontario

Applied Inventions Management Inc.
Consolidated Balance Sheets
As at August 31, 2010, 2009 and 2008

	2010	2009	2008
Assets	**$ -**	$ -	$ -
Liabilities			
Current			
Accounts payable and accrued liabilities	**$ 33,665**	$ 17,665	$ 15,165
Due to shareholder (Note 4)	**347,154**	343,154	343,154
Debenture (Note 5)	**31,844**	28,949	78,817
	412,663	389,768	437,136
Shareholders' Deficiency			
Capital stock (Note 7)	**2,142,923**	2,142,923	2,142,923
Contributed surplus	**731,040**	731,040	731,040
Deficit	**(3,286,626)**	(3,263,731)	(3,311,099)
	(412,663)	(389,768)	(437,136)
	$ -	$ -	$ -

Going Concern (Note 1)

Approved by the Board **"Michael Stein"** Director **(Signed)** **"Barry Polisuk"** Director **(Signed)**

Applied Inventions Management Inc.
Consolidated Statements of Operations and Deficit
Years Ended August 31, 2010, 2009 and 2008

	2010	2009	2008
Expenses			
Interest on convertible debenture (note 6)	**$ 2,895**	$ 2,632	$ 7,165
Professional fees (note 6)	**20,000**	-	-
Forgiveness of debt (note 6)	**-**	(50,000)	-
	22,895	(47,368)	7,165
Net earnings (loss)	**(22,895)**	47,368	(7,165)
Deficit, beginning of year	**(3,263,731)**	(3,311,099)	(3,303,934)
Deficit, end of year	**$ (3,286,626)**	$ (3,263,731)	$ (3,311,099)

	2010	2009	2008
Earnings (loss) per share			
Basic and diluted	**$ (0.01)**	$ 0.02	$ -

	2010	2009	2008
Weighted average number of common shares outstanding			
Basic and diluted	**2,083,529**	2,083,529	2,083,529

See accompanying notes

Applied Inventions Management Inc.
Consolidated Statements of Cash Flows
Years Ended August 31, 2010, 2009 and 2008

	2010	2009	2008
Cash provided by (used in)			
Net earnings (loss)	**$ (22,895)**	$ 47,368	$ (7,165)
Items not affecting cash			
Interest accrued	**2,895**	2,632	7,165
Forgiveness of debt	**-**	(50,000)	-
Shareholder payment of professional fees	**4,000**	-	-
	(16,000)	-	-
Net changes in non-cash working capital			
Accounts payable and accrued liabilities	**16,000**	-	-
	-	-	-
Net change in cash	**-**	-	-
Cash, beginning of year	**-**	-	-
Cash, end of year	**$ -**	$ -	$ -

See accompanying notes

1. GOING CONCERN

Applied Inventions Management Inc. (the "Company") is incorporated under the laws of the Province of Ontario and is inactive.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern which assume that the Company will realize its net assets and discharge its liabilities in the normal course of business. The Company has minimal assets. Without financial support from directors or shareholders the Company will not be able to discharge its liabilities. Management is currently identifying opportunities to reactivate the Company but there is no assurance that management will successfully do so.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Applied Inventions Management Corporation U.S.A. and Tour Technologies. The two subsidiaries are inactive.

Use of Estimates

The preparation of financial statements in conformity with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting periods. Financial results as determined by actual events could differ from those estimates. Significant estimates include the accruals with respect to amounts incurred but not yet invoiced.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes whereby future income taxes assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefits of tax loss carry forwards that are more likely than not to be realized. Future income tax assets and liabilities are measured using substantively enacted rates that are expected to be effective when recovered or settled.

The net change in recorded future income tax assets and liabilities is recognized in operations in the period in which the changes occur including any changes in the applicable future tax rates. A valuation allowance is provided when it is more likely than not that a future tax asset will not be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Loss Per Share

Basic loss per share is calculated on the basis of the weighted average number of shares outstanding for the year. The Company uses the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, only in-the-money dilutive instruments impact the diluted calculations in computing diluted earnings per share. Diluted calculations reflect the weighted average incremental common shares that would be issued upon exercise of dilutive options assuming the proceeds would be used to repurchase shares at average market prices for the period.

Financial Instruments

All financial instruments are recorded initially at fair value. In subsequent periods, all financial instruments are measured based on the classification adopted for the financial instrument: held-to-maturity, loans and receivables, held for trading, available-for-sale or other liability.

(a) Financial Assets

Held for trading assets are subsequently measured at fair value with the change in the fair value recognized in net income during the period.

Held-to-maturity assets are subsequently measured at amortized cost using the effective interest rate method.

Loans and receivables are subsequently measured at amortized cost using the effective interest rate method.

Available-for-sale assets are subsequently measured at fair value with the changes in fair value recorded in other comprehensive income, except for equity instruments without a quoted market price which are measured at cost.

(b) Financial Liabilities

Held for trading liabilities are subsequently measured at fair value with the change in the fair value recognized in net income during the period.

Other liabilities are subsequently measured at amortized cost using the effective interest rate method.

The Company has classified its financial instruments as follows:

Financial Instrument	Classification
Accounts payable and accrued liabilities	Other liabilities
Due to shareholder	Other liabilities
Convertible debenture	Other liabilities

Transaction costs related to financial instruments are expensed as incurred.

3. RECENT ACCOUNT PRONOUNCEMENTS, NOT YET ADOPTED

International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board (“AcSB”) confirmed that Canadian generally accepted accounting principles for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on and after January 1, 2011. The Company is currently in the process of evaluating the potential impact of IFRS to its financial statements. This will be an ongoing process as the International Accounting Standards Board and the AcSB issue new standards and recommendations. It is anticipated that the Company's financial results and financial position as disclosed in the Company's current Canadian GAAP financial statements will not be significantly different when presented in accordance with IFRS.

Business Combinations, Consolidations and Non-controlling Interests

In January 2009, the CICA issued Sections 1582 – Business Combinations, 1601 – Consolidated Financial Statements and 1602 – Non-controlling Interests which replaces CICA Sections 1581 – Business Combinations and 1600 - Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards (“IFRS”). Section 1582 is applicable for the Company’s business combinations with acquisition dates on or after January 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company’s interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011.

4. DUE TO SHAREHOLDER

Amounts due to shareholder include unpaid management and consulting fees and advances made on behalf of the Company. They bear no interest, are secured by a general security agreement and have no specified terms of repayment.

5. DEBENTURE

The demand debenture, principal plus accrued interest, is payable to a shareholder of the Company. It bears interest at 10% per annum, and matured on November 5, 1998 and is secured by a general security agreement. The debenture is in default and the conversion features which previously existed have lapsed.

6. RELATED PARTY TRANSACTIONS

(a) The interest of $2,895 (2009 - $2,632, 2008 - $7,165) is due to a shareholder who is also a director and officer. The interest is included in the debenture payable balance.

(b) The convertible debenture of $31,844 (2009 - $28,949 and 2008 - $78,817), consisting of principal plus accrued interest, is payable to a shareholder who is also a director and officer (see Note 5).

(c) During the year the Company accrued $5,000 (2009 - $NIL and 2008 - $NIL) for consulting fees to an officer, director and principal shareholder.

(d) In 2009, the Company sold its 581,000 common shares of Danbel Industries Inc. to a shareholder for a nominal amount. The transaction was recorded at the carrying amount and no gain or loss was realized on the transaction.

(e) In 2009, the Company recorded forgiveness of debt related to prior unpaid amounts due to a shareholder who is also a director and officer.

All related party transactions are in the normal course of operations and are measured at their exchange amounts, other than in (d) above.

7. CAPITAL STOCK

a) Authorized

unlimited	Class "A" subordinate voting convertible shares, convertible into an equal number of Class B shares at the option of the holder upon an offer to purchase all or substantially all of the Class B shares of the Company;
unlimited	Class "B" multiple voting (20 votes per share) convertible shares, convertible into an equal number of Class A shares at the option of the holder;
unlimited	Class "C" preference shares.

b) Issued and outstanding:

	Number of Shares	Amount
Class "A" subordinate shares	**1,165,314**	**$ 1,106,187**
Class "B" shares	**918,215**	**1,036,736**
Balance, August 31, 2010, 2009 and 2008	**2,083,529**	**$ 2,142,923**

8. INCOME TAXES

The following table reconciles income taxes calculated at combined Canadian federal/provincial tax rates with the income tax expense in these financial statements:

	2010	2009	2008
Earnings (loss) before income taxes	**$ (22,895)**	$ 47,368	$ (7,165)
Statutory rate	**32.00 %**	33.17 %	34.37 %
Expected income tax expense (recovery)	**$ (7,326)**	$ 15,712	$ (2,463)
Increase (decrease) resulting from:			
Expiration of losses in the year	**-**	-	12,210
Change in rates and other	**2,831**	-	3,421
Change in valuation allowance	**4,495**	-	(13,168)
Losses used in the year	**-**	(15,712)	-
Income tax expense	**$ -**	$ -	$ -

The Company's future income tax assets are estimates as follows:

	2010	2009	2008
Future income tax assets			
Non-capital losses	**$ 15,084**	$ 10,589	$ 24,082
	15,084	10,589	24,082
Less: Valuation allowance	**(15,084)**	(10,589)	(24,082)
Net future income tax asset	**$ -**	$ -	$ -

As at August 31, 2010, the Company has non-capital losses of approximately $60,000 expiring as follows:

2014	$ 9,000
2026	13,000
2027	7,000
2028	7,000
2030	24,000
	$ 60,000

The potential tax benefit relating to the non-capital loss and capital loss carryforwards have not been reflected in these consolidated financial statements.

9. FINANCIAL INSTRUMENTS

Financial Risk Management

Risk management is the responsibility of management who is of the opinion that the Company is exposed to financial risks as described below. The Company is not exposed to currency risk or credit risk.

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. As at August 31, 2010, the Company has current liabilities of $412,663 (2009 - $389,768; 2008 - $437,136) and no significant assets. As a result, the Company is dependent on obtaining additional financing to meet its current obligations.

Interest rate risk includes the risk that future cash flows or fair value will fluctuate as a result of changes in market interest rates. The Company is exposed to price interest rate risk on its debenture as it bears interest at a fixed rate.

10. CAPITAL RISK MANAGEMENT

The Company considers capital stock, contributed surplus and deficit to represent capital. As at August 31, 2010, 2009 and 2008, the Company has negative capital balances and management's objective is to maintain its ability to continue as a going concern by identifying sources for additional financing for working capital and to fund the development of a business.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the years ended August 31, 2010, 2009 and 2008.