Applied Inventions Management Corp. (formerly Applied Inventions Management Inc.)

Consolidated Financial Statements

Expressed in Canadian Dollars

For the Years Ended August 31, 2015 and 2014

Collins Barrow

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Applied Inventions Management Corp.

We have audited the accompanying consolidated financial statements of Applied Inventions Management Corp. (formerly Applied Inventions Management Inc.) which comprise the consolidated balance sheets as at August 31, 2015 and August 31, 2014 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended August 31, 2015 and August 31, 2014 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Applied Inventions Management Corp. as at August 31, 2015 and August 31, 2014, and its financial performance and its cash flows for the years ended August 31, 2015 and August 31, 2014 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes material uncertainties that cast significant doubt about Applied Inventions Management Corp.'s ability to continue as a going concern.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
November 23, 2015
Toronto, Ontario

Applied Inventions Management Corp.
(formerly Applied Inventions Management Inc.)
Consolidated Balance Sheets
Expressed in Canadian Dollars
As at August 31

		2015		2014
Assets				
Current				
Cash	$	3,674	$	852
Accounts receivable		-		5,650
	$	3,674	$	6,502
Liabilities				
Current				
Accounts payable and accrued liabilities (Note 3)	$	33,575	$	46,161
Shareholder advances - non-interest bearing (Note 4)		343,154		343,154
Shareholder advances - interest bearing (Note 5)		257,932		194,465
Debenture (Note 6)		-		46,614
		634,661		630,394
Shareholders' Deficiency				
Capital Stock (Note 7)		2,192,923		2,142,923
Contributed surplus		731,040		731,040
Deficit		(3,554,950)		(3,497,855)
		(630,987)		(623,892)
	$	3,674	$	6,502

Nature of Business and Going Concern (Note 1)

Approved by the Board ____________ Director ____________ Director

See accompanying notes

Applied Inventions Management Corp.
(formerly Applied Inventions Management Inc.)
Consolidated Statements of Loss and Comprehensive Loss
Expressed in Canadian Dollars
Years Ended August 31

		2015		2014
Expenses				
Bank charges	**$**	**212**	$	210
Interest on debenture and shareholder advances (Note 9)		**22,667**		19,983
Professional fees (Note 9)		**34,216**		41,624
		57,095		61,817
Net loss and comprehensive loss for the year	**$**	**(57,095)**	$	(61,817)
Loss per share				
Basic and diluted	**$**	**(0.04)**	$	(0.09)
Weighted average number of common shares outstanding				
Basic and diluted		**1,491,244**		694,441

Applied Inventions Management Corp.
(formerly Applied Inventions Management Inc.)
Consolidated Statements of Changes in Equity
Expressed in Canadian Dollars
Years Ended August 31, 2015 and 2014

	Capital Stock (Note 7)	Contributed Surplus	Deficit	Total
Balance, September 1, 2013	**$ 2,142,923**	**$ 731,040**	**$ (3,436,038)**	**$ (562,075)**
Net loss and comprehensive loss	-	-	(61,817)	(61,817)
Balance, August 31, 2014	**$ 2,142,923**	**$ 731,040**	**$ (3,497,855)**	**$ (623,892)**
Net loss and comprehensive loss	-	-	(57,095)	(57,095)
Issuance of Class "B" shares for debt settlement (Note 7)	$ 50,000	$ -	$ -	$ 50,000
Balance, August 31, 2015	**$ 2,192,923**	**$ 731,040**	**$ (3,554,950)**	**$ (630,987)**

Applied Inventions Management Corp.
(formerly Applied Inventions Management Inc.)
Consolidated Statements of Cash Flows
Expressed in Canadian Dollars
Years Ended August 31

		2015		2014
Cash provided by (used in)				
Operations				
Net loss and comprehensive loss	**$**	**(57,095)**	$	(61,817)
Items not affecting cash				
Interest accrued on debentures and shareholder advances		**22,667**		19,983
Shareholder payment of professional fees		**23,160**		26,383
		(11,268)		(15,451)
Net changes in non-cash working capital				
Accounts payable and accrued liabilities		**7,440**		11,100
Accounts receivable		**5,650**		-
		1,822		(4,351)
Financing				
Shareholder advances		**1,000**		4,805
Net change in cash		**2,822**		454
Cash, beginning of year		**852**		398
Cash, end of year	**$**	**3,674**	$	852

1. NATURE OF BUSINESS AND GOING CONCERN

On August 29, 2014, the Company filed articles of amendment changing its name from Applied Inventions Management Inc. to Applied Inventions Management Corp.

Applied Inventions Management Corp. (the "Company"), is incorporated under the laws of the Province of Ontario. The Company has no assets other than a minimal amount of cash. The Company carries on the business of identification and evaluation of assets or businesses with a view to completing a potential transaction.

While these consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis that presumes the realization of assets and discharge of liabilities in the normal course of business, there are material uncertainties related to adverse conditions and events that cast significant doubt on the Company's ability to continue as a going concern.

The registered office of the Company is located at 1 Adelaide Street East Suite 801 Toronto, Ontario M5C 2V9.

During the year ended August 31, 2015, the Company incurred a loss of $57,095 (2014 - $61,817) and, as of that date, the Company had accumulated deficit of $3,554,950 (2014 - $3,497,855), a working capital deficiency of $630,987 (2014 - $623,892) and cash flows from operations of $1,822 (2014 - $(4,351)). These factors create material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

The Company's continuing ability to meet its obligations as they come due is dependent upon continued financial support from related parties (Notes 4, 5, and 9) and its ability to raise additional funds through the issuance of shares or debt.

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. Such adjustments would be material.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with IFRS and their interpretations adopted by the International Accounting Standards Board ("IASB").

The consolidated financial statements of the Company for the year ended August 31, 2015 were approved and authorized for issue by the Board of Directors on November 23, 2015.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Basis 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.

Functional and Presentation Currency

These consolidated financial statements have been prepared in Canadian dollars, which is the Company's and its subsidiaries' functional currency.

Financial Instruments

Financial assets classified as fair value through profit and loss ("FVTPL") are measured at fair value with any resultant gain or loss recognized in profit or loss. Financial assets classified as loans and receivables and held to maturity, are measured at amortized cost using the effective interest rate method.

All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. Financial liabilities are classified as other financial liabilities, and are subsequently measured at amortized cost using effective interest rate method.

The Company's financial assets include cash and accounts receivable while the Company's financial liabilities include accounts payable and accrued liabilities, shareholder advances, and debenture. Classification of these financial instruments is as follows:

Financial Instrument		Classification
Cash		FVTPL
Accounts receivable		Loans and receivables
Accounts payable and accrued liabilities		Other financial liabilities
Shareholder advances	- non-interest bearing	Other financial liabilities
	- interest bearing	Other financial liabilities
Debenture		Other financial liabilities

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

Financial instruments recorded at fair value on the consolidated balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Company's financial instruments measured at fair value on the consolidated balance sheet consist of cash. Cash is measured at level 1 of the fair value hierarchy.

Loss Per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding, if any, that may add to the total number of common shares. If the number of common shares outstanding increases or decreases as a result of share split or consolidation, the calculation of basic and diluted loss per share for all periods presented, is adjusted retrospectively.

Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income Taxes (Cont'd)

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it does not record that excess.

Significant Accounting Judgments and Estimates

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities. The estimates and associated assumptions are based on anticipations and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods. The significant estimate used in the preparation of these consolidated financial statements is the collectibility of accounts receivable. The significant judgments made by management in the preparation of these consolidated financial statements is the fair value of the shares issued to settle the debenture during the year and the assumption that the Company will continue as a going concern.

Recent Accounting Pronouncements

The International Accounting Standards Board (“IASB”) issued a number of new and revised standards, amendments and related interpretations which are effective for the Company’s financial year beginning on or after September 1, 2015. Many are not applicable or do not have a significant impact on the Company and so have been excluded from the list below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

Expressed in Canadian Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Recent Accounting Pronouncements (Cont'd)

(a) IFRS 9 Financial Instruments was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. A new hedge accounting model is introduced and represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. Earlier application is permitted.

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015	2014
Trade payables	**$ 27,075**	$ 39,166
Accrued liabilities:		
Legal	**-**	495
Audit and accounting	**6,500**	6,500
	$ 33,575	$ 46,161

4. SHAREHOLDER ADVANCES - NON-INTEREST BEARING

Shareholder advances include unpaid management and consulting fees and advances made on behalf of the Company prior to September 1, 2009. They bear no interest, are secured by a general security agreement and have no specified terms of repayment.

5. SHAREHOLDER ADVANCES - INTEREST BEARING

Shareholder advances, principal plus accrued interest, include advances made by the current controlling shareholder who is also a director and officer of the Company since September 1, 2009. The advances bear interest at the rate of 10% per annum calculated monthly, are secured by a general security agreement and have no specified terms of repayment.

Expressed in Canadian Dollars

6. DEBENTURE

The demand debenture, principal plus accrued interest, was payable to the current controlling shareholder of the Company who is also a director and officer. It bore interest at 10% per annum, and matured on November 5, 1998 and was secured by a general security agreement. The debenture was in default and the conversion features which previously existed have lapsed. This debenture was settled as part of an overall debt settlement on September 2, 2014 by the issuance of 833,333 Class "B" Multiple Voting Shares (Note 7c).

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:

Common Shares	Number of Class A Shares	Amount	Number of Class B Shares	Amount
Balance, August 31, 2013 and 2014	388,435	$ 1,106,187	306,006	$ 1,036,736
Issuance of Class B shares	-	-	833,333	50,000
Balance as at August 31, 2015	**388,435**	**$ 1,106,187**	**1,139,339**	**$ 1,086,736**

c) Share issuance:

On September 2, 2014, a current shareholder, officer and director of the Company was issued 833,333 Class "B" multiple voting shares of the Company as a settlement of debt owed to him of $50,000, which was outstanding as at the August 31, 2014 year end. As a result, the shareholder became the controlling shareholder of the Company.

Expressed in Canadian Dollars

8. INCOME TAXES

Provision for Income Taxes

The Company's effective income tax rate differs from the amount that would be computed by applying the combined federal and provincial statutory rate of 26.50% (2014 - 26.50%) to the net loss and comprehensive loss for the period. The reason for the difference is as follows:

	2015	2014
Loss before income taxes	$ (57,095)	$ (61,817)
Statutory rate	26.50 %	26.50 %
Expected income tax recovery	$ (15,130)	$ (16,382)
Increase (decrease) resulting from:		
Change in deferred tax assets not recognized	15,130	16,382
Income tax expense	$ -	$ -

The Company's deferred income tax assets are estimated as follows:

	2015	2014
Deferred income tax assets		
Non-capital losses	$ 74,470	$ 59,340
Less: Deferred tax assets not recognized	(74,470)	(59,340)
Net deferred income tax asset	$ -	$ -

Losses Carried Forward

As at August 31, 2015, the Company has non-capital losses for income tax purposes of approximately $281,000 available to apply against future taxable income. If not utilized, the non-capital losses will expire as follows:

2026	$ 6,000
2028	5,000
2030	1,000
2031	56,000
2032	55,000
2033	39,000
2034	62,000
2035	57,000
	$ 281,000

9. RELATED PARTY TRANSACTIONS

(a) The interest expense of $22,667 (2014 - $19,983) is due to the current controlling shareholder who is also a director and officer of the Company. This balance includes $nil (2014 - $4,236) interest accrued on the debenture payable which was settled in exchange for Class "B" Multiple Voting Shares on September 2, 2014. The remaining balance $22,667 (2014 - $15,747) is interest accrued on outstanding shareholder advances that are interest bearing.

(b) As at August 31, 2014 the Company had a demand debenture payable of $46,614 consisting of principal plus accrued interest, payable to the current controlling shareholder who is also a director and officer (Note 7c).

(c) As at August 31, 2015 the Company has Shareholder Loans due to the current controlling shareholder who is also an officer and director of the Company, consisting of a $343,154 (2014 - $343,154) non-interest bearing advance and a $257,932 (2014 - $194,465) advance bearing interest at 10% per annum, both advances being secured by a general security agreement.

(d) Included in accounts payable and accrued liabilities is $12,500 (2014 - $12,500) related to consulting fees owed to a officer, director and current controlling shareholder.

All related party transactions are in the normal course of operations and are measured at their exchange amounts.

10. STOCK OPTION PLAN

The Company's stock option plan provides options that can be exercised for a maximum of 10% of the issued and outstanding Class "A" Subordinate Voting Shares and a maximum of 10% of the issued and outstanding Class "B" Multiple Voting Shares on the date of grant.

No options to purchase common shares were granted under the plan to date. As at August 31, 2015, there are no stock options to purchase shares granted.

11. CAPITAL RISK MANAGEMENT

The Company considers capital stock, contributed surplus and deficit to represent capital. As at August 31, 2015 and 2014, the Company has a shareholders' deficiency and management's objective is to maintain its ability to continue as a going concern (Note 1).

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, 2015 and 2014.

12. FINANCIAL INSTRUMENTS AND RISK FACTORS

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's financial instruments comprised of cash, accounts receivable, accounts payable and accrued liabilities and shareholder advances, approximate fair values due to the relatively short term maturities of the instruments. It is management's opinion that the Company is not exposed to significant interest and currency risks.

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company minimizes its credit risk by maintaining cash at major banks and financial institutions.

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. As at August 31, 2015, the Company has current liabilities of $634,661 (2014 - $630,394) and no significant assets other than a cash balance of $3,674 (2014 - $852) and accounts receivable balance of $nil (2014 - $5,650). As a result, the Company is dependent on obtaining additional financing to meet its current obligations. $16,524 (2014 - $30,045) of the Company's accounts payable have been outstanding for over 90 days.