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# **HPB Investments Inc.**

**FINANCIAL STATEMENTS**  
**For the years ended December 31, 2014 and 2013**

**(Amounts expressed in Canadian Dollars)**

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# **HPB Investments Inc.**

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**Years ended December 31, 2014 and 2013**  
(Amounts expressed in Canadian Dollars)

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# **Schwartz Levitsky Feldman Iip**

CHARTERED ACCOUNTANTS  
LICENSED PUBLIC ACCOUNTANTS  
TORONTO • MONTREAL

## **INDEPENDENT AUDITOR'S REPORT**

### **To the Shareholders of HPB Investments Inc.**

We have audited the accompanying financial statements of HPB Investments Inc., which comprise the statements of financial position as at December 31, 2014 and 2013, and the statements of operations and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these 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 audit 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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.

2300 Yonge Street, Suite 1500, Box 2434  
Toronto, Ontario M4P 1E4  
Tel: 416 785 5353  
Fax: 416 785 5663

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of HPB Investments Inc. as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

**Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 1 to the financial statements which indicates that the Company has no current sources of revenue, has incurred a loss of \$80,184 during the year ended December 31, 2014 and has an accumulated deficit of \$747,577. These conditions, along with other matters as set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

**/s/SCHWARTZ LEVITSKY FELDMAN LLP**

Toronto, Ontario  
April 15, 2015

Chartered Accountants  
Licensed Public Accountants

**HPB Investments Inc.**  
**Statements of Financial Position**  
*(Amounts expressed in Canadian Dollars)*

	December 31, 2014	December 31, 2013
<b>Assets</b>		
Cash	\$ 34,178	\$ -
<b>Total Assets</b>	<b>\$ 34,178</b>	<b>\$ -</b>
<b>Liabilities and Shareholders' Deficiency</b>		
<b>Current:</b>		
Accounts payable and accrued liabilities	114,161	44,799
Notes payable (note 6)	154,604	109,604
<b>Total Liabilities</b>	<b>268,765</b>	<b>154,403</b>
<b>Shareholders' Deficiency</b>		
Share capital (note 3)	512,990	512,990
Deficit	(747,577)	(667,393)
<b>Total Shareholders' Deficiency</b>	<b>(234,587)</b>	<b>(154,403)</b>
<b>Total Liabilities and Shareholders' Deficiency</b>	<b>\$ 34,178</b>	<b>\$ -</b>

Nature of Operations and Going Concern (note 1)  
 Related party Transactions (note 7)  
 Subsequent Event (note 9)

Approved on behalf of the Board:



“ \_\_\_\_\_ ” **Director**



“ \_\_\_\_\_ ” **Director**

**HPB Investments Inc.**  
**Statements of Operations and Comprehensive loss**  
*(Amounts expressed in Canadian Dollars)*

	Year ended December 31, 2014	Year ended December 31, 2013
<b>Expenses</b>		
General and administrative	\$ 72,624	\$ 5,975
Audit fees	7,560	3,500
<b>Net Loss and Comprehensive Loss</b>	<b>\$ (80,184)</b>	<b>\$ (9,475)</b>
<b>Loss per Share-Basic and Diluted</b>	<b>(0.005)</b>	<b>(0.0006)</b>
<b>Weighted Average Number of Common Shares outstanding -Basic and Diluted</b>	<b>15,780,000</b>	<b>15,780,000</b>

**HPB Investments Inc.**  
**Statements of Changes in Shareholders' Deficiency**  
*(Amounts expressed in Canadian Dollars)*

	Number of Shares	Share Capital	Deficit	Total Shareholders' Deficiency
Balance January 1, 2012	15,780,000	\$ 512,990	\$ (657,918)	\$ (144,928)
Loss for the year			(9,475)	(9,475)
<b>Balance December 31, 2013</b>	<b>15,780,000</b>	<b>512,990</b>	<b>(667,393)</b>	<b>(154,403)</b>
Loss for the year			(80,184)	(80,184)
<b>Balance December 31, 2014</b>	<b>15,780,000</b>	<b>512,990</b>	<b>\$ (757,577)</b>	<b>\$ (234,587)</b>

**HPB Investments Inc.**  
**Statements of Cash Flows**  
*(Amounts expressed in Canadian Dollars)*

	Year ended December 31, 2014	Year ended December 31, 2013
<b>Cash flow used in operating activities:</b>		
<b>Net loss for the year</b>	\$ (80,184)	\$ (9,565)
<b>Changes in non-cash balances related to operations:</b>		
Accounts payable and accrued liabilities	69,362	9,565
<b>Cash flow used in operating activities</b>	<b>(10,822)</b>	-
<b>Cash flow from financing activities:</b>		
Notes payable	45,000	-
<b>Cash flow provided by financing activities</b>	<b>45,000</b>	-
<b>Increase in cash during the year</b>	<b>34,178</b>	-
<b>Cash, beginning of year</b>	-	-
<b>Cash, end of year</b>	<b>\$ 34,178</b>	<b>\$ -</b>



## **1. Nature of Operations and Going Concern**

HPB Investments Inc. was incorporated under the laws of Canada having its head office and registered office at 11 King Street West, Suite 700, Box 27, Toronto, Ontario, M5H 4C7 ("HPB" or the "Company"). On May 12, 1999, HPB acquired all the issued and outstanding common shares of Housewarmers Inc., a private company. Housewarmers Inc. is a corporation engaged in the development and marketing of customer acquisition and retention programs for retailers and other consumer providers. The aggregate purchase price was \$182,002, which was satisfied with \$23,668 of cash on hand and the issue of 5,000,000 common shares of HPB valued at \$158,334. The acquisition was accounted for using the purchase method.

On July 9, 2001, the shareholders of HPB approved the sale of Housewarmers Inc. to Alice Bowers, a 27.1% shareholder of HPB in exchange for the return to treasury of 4,000,000 common shares of HPB.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred a loss of \$80,184 during the year ended December 31, 2014 and has accumulated losses of \$747,577 since inception. The Company's ability to continue as a going concern is dependent on its ability to complete a Qualifying Transaction, complete sufficient public equity financing including the IPO and generate profitable operations in the future.

The Company was able to obtain a non-interest bearing note from its directors in the prior years, which is repayable on demand. The Company has not been active after the sale of Housewarmers Inc. in 2001 and has no established business.

The Company's ability to achieve and maintain profitable operations is dependent upon the Company to establish its market. The Company has recurring losses and has reported operating losses for the year ended December 31, 2014. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

## **2. Significant accounting policies**

### **a) Basis of presentation and statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

**2. Significant accounting policies - Cont'd**

These financial statements were authorized for issue on April 15, 2015 by the Board of Directors of the Company.

b) Basis of presentation

These financial statements have been prepared on the historical cost basis. In addition, these financial statements are prepared using the accrual basis.

c) Functional and presentation currency

These financial statements are presented in Canadian dollars which is the Company's functional currency.

d) Use of Estimates and Judgments

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the determination of accruals and the determination of the recoverability for deferred tax assets.

e) Income Taxes

Income tax expense comprises of current and deferred taxes. Current tax and deferred tax are recognized in profit or loss to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and including any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**2. Significant accounting policies - Cont'd**

f) Earnings or loss per share

Basic earnings or loss per share is computed by dividing the net loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings or loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

g) Financial Instruments

Recognition and measurement

The Company has classified all of its financial assets as being either: (i) fair value through profit or loss, (ii) loans and receivables or (iii) held-to-maturity and has classified its financial liabilities as being either (i) fair value through profit or loss or (ii) other financial liabilities. All financial assets and liabilities are initially measured at fair value and are subsequently measured as follows:

<u>Asset/Liability</u>	<u>Category</u>	<u>Measurement</u>
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Notes Payable	Other financial liabilities	Amortized cost

The company uses the fair value hierarchy to categorize the inputs used to measure the fair value of financial assets and financial liabilities, the levels of which are:

Level 1-inputs are unadjusted quoted prices of identical instruments in active markets;

Level 2-inputs are other than quoted prices included in level 1, but that are observable for the asset or liability, either directly or indirectly; and

Level 3-inputs are not based on observable market data.

The fair value of accounts payable and accrued liabilities and notes payable approximate their carrying values due to the short-term nature of these instruments.

h) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account risks and uncertainty of cash flow.

**HPB Investments Inc.**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**  
*(Amounts expressed in Canadian Dollars)*

**2. Significant accounting policies - Cont'd**

i) Recent accounting pronouncements not yet adopted:

IFRS 9 "Financial Instruments". This standard is the result of the first phase of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. IFRS 9 will be effective for annual periods beginning on or after January 1, 2018.

**3. Share capital**

Authorized

unlimited Class "A" shares, voting, fixed preferential non-cumulative dividend of \$0.08 per share, redeemable and retractable at \$1 per share

unlimited Class "B" shares, non-voting, fixed preferential non-cumulative dividend of \$0.08 per share, redeemable and retractable at \$1 per share

unlimited Class "C" shares, non-voting

unlimited common shares

Issued

	<b>Common Shares</b>	<b>Amount</b>
		\$
Incorporation	100	<b>100</b>
Issued during 1998	9,999,900	<b>440,000</b>
Issued during 1999 on acquisition of Housewarmers Inc.	5,000,000	<b>158,334</b>
Redeemed in 1999	(220,000)	<b>(8,777)</b>
Cancellation in 2001 on sale of Housewarmers Inc.	(4,000,000)	<b>(126,667)</b>
Issued in 2001 for settlement of notes payable	5,000,000	<b>50,000</b>
<b>Balance at December 31, 2014 and 2013</b>	<b>15,780,000</b>	<b>\$512,990</b>

The Company did not issue any shares during the years 2014 and 2013.

On July 9, 2001, the shareholders of HPB approved the sale of Housewarmers Inc. to Alice Bowers, a 27.1% shareholder of HPB in exchange for the return to treasury of 4,000,000 common shares of HPB.

#### 4. Capital Management

The Company has been dormant for over ten years and has not raised any cash nor has it done any business. The Board of Directors are working to conclude a business transaction in order to sustain the future development of the business.

#### 5. Financial Instruments

a) Fair value

The Company's financial instruments as of December 31, 2014 and 2013 include accounts payable and accrued liabilities and notes payable.

The fair value of financial instruments is summarized as follows:

The carrying amount of accounts payable and accrued liabilities approximates fair value because of their short-term maturities.

The fair value of the notes payable approximates its fair value because of the short-term maturity and are payable on demand.

b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company has no assets and a negative working capital. The Company continuously monitors its working capital position and maintains a strict control over its expenses. The Board of directors are working to conclude a business transaction.

#### 6. Notes Payable

The notes payable are non-interest bearing and due on demand. Included in notes payable are amounts of \$ 154,604 (2013-\$109,604) due to directors of the Company.

#### 7. Related Party Transactions

(i) The Company's cash flow requirements in the past have been funded by directors in the form of debt

	<u>December 31,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
Notes payable to directors	<u>\$ 154,604</u>	<u>\$ 109,604</u>

These notes payable are non –interest bearing and due on demand.

(ii) Included in general and administrative costs is a charge of \$45,000 for services providing by a company which is a shareholder of the Company.

**HPB Investments Inc.**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**  
*(Amounts expressed in Canadian Dollars)*

**8. Income Taxes**

a) Current income tax

Income tax expense related to loss for the period is reconciled to the dollar amount of income tax using statutory rate as follows:

	<b>2014</b>	<b>2013</b>
Net loss	\$ (80,184)	\$ (9,475)
Expected Income Tax rate	<b>26.5%</b>	26.5%
Expected income tax recovery	\$ (21,248)	\$ (2,511)
Change in unrecognized deferred tax asset	<b>21,248</b>	2,511
Income tax expenses	<b>\$ -</b>	<b>\$ -</b>

b) Deferred income tax assets

The significant component of the Company's unrecognized deferred income tax asset is as follows:

	<b>2014</b>	<b>2013</b>
Deductible temporary difference:		
Non-capital loss carried forward	\$ 125,582	\$ 45,398
Deferred tax asset	<b>33,280</b>	12,030
Less: unrecognized deferred tax asset	<b>(33,280)</b>	(12,030)
	<b>\$ -</b>	<b>\$ -</b>

No deferred tax assets have been recognized in respect of the above, since the amount of future taxable income that may be available to realize such assets is not probable.

As at December 31, 2014, the Company had unused income tax losses of a non-capital nature of approximately \$125,582 (2013 - \$45,398) for Canadian Income tax purposes available to reduce income in future years expiring as follows:

2029		8,707
2030	\$	1,516
2031		16,135
2032		9,565
2033		9,475
2034		80,184
	\$	125,582

**9. Subsequent Event**

On January 26, 2015, HPB enter into a non-binding letter of intent with Bradstone Financial Corp. ("Bradstone") such that HPB and Bradstone would merge. If the transaction is completed the shareholders' of Bradstone, through a reverse take-over would obtain control of HPB. The completion of transaction is subject to the completion of a merger agreement between Bradstone and HPB and approval of the transaction by the shareholders of HPB and applicable regulatory agencies.