

PBS Holding, Inc.

Consolidated Financial Statements
For the Twelve Months Ended December 31, 2014
(Unaudited)

PBS Holding, Inc.

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PBS Holding, Inc.
Balance Sheet
January through December 2014
(unaudited)

	<u>Dec. 31, 2014</u>	<u>Dec. 31, 2013</u>
ASSETS		
Current Assets		
Checking/Savings	-559	1,657
Total Current Assets	<u>-559</u>	<u>1,657</u>
Fixed & Other Assets		
Accounts Receivable	297,236	
Inventory	105,032	
Investment in Subsidiaries	1,287,458	1,287,458
Notes Receivable	150,905	8,000
Manufacturing Rights	<u>55,000</u>	<u>-</u>
Total Fixed & Other Assets	<u>1,895,631</u>	<u>1,297,115</u>
TOTAL ASSETS	<u>1,895,072</u>	<u>1,297,115</u>
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable	5,245	-
Accrued Payables & Accrued Expenses	541,942	541,942
Accrued Salaries & Wages	247,500	-
Customer Deposits	8,000	-
Short-term Notes Payable	252,037	3,800
Loans from Shareholders	<u>12,000</u>	<u>12,000</u>
Total Current Liabilities	<u>1,066,724</u>	<u>557,742</u>
Long Term Liabilities		
Notes Payable	<u>3,242,657</u>	<u>2,759,493</u>
Total Long Term Liabilities	<u>3,242,657</u>	<u>2,759,493</u>
Total Liabilities	<u>4,309,381</u>	<u>3,317,235</u>
Equity		
Preferred stock , par value \$.001, 25,000,000 shares authorized, 4,271,501 shares issued and outstanding as of December 31, 2013; and 4,245,501 issued and outstanding as of Sept. 30, 2014	4,246	4,272
Common stock , par value \$.001, 3,000,000,000 shares authorized, 234,922,890 shares issued and outstanding as of December 31, 2013; and 2,234,319,676 shares issued and outstanding as of December 31, 2014	2,234,320	234,923
Additional Paid-In Capital	2,426,550	2,426,550
Adjustments to Equity	(2,328,412)	(281,592)
Accumulated Deficit	(4,404,273)	(4,250,030)
Net Income	<u>(346,740)</u>	<u>(154,243)</u>
Total Shareholders' Equity (Deficiency)	<u>(2,414,309)</u>	<u>(2,020,120)</u>
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	<u>1,895,072</u>	<u>1,297,115</u>

PBS Holding, Inc.
Profit Loss
January through December 2014
(Unaudited)

	12 Months Ended Dec. 2014	12 Months Ended Dec. 2013
Ordinary Income/Expense		
Income		
Interest Income	0	
Sales	297,830	42
Total Income	297,830	42
Cost of Goods Sold		
Merchant Account Fees	1,337	881
Purchases - Resale Items	0	30,000
Product Samples	94	
Raw Materials	14,997	-
Total Cost of Goods Sold	16,428	30,881
Gross Profit	281,402	-30,839
Expense		
Advertising and Promotion	10,107	2,655
Automobile Expense	6,657	2,317
Bank Service Charges	3,356	697
Computer & Internet Expense	12,355	16,608
Consulting Expense	17,950	-
General & Administrative Expenses	251,202	82,371
Independent Contractors	22,959	-
Meals & Entertainment	3,330	980
Office Supplies	1,315	325
Payroll Taxes & Expenses	21,166	8,700
Professional & Legal fees	17,470	7,840
Rent Expense	27,374	-
Repairs & Maintenance	2,721	-
Salaries and Wages	208,924	-
Telephone Expense	1,541	380
Tools & Equipment	8,575	-
Travel Expense	10,614	530
Utilities	527	-
Total Expenses	628,142	123,403
Other Income/Expense		
Other income from operating account writeoffs	0	0
Current portion of Interest on Notes Payable	0	0
Gain on sale of assets & liabilities	0	0
Provision For Income Taxes	0	0
Total Expense	628,142	123,403
Net Ordinary Income	(346,740)	(154,242)
Net (loss) Income	(346,740)	(154,242)

PBS HOLDING, INC.
STATEMENT OF STOCKHOLDERS EQUITY (DEFICIT)
FOR THE PERIOD ENDED December 31, 2014
(Unaudited)

	Common Stock		Preferred Stock		Paid-in Capital	Retained Earnings	Adjustments to Equity	Profit (Loss)	Total Equity
	Shares	Amount	Shares	Amount					
Balance, December 31, 2013 (unaudited)	<u>234,922,890</u>	<u>\$ 234,923</u>	<u>4,271,501</u>	<u>\$ 4,272</u>	<u>\$ 2,426,550</u>	<u>\$ (4,250,030)</u>	<u>\$ (281,592)</u>	<u>(154,243)</u>	<u>\$ (2,020,121)</u>
Shares issued from debt conversions	83,553,516	83,554	0	-					
Shares issued for services	50,000,000	50,000	0	-					
Shares issued for Compensation	140,000,000	140,000	0	-					
Shares issued Rule 144-Stock Purchase	33,500,000	33,500	0	-					
Net Profit (Loss)								(26,162)	
Balance, March 31, 2014 (unaudited)	<u>541,976,406</u>	<u>\$ 541,976</u>	<u>4,251,501</u>	<u>\$ 4,252</u>	<u>\$ 2,426,550</u>	<u>\$ (4,404,273)</u>	<u>\$ (638,624)</u>	<u>\$ (26,162)</u>	<u>\$ (2,096,281)</u>
Shares issued from debt conversions	98,134,577	98,135	0	-					
Shares issued for services	230,000,000	230,000	0	-					
Shares issued for Compensation	350,000,000	350,000	0	-					
Shares issued Rule 144-Stock Purchase	27,202,500	27,203	0	-					
Net Profit (Loss)								(313,983)	
Balance, June 30, 2014 (unaudited)	<u>1,247,313,483</u>	<u>\$ 1,247,313</u>	<u>4,251,501</u>	<u>\$ 4,252</u>	<u>\$ 2,426,550</u>	<u>\$ (4,404,273)</u>	<u>\$ (1,243,913)</u>	<u>\$ (340,145)</u>	<u>\$ (2,310,216)</u>
Shares issued from debt conversions	448,422,054	448,422	0	-					
Shares issued for services	0	-	0	-					
Shares issued for Compensation	0	-	0	-					
Shares issued Rule 144-Stock Purchase	40,600,000	40,600	0	-					
Net Profit (Loss)								69,056	
Balance, Sept. 30, 2014 (unaudited)	<u>1,736,335,537</u>	<u>\$ 1,736,336</u>	<u>4,245,501</u>	<u>\$ 4,246</u>	<u>\$ 2,426,550</u>	<u>\$ (4,404,273)</u>	<u>\$ (1,830,428)</u>	<u>\$ (271,089)</u>	<u>\$ (2,338,659)</u>
Shares issued from debt conversions	497,984,139	497,984	0	-					
Shares issued for services	0	-	0	-					
Shares issued for Compensation	0	-	0	-					
Shares issued Rule 144-Stock Purchase	0	-	0	-					
Net Profit (Loss)								(75,651)	
Balance, Dec. 31, 2014 (unaudited)	<u>2,234,319,676</u>	<u>\$ 2,234,320</u>	<u>4,245,501</u>	<u>\$ 4,246</u>	<u>\$ 2,426,550</u>	<u>\$ (4,404,273)</u>	<u>\$ (2,328,412)</u>	<u>\$ (346,740)</u>	<u>\$ (2,414,309)</u>

PBS Holding, Inc.
Statement of Cash Flows
January through December 2014
(Unaudited)

	Jan.-Dec. 2014	Jan.-Dec. 2013
OPERATING ACTIVITIES		
Net Income	(346,740)	(154,243)
Adjustments to reconcile Net Income to net cash provided by operations:		
Accounts receivable	(297,236)	-
Accrued Salary & Wages	150,000	
Other assets	0	(3,644)
Accounts payable	102,082	3,800
Inventory	(105,032)	-
Notes payable	691,800	40,651
Net cash provided by Operating Activities	194,875	(113,436)
INVESTING ACTIVITIES		
Notes Receivable	(142,905)	(8,000)
Manufacturing Rights acquisition	(55,000)	-
Net cash used by Investing Activities	(197,905)	(8,000)
FINANCING ACTIVITIES		
Net principal of debt extinguished	0	73,750
Issuance of Capital Stock	0	38,135
Due to shareholders	0	12,000
Net cash provided by Financing Activities	0	123,885
Net cash increase for period	(3,030)	2,450
Cash at beginning of period	2,471	21
Cash at end of period	(559)	2,471

PBS HOLDING, INC.

Notes to Financial Statements FOR THE 12 MONTHS ENDED December 31, 2014

NOTE 1 - Organization and Nature of Business History

The Company was incorporated in the State of Nevada in 1996 under the name of Anonymous Data Corporation. The Company went through various name changes over the years, and on September 20, 2005 its name was changed to PBS Holding, Inc.

On or about November 4, 2002, the Company effected a 1 for 2,500 reverse stock split with respect to its outstanding shares of Common Stock. In, 2005 the Company effected another reverse stock split of 1 for 8 shares of Common Stock.

On February 28, 2003 the Company purchased all of the outstanding shares of AHJR, Inc. (AHJR), a Texas corporation, in a stock for stock transaction. AHJR was previously owned principally by Patrick Matthews, the primary shareholder of the Company at that time and its President and Chief Executive Officer. In the stock for stock transaction the Company acquired all of the shares of AHJR in exchange for 9,050,000 post split shares of restricted common stock.

The Company re-domiciled to Wyoming on April 8, 2014

Organization

PBS Holding, Inc. is the parent of its wholly owned subsidiary; Starfest Direct, Inc.

The original business of the Company is to operate in the human resources outsourcing industries with particular emphasis in the professional employer organization (PEO) industry and the temporary staffing services industry.

However, On November 15, 2010, the Company executed a Stock Purchase Agreement to sell 8,549,198 shares of common stock of PBS Holding, Inc. ("PBHG") from Rick Matthews, an individual. The sale of PBHG stock was completed on November 15, 2010. The consideration for the PBHG shares consist of \$48,000.00 payable as follows: (i) \$25,000.00 in secured funds by certified payment, wire or cash to Seller; and (ii) \$15,000.00 in secured funds by certified payment, wire or cash to Tuggey Rosenthal Pauerstein Sandoloski Agather, LLP.

As a result of the referenced purchase, Artfest International, Inc. became the majority shareholder of PBS Holding, Inc. The Agreement was concluded with the Bill of Sale and Assumption Agreement, dated February 17, 2011, after PBHG complied with the purchase requirements.

In the first quarter of 2011 the company purchased 90 percent of the outstanding equity of the Dallas Diamonds for \$75,000 dollars, or 18,750 shares of PBHG 144 restricted shares at \$ 4.00 per share.

In the first quarter of 2012, the Company sold the Dallas Diamonds to Artfest International, Inc.

PBS HOLDING, INC.

Notes to Financial Statements FOR THE 12 MONTHS ENDED December 31, 2014

NOTE 2 - Summary of Significant Accounting Policies, Principles of Consolidation

During the first Quarter of 2014, PBS Holding, Inc. acquired the exclusive rights and technology to manufacture and distribute worldwide, proprietary technology in converting the components of water (hydrogen/oxygen) to fuel. PBS moved this Atlanta based manufacturing and distribution center to Dallas where it was placed into and operates under the name Water To Fuel Technology Inc., a subsidiary of PBS Holding Inc.

The accompanying consolidated financial statements include the accounts of PBS Holding, Inc (parent), its wholly owned subsidiary Starfest Direct, and Water to Fuel Technology, Inc.

Revenues and expenses of PBS Holding, Inc. and subsidiaries are included for the 12 months ending Dec. 31, 2014.

Cash Equivalents

For purposes of reporting of cash flows, the Company classifies all cash and short-term investments with maturities of three months or less to be cash equivalents.

Receivables

Accounting principles generally accepted in the United States require that the allowance for uncollectibles method be used to reflect bad debts. The Company uses the direct write-off method instead; but it approximates the allowance for uncollectibles in the case of these financial statements.

Property and Equipment

Property and equipment are valued at cost. Depreciation is provided by use of the straight-line method over the estimated useful lives of the assets. Useful lives of the respective assets are generally from three to seven years. Purchase of property and equipment greater than \$500 and major repairs of existing equipment that extends the useful life of the asset are capitalized.

The Financial Accounting Standards Board issued SFAS No.142 "Goodwill and Other Intangible Assets" effective for fiscal years beginning after December 15, 2001. According to SFAS 142, goodwill should not be amortized. Instead, it should be reviewed for impairment at least annually and charged to earnings only when its recorded value exceeds its fair value. The Company has elected to follow SFAS 142. The Company has no recorded goodwill on its financial statements and does not believe this accounting standard will affect the Company.

Impairment of Long-Lived Assets

It is the policy of the Company to periodically evaluate the economic recoverability of all of its long-lived assets. In accordance with that policy, when it is determined that an asset has been impaired the loss is recognized in the statement of operations.

Fair Value of Financial Instruments

The methods and assumptions used to estimate the fair value of each class of financial instruments are as follows:

PBS HOLDING, INC.

Notes to Financial Statements FOR THE 12 MONTHS ENDED December 31, 2014

Cash and cash equivalents, receivables, prepaid premiums, accounts payable, accrued expense, deferred revenue, notes payable are reflected in the financial statements at cost, which approximates fair value because of the relatively short maturity of these instruments.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash deposits. The Company will only exceed the FDIC insurable limit in an account when gross payrolls billed and collected post to the payroll bank account before the payroll checks and tax deposits are posted. The timeliness of the deposits and withdrawals are such that management estimates no material credit risk.

Income Taxes

The Company has adopted the provisions of SFAS No. 109, "Accounting for Income Taxes," which incorporates the use of the asset and liability approach of accounting for income taxes. The asset and liability approach requires the recognition of deferred tax assets and liabilities for the expected future consequences of temporary differences between the financial reporting basis and the income tax basis of assets and liabilities.

During 2002, the Company underwent an ownership change as defined in Section 382 of the Internal Revenue Code. Consequently, management believes the net operating loss carry forwards are lost for the tax year 2002 and before. The Federal net operating losses since the ownership change are significant. The Company continues to sustain operating losses and there remains an uncertainty as to whether any income tax benefit can be used in the future.

Comprehensive Income

The Company has adopted SFAS No. 130 Reporting Comprehensive Income. The Company has no reportable differences between net income and comprehensive income, therefore a statement of comprehensive income has not been presented.

Stock-Based Compensation

FASB No. 123, and FASB No 123R. "Accounting for Stock-Based Compensation" established accounting and disclosure requirements using a fair-value based method of accounting for stock-based employee compensation plans. In addition, the Emerging Issues Task Force has issued EITF 96-18 to further hald clarify FASB No. 123 & 123R.

Net (Loss) Per Share of Common Stock

The basic and diluted net income (loss) per common share in the accompanying statements of operations are based upon the net income (loss) divided by the weighted average number of shares outstanding during the periods presented. Diluted net (loss) per common share is the same as basic net (loss) per share because including any pending shares to issued services or otherwise would be anti-dilutive.

Advertising Costs

The Company's advertising costs are expensed when incurred.

PBS HOLDING, INC.

Notes to Financial Statements FOR THE 12 MONTHS ENDED December 31, 2014

Use of Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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.

Other Recent Accounting Pronouncements

The Company does not expect that the adoption of other recent accounting pronouncements to have any material impact on its financial statements.

NOTE 3 - Equity & Common Stock

No warrants were issued in the 12 months ended Dec. 31, 2014. In past years the warrants and stock transactions were issued in reliance upon the exemption provided by Section 4(2) of the Securities Act and/or Rule 506 of Regulation D.

The fair values of the warrants granted are reported as equity grants using the guidance of FASB no. 123R and EITF 96-18. The fair values of the restricted stock issued are reported using the guidance of FASB no. 123R and EITF 96-18 and are computed at fair market value. In accordance with EITF 96-18 regarding value of non employee services paid with stock warrants granted, management has determined the services received on which the warrants were granted has no value. The Company has also determined that the value of the warrants using the stock price leaves no value for the warrants because the market value has continued to remain below the exercisable price of the warrants and the stock market continues to decline from what it was when the warrants were originally issued. Because the Company recognizes no value for the services received and no definitive value for the warrants granted using the market value of the stock, management has not recognized any value associated with the granting of warrants in this year or any prior year.

NOTE 4 – Going Concern

As reflected in the accompanying consolidated financial statements, the Company has had continuing net losses year-over-year through Dec. 31, 2014. These accrued and ongoing losses rise doubts that the Company can continue as a going concern. The Company's ability to continue will be dependent on its ability to raise funds for its operations. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

The Company anticipates raising additional working capital through the issuance of debt and equity securities in order to further expand its business. Management believes that actions presently being undertaken to obtain additional funding provide the Company with the opportunity to continue to operate as a going concern.

PBS HOLDING, INC.

**Notes to Financial Statements
FOR THE 12 MONTHS ENDED December 31, 2014**

NOTE 5 – Long Term Debt

In 2012, the company carried an outstanding long term debt balance in the form of four convertible promissory notes (the “Notes”) which as of June 30, 2013, totaled \$2,479,957 in principal and accrued and unpaid interest and fees respectively. The Notes are held by an individual and two non-affiliated companies (collectively, the “Noteholders”) and carry certain conversion privileges for equity of the company’s common stock. The Noteholders may demand repayment by the Company of all principal and interest of the Notes through the date of its repayment request, plus interest, at any time upon thirty (30) days written notice to the Company after one (1) year.

Each Noteholder is entitled, at its option, at any time or from time to time, and in whole or in part, to convert the outstanding principal and accrued interest amounts of any Note, or any portion thereof, into shares of the common stock of the Company, according to any and all federal and state regulations.