
Interim Financial Statements
(Unaudited - See Notice to Reader)

VMS REHAB SYSTEMS, INC.

September 30, 2016

(Expressed in Canadian Dollars)



Marlene L. Grant Professional Corporation

Chartered Professional Accountant (CPA)

Certified General Accountant (CGA)

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NOTICE TO READER

On The basis of information provided by management I have compiled the interim balance sheet of **VMS Rehab Systems, Inc.** as of September 30, 2016 and the interim statement of loss and retained earnings for the period then ended.

I have not performed an audit or a review engagement in respect of these interim financial statements and, accordingly, I express no assurance thereon.

Readers are cautioned that these interim statements may not be appropriate for their purposes.

Marlene L. Grant Professional Corporation

Ottawa, Ontario
November 13, 2016

Chartered Professional Accountant
Certified General Accountant


INTERIM BALANCE SHEET
(Unaudited - See Notice to Reader)

VMS REHAB SYSTEMS, INC.

(Expressed in Canadian Dollars)

	September 30 2016	December 31 2015
ASSETS		
CURRENT ASSETS		
Short-term investments--Note B	\$ 583,664	\$ 583,664
Accounts receivable	5,708	8,434
Due from Argus Holdings NV--Note F	140,858	31,612
Inventory	<u>2,455</u>	<u>3,477</u>
	732,685	627,187
PROPERTY, PLANT AND EQUIPMENT--Note C	<u>2,170</u>	<u>537</u>
	<u>\$ 734,855</u>	<u>\$ 627,724</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Bank overdraft	\$ 25,670	\$ 22,091
Accounts payable and accrued liabilities	51,419	46,449
Due to related parties--Note D	163,666	193,371
Income taxes payable	<u>-</u>	<u>1,507</u>
	240,755	263,418
CONVERTIBLE DEBT, NET OF AMORTIZED DISCOUNT--Note E	<u>178,789</u>	<u>157,468</u>
	419,544	420,886
SHAREHOLDERS' EQUITY		
Capital stock--Note F	301,301	78,829
Retained earnings	<u>14,010</u>	<u>128,009</u>
	<u>315,311</u>	<u>206,838</u>
	<u>\$ 734,855</u>	<u>\$ 627,724</u>

APPROVED ON BEHALF OF THE BOARD:

 Director

The accompanying notes are an integral part of the Interim Financial Statements

INTERIM STATEMENT OF LOSS AND RETAINED EARNINGS
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VMS REHAB SYSTEMS, INC.

(Expressed in Canadian Dollars)

	For the Nine Months Ended September 30 2016	Year Ended December 31 2015
REVENUE	\$ 38,448	\$ 61,399
Cost of Sales	<u>57,913</u>	<u>86,651</u>
GROSS LOSS	(19,465)	(25,252)
EXPENSES		
Amortization	372	657
Automotive	6,670	4,829
Bad debt	-	2,272
Bank charges and interest	2,053	2,963
Insurance	187	598
Interest on long-term debt	30,631	36,434
Meals and entertainment	1,194	2,152
Office	2,276	3,486
Professional fees	13,912	25,229
Memberships and dues	16,781	28,160
Rent	1,680	6,296
Telephone	4,986	5,222
Travel	<u>13,792</u>	<u>3,582</u>
	<u>94,534</u>	<u>121,880</u>
LOSS FROM OPERATIONS	(113,999)	(147,132)
Other income	<u>-</u>	<u>583,676</u>
(LOSS) INCOME BEFORE INCOME TAXES	(113,999)	436,544
Provision for income taxes	<u>-</u>	<u>1,507</u>
NET (LOSS) INCOME	(113,999)	435,037
Retained earnings (deficit) at beginning of year	<u>128,009</u>	<u>(307,028)</u>
RETAINED EARNINGS AT END OF YEAR	\$ <u>14,010</u>	\$ <u>128,009</u>

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INTERIM STATEMENT OF CASH FLOWS

VMS REHAB SYSTEMS, INC.

(Expressed in Canadian Dollars)

	For the Nine Months Ended September 30 2016	Year Ended December 31 2015
CASH PROVIDED BY (USED FOR):		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	\$ (114,000)	\$ 435,037
Adjustments for		
Amortization	372	657
Accounts receivable	2,726	62
Due from Argus Holdings N.V.	(109,246)	(31,162)
Inventory	1,022	(43)
Prepaid expenses	-	11,944
Accounts payable and accrued liabilities	3,464	14,715
	<u>(215,662)</u>	<u>431,210</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(2,005)	-
Net decrease in investments	<u>-</u>	<u>(582,017)</u>
	<u>(2,005)</u>	<u>(582,017)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Share capital issuance	222,472	72,082
(Repayment of) Advances from related parties	<u>(8,383)</u>	<u>81,471</u>
	<u>214,089</u>	<u>153,553</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(3,578)	2,746
Cash and cash equivalents at beginning of year	<u>(22,091)</u>	<u>(24,837)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ (25,669)</u>	<u>\$ (22,091)</u>

Cash and cash equivalents consist of bank indebtedness.

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NOTES TO INTERIM FINANCIAL STATEMENTS
(Unaudited - See Notice to Reader)

VMS REHAB SYSTEMS, INC.

September 30, 2016

(Expressed in Canadian Dollars)

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: The Company was incorporated under the Ontario Business Corporations Act on March 26, 1998. The Company specializes in the manufacture and sale of products for the rehab segment of the health industry in North America and is focused on the development and sale of a high performance line of orthopaedic seat cushions.

Inventory: Inventory is valued at lower of cost and estimated net realizable value.

Investment: The investment, which consists of shares in BioPharmcor B.V are stated at cost and estimated net realizable value.

Property, Plant and Equipment: property, plant and equipment is recorded at cost. Amortization is computed using the declining balance method at the following annual rates:

Computer equipment	55%
Website	3yrs

In the year of acquisition, property, plant and equipment purchases are amortized at one-half of the normal annual rate.

NOTE B--INVESTMENTS IN BIOPHARMCOR B.V

On March 6, 2015 the Company entered into a share purchase agreement with BioPharmcor B.V. to sell the issued and outstanding shares of BioPharmcor Sp Z O.O. for cash of \$1,659 and the issuance of 17,000,000 Class A Shares at a strike price of \$0.03 per share and 50,000 Class B Shares at a strike price of \$0.03 per share of Biopharmcor B.V.

NOTE C--PROPERTY, PLANT AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2016</u>	<u>2015</u>
Computer equipment	\$ 1,647	\$ 1,332	\$ 315	\$ 537
Website	<u>2,005</u>	<u>150</u>	<u>1,855</u>	<u>-</u>
	<u>\$ 3,652</u>	<u>\$ 1,482</u>	<u>\$ 2,170</u>	<u>\$ 537</u>

NOTE D--DUE TO RELATED PARTIES

The balance due to the related parties are amounts due to the President of the company and to companies controlled by the President of the Company. They are non-interest bearing with no fix terms of repayment, unsecured and due on demand.

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NOTE E--CONVERTIBLE DEBT

The convertible debt consists of \$178,789 (2015 - \$157,468) due to the President of the Company and to a company controlled by the President of the Company net of amortized discount of \$69,477 (2015 - \$90,798). The debenture is unsecured, bearing interest at 5% per annum paid semi-annually, due September 30, 2018.

NOTE F--CAPITAL STOCK

	<u>2016</u>	<u>2015</u>
Authorized		
100 Class A Common shares		
Unlimited number of Class B Common Shares		
Issued		
100 Class A Common share	\$ 769	\$ 769
32,087,987 (2015 - 27,314,140)		
Class B Common Shares	<u>300,532</u>	<u>78,060</u>
	<u>\$ 301,301</u>	<u>\$ 78,829</u>

On January 21, 2014 the Company entered into a share purchase agreement with Argus Holdings N.V. to purchase the issued and outstanding shares of BioPharmcor Sp Z O.O., \$1,647 and the issuance of 5,312,500 Class B Common Shares with a value of \$637,500. The Company agrees to provide Argus Holdings N.V. with a derivative option package that will remain in place for three years comprising of 6,500,000 Class B voting shares with a option price of \$0.223 cents per share. On September 26, 2016 the directors of the Company has approved an Addendum to the Share Purchase Agreement to changing the share option price to \$0.058 cents per share and to increase the terms of the agreement to six years.

During the period Argus Holdings N.V. exercised part of its derivative stock option package and was issued 4,746,747 Class B voting shares at an option price of \$0.058 cents per share. At the end of the period \$140,858 of the stock option exercised was still owing to the company from Argus Holdings N.V., this amount will be off-set by a debt agreement entered into subsequent to the period end.