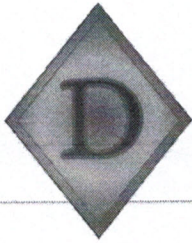


**Arcadia Worldwide, Limited**

**June 30, 2014**

**Condensed Consolidated Financial Statements**





## DIAMOND & COMPANY

Stephen A. Diamond, B.A., Chartered Accountant  
Barry Flodder, Associate

*Accountants*

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### Review Engagement Report

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To the Shareholders  
**Arcadia Worldwide, Limited**

We have reviewed the statement of financial position of **Arcadia Worldwide, Limited** as at June 30, 2014 and the condensed consolidated statements of income and retained earnings for the six month period then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the company.

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with International Financial Reporting Standards.

Toronto, Ontario  
November 03, 2014

  
Chartered Professional Accountants  
Licensed Public Accountants

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# Arcadia Worldwide, Limited

June 30, 2014

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# Arcadia Worldwide, Limited

## Condensed Consolidated Statement of Financial Position

June 30, 2014

(unaudited - see 'Review Engagement Report')

		June 30	December 31
	Note	2014	2013
		\$	\$
<b>Assets</b>			
<b>Current Assets</b>			
Cash		35,606	29,490
Accounts receivable		80,522	100,688
Due from shareholder		148,951	-
		265,079	130,178
<b>Long term</b>			
Property, plant and equipment	Note (3)	12,210	14,150
Intangibles	Note (2)	2,498,500	2,545,000
		2,775,789	2,689,328





# Arcadia Worldwide, Limited

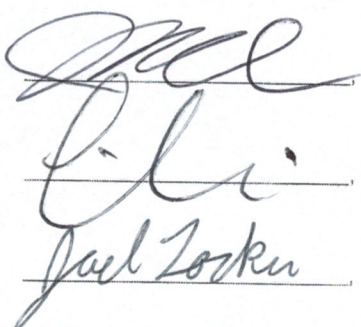
## Condensed Consolidated Statement of Financial Position

June 30, 2014

(unaudited - see 'Review Engagement Report')

		June 30	December 31
		2014	2013
	Note	\$	\$
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		27,656	35,752
Current portion of long term liabilities		240,000	241,834
Due to shareholder		-	62,171
<b>Long term debt</b>			
Notes payable	Note (4)	926,984	1,008,466
<b>Shareholder's Equity</b>			
Common shares	(Note (6)a)	1	-
Members capital	(Note (1)a)	-	1,341,105
Retained earnings		1,581,148	-
		1,581,149	1,341,105
		2,775,789	2,689,328

Approved on Behalf of the Directors:

  
Joel Zosker



# Arcadia Worldwide, Limited

## Condensed Consolidated Statement of Income

For the Six Months ended June 30, 2014

(unaudited - see 'Review Engagement Report')

	Three months ended		Six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
	\$	\$	\$	\$
<b>Revenue</b>				
Revenue Note (8)	684,912	42,375	1,220,247	1,149,500
<b>Operating expenses</b>				
Administrative expenses Note (9)	397,398	503,515	731,983	982,436
Selling and distribution costs	100,226	4,873	174,481	10,177
Interest and bank charges	13,734	7,728	25,299	9,510
Amortization	24,220	25,000	48,440	50,000
	535,578	541,116	980,203	1,052,123
<b>Net and comprehensive income</b>	149,334	(498,741)	240,044	97,377



# Arcadia Worldwide, Limited

## Condensed Consolidated Statement of Retained Earnings

For the Six Months ended June 30, 2014

(unaudited - see 'Review Engagement Report')

	Three months ended		Six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
	\$	\$	\$	\$
Members capital, beginning of period	-	1,476,656	-	1,414,275
Retained earnings, beginning of period (Note (1))	1,431,814	-	1,341,104	-
Net income	149,334	61,740	240,044	97,377
Members (drawings) advances	-	(13,758)	-	12,986
Members capital, end of period		1,524,638		1,524,638
Retained earnings, end of period	1,581,148		1,581,148	





# Arcadia Worldwide, Limited

## Condensed Consolidated Statement of Cash Flows

For the Six Months Ended June 30, 2014

(unaudited - see 'Review Engagement Report')

	Six months ended	
	June 30, 2014	June 30, 2013
	\$	\$
<b>Cash flows from operating activities:</b>		
Net income for the period	240,044	97,377
Amortization	48,440	50,000
(Increase) decrease in accounts receivable	20,166	(60,129)
Increase in due from shareholder	(204,535)	(26,559)
(Increase) decrease in accounts payable	(14,683)	(17,810)
	89,432	42,879
<b>Cash flows from investing activities:</b>		
Capital additions	-	(3,964)
<b>Cash flows from financing activities</b>		
Increase (decrease) in notes payable	(83,316)	29,039
<b>Net cash increase (decreases) in cash and cash equivalents</b>	6,116	67,954
Cash and cash equivalents, beginning of period	29,490	2,601
<b>Cash and cash equivalents, end of period</b>	35,606	70,555





# Arcadia Worldwide, Limited

## Notes to the Condensed Consolidated Financial Statements

For the Six Months ended June 30, 2014

(unaudited - see 'Review Engagement Report')

### Note (1) Summary of Accounting Policies

#### a Basis of preparation

Arcadia Worldwide, Limited (the "company") is incorporated under the Province of New Brunswick Business Corporations Act. The accompanying unaudited condensed consolidated financial statements and notes have been prepared in accordance with International Financial Reporting Standards 34. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted for complete consolidated financial statements. There have been no changes to the accounting policies from those disclosed in the company's annual financial statements as at and for the year ended December 31, 2013. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the six month period ended June 30, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. Certain reclassifications have been made to the Company's condensed consolidated financial statements for the six month period ended June 30, 2014 to conform to the current period's condensed consolidated financial statement presentation.

These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements and footnotes thereto included in the Company's Annual Report for the year ended December 31, 2013 dated April 11, 2014.

#### i Basis of accounting

The financial statements include the accounts of the company and its wholly-owned subsidiaries including variable interest entities in which the company is the primary beneficiary. During the year the shareholder of Arcadia Adult Day Health Care Centre, LLC ("AADHCC") transferred his 100% interest in AADHCC to the company in exchange for 20,654,454 common shares of the company. A subsidiary is an entity controlled by the Company. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, independently of its percentage of participation. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when the Company controls another entity. There has been no change in the beneficial ownership of AADHCC.

These consolidated financial statements have been prepared on a historical cost basis, except for the contingent liabilities and investments, which have been measured at fair value and are presented in United States dollars, which is the currency of the primary economic environment in which the Company and its subsidiaries operate («functional currency»). Results of operations of a business acquired are included in the Company's consolidated financial statements for the six month period ended since no change in control occurred.

#### New standards and interpretations

The International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") have issued the following standards and amendments that have not been applied in preparing these unaudited condensed consolidated interim financial statements as their effective dates fall in periods beginning subsequent to the current reporting period. Notes to the Unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2014 and 2013.

#### Proposed standards

IFRS 9 - Financial Instruments



# Arcadia Worldwide, Limited

## Notes to the Condensed Consolidated Financial Statements

For the Six Months ended June 30, 2014

(unaudited - see 'Review Engagement Report')

### Note (1) Summary of Accounting Policies (continued)

#### a Basis of preparation (continued)

##### i Basis of accounting (continued)

Initially issued in November 2009 to address the classification and measurement of financial assets. Additional guidance issued in October 2010 on the classification and measurement of financial liabilities.

Effective date January 1, 2018

Annual Improvements to IFRS (2010 - 2012) and (2011 - 2013)

Issued in December 2013. Amendments were made to various standards, including IFRS 2 Share-based Payment, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, and IAS 24 Related Party Disclosure.

Effective date January 1, 2015

IFRS 15 - Revenue from Contracts with Customers

Issued in May 2014. Standard creates a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. This standard may change how much and when revenue can be recognized.

Effective date fiscal years ending on or after December 31, 2017

Amendments to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangibles Assets

Issued in May 2014. Standards explicitly state that revenue based depreciation is not acceptable.

#### Standards and Interpretations Adopted

The following standards and amendments to existing standards have been adopted by the Company on January 1, 2014:

IFRS 10 – Consolidated Financial Statements

IFRS 11 – Joint Arrangements

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 13 – Fair Value Measurement

IFRS 10 replaces SIC-12 Consolidation – Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements and provides additional guidance regarding the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.



# Arcadia Worldwide, Limited

## Notes to the Condensed Consolidated Financial Statements

For the Six Months ended June 30, 2014

(unaudited - see 'Review Engagement Report')

### Note (1) Summary of Accounting Policies (continued)

#### a Basis of preparation (continued)

##### i Basis of accounting (continued)

IFRS 11 replaces IAS 31, Interests in Joint Ventures, with guidance that focuses on the rights and obligations of the arrangement, rather than its legal form. It also withdraws the option to proportionately consolidate an entity's interests in joint ventures. The new standard requires that such interests be recognized using the equity method.

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose entities and other off balance sheet vehicles.

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards («IFRS»), issued and effective, or issued and early adopted, for the six month period ended June 30, 2014. The IFRS accounting policies set out below were consistently applied to all periods presented.

IFRS 13 defines fair value, requires the disclosure of estimates at fair value and provides guidance on measuring fair value when required or permitted to do so according to the IFRS standards.

#### IFRS 7 - Financial instruments - Disclosure

IFRS 7 is amended to include obligations of qualitative and quantitative information related to gross and net amounts recognized in the financial statements that, a) are subject to an offset in the Statement of financial position and b) are subject to a master netting agreement or similar agreement enforceable even if they are not netted in the Statement of financial position.

IAS 34, Interim Financial Reporting, related to interim financial reporting and segment information for total assets and liabilities.

Except for IFRS 13, which only had an impact on disclosures for the financial instruments, the standards and amendments listed above did not have any impact on the Company's financial statements.





# Arcadia Worldwide, Limited

## Notes to the Condensed Consolidated Financial Statements

For the Six Months ended June 30, 2014

(unaudited - see 'Review Engagement Report')

### Note (2) Other intangible assets

#### a Cost less accumulated amortization

Other tangible assets consist of the following:

			June 30	December 31
			2014	2013
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Goodwill	2,080,000	-	2,080,000	2,080,000
Customer lists	465,000	(46,500)	418,500	465,000
	2,545,000	(46,500)	2,498,500	2,545,000

### Note (3) Property, plant and equipment

Property, plant and equipment consist of the following:

	June 30	December 31
	2014	2013
	\$	\$
Motor vehicles	24,795	24,795
Furniture and fixtures	107,808	107,808
	132,603	132,603
Accumulated amortization	(120,393)	(118,453)
	12,210	14,150



# Arcadia Worldwide, Limited

## Notes to the Condensed Consolidated Financial Statements

For the Six Months ended June 30, 2014

(unaudited - see 'Review Engagement Report')

### Note (4) Details of revolving credit facilities

#### a Description of credit facilities

*SBA Loan*- Represents the outstanding balance due on an SBA dated October 31, 2008 bearing an adjustable interest rate of prime plus 2% adjustable quarterly. The loan was incurred in the original acquisition of Arcadia by Atlas Management. Both Atlas and Arcadia are named as borrowers on the loan, and are jointly and severally liable for repayment. The loan is secured by a deed of trust in favour of the lender on real property located in San Diego County, California. At June 30, 2014 and December 31, 2013, the Company was in compliance with all applicable covenants associated with this loan.

*Line of Credit*- The Company utilizes bank lines of credit and credit cards in the name of the company and the shareholders and directors for working capital purposes. The outstanding obligation is due on demand. The line of credit has a stated initial interest rate of 7% that is subject to adjustment.

*Loan payable*- Represents the outstanding principal due on a 2008 secured promissory note between the Company and its previous owners, bearing 7% annual interest.

#### b Notes payable

Notes payable consists of:

	June 30	December 31
	2014	2013
	\$	\$
SBA loan	1,097,668	1,131,670
Line of credit	27,281	61,596
Loan payable	42,035	57,034
	1,166,984	1,250,300
Less current portion	(240,000)	(241,834)
	926,984	1,008,466

Notes payable are secured by general security agreements covering certain assets of the company, guarantees and postponement of claims signed by the company.





# Arcadia Worldwide, Limited

## Notes to the Condensed Consolidated Financial Statements

For the Six Months ended June 30, 2014

(unaudited - see 'Review Engagement Report')

### Note (5) Commitments

#### a Lease commitment

The Company leases its adult day health care facility pursuant to a month to month agreement for a monthly payment of \$11,000. The Company is also required to pay for property taxes, utilities, insurance, and repairs and maintenance associated with the leased property. The Company's aggregate minimum lease payments obligation over each of the next five years is expected to be approximately \$132,000 annually.

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### Note (6) Shareholders' equity

#### a Share capital

The company has an unlimited number of authorized common shares. Common shares carry one vote each and participate equally in the earnings of the company and the net assets of the company upon dissolution. Dividends are payable on the common shares as and when declared by the Board of Directors.

#### b Number of shares issued and consideration

During the six month period, the company issued 20,654,454 common shares for \$ NIL cash consideration in exchange for the owners 100% interest in AADHCC.

#### c Valuation of shares issued for non cash consideration

Shares issued for other than cash consideration are valued at the fair value of the consideration given on the date the agreement to issue the shares was reached.





# Arcadia Worldwide, Limited

## Notes to the Condensed Consolidated Financial Statements

For the Six Months ended June 30, 2014

(unaudited - see 'Review Engagement Report')

### Note (7) Credit risk

**a No significant credit risk exposure**

The company does not face significant credit risk exposure. The fair values of items that meet the definition of financial instruments approximate their carrying values. These items include accounts receivable, notes receivable and short-term debt.

**b Credit risk**

Financial instruments which potentially subject the company to concentrations of credit risk consist of cash equivalents and accounts receivable. The cash equivalents consist mainly of short-term money market deposits. The company has deposited the cash equivalents with reputable financial institutions, from which management believes the risk of loss to be remote. The company has accounts receivable from clients engaged in various industries including governmental agencies, finance, telecommunications, manufacturing and utilities, and are not concentrated in any specific geographic area. These specific industries may be affected by economic factors which may impact accounts receivable. Management does not believe that any single industry or geographic region represents significant credit risk. Credit risk concentration with respect to trade receivables is limited due to the company's large client base.

**c Limited due to large customer base**

Financial instruments that potentially subject the company to concentrations of credit risk consists principally of trade accounts receivable and are limited due to the large number of customers comprising the company's customer base.

### Note (8) Revenue

	Three months ended		Six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
	\$	\$	\$	\$
<b>Revenue</b>				
Medi-Cal managed care	632,331	-	1,145,208	536,325
ADHC food programme	52,581	-	73,460	407,786
Medi-Cal private pay	-	42,375	1,579	205,389
	<b>684,912</b>	<b>42,375</b>	<b>1,220,247</b>	<b>1,149,500</b>



# Arcadia Worldwide, Limited

## Notes to the Condensed Consolidated Financial Statements

For the Six Months ended June 30, 2014

(unaudited - see 'Review Engagement Report')

### Note (9) Expenses

	Three months ended		Six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
	\$	\$	\$	\$
<b>Administrative expenses</b>				
Salaries and wages	298,322	429,097	563,159	807,340
Occupancy costs	71,901	47,740	128,412	120,825
Insurance	11,934	7,220	17,229	15,579
Office and general expenses	11,740	12,230	15,968	20,234
Professional fees	3,501	7,228	7,215	18,458
	397,398	503,515	731,983	982,436

