

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars)

DECEMBER 31, 2005

AUDITORS' REPORT

To the Shareholders of
StonePoint Global Brands Inc.
(formerly StonePoint Group Limited)

We have audited the consolidated balance sheets of StonePoint Global Brands Inc. (formerly StonePoint Group Limited) as at December 31, 2005 and 2004 and the consolidated statements of operations, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

February 24, 2006

A Member of *SC INTERNATIONAL*

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)
CONSOLIDATED BALANCE SHEETS
(Expressed in United States dollars)
AS AT DECEMBER 31

	2005	2004
ASSETS		
Current		
Cash	\$ 356,544	\$ 98,595
Accounts receivable	207,676	149,549
Current portion of note receivable (Note 4)	<u>190,000</u>	<u>381,500</u>
	754,220	629,644
Note receivable (Note 4)	95,880	-
Intangible assets (Note 5)	43,177	145,358
Deferred financing costs (Note 5)	4,702	14,358
Equipment (Note 6)	<u>2,949</u>	<u>1,018</u>
	<u>\$ 900,928</u>	<u>\$ 790,378</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 414,209	\$ 412,251
Notes payable (Note 8)	<u>390,390</u>	<u>143,578</u>
	<u>804,599</u>	<u>555,829</u>
Shareholders' equity		
Capital stock (Note 9)		
Authorized		
Unlimited number of preferred shares		
Unlimited number of special shares		
Unlimited number of voting common shares		
Issued (reflecting 10:1 consolidation)		
8,555,386 common shares (2004 – 4,444,588 common shares)	6,746,348	6,368,887
Contributed surplus	288,414	211,059
Cumulative translation adjustment	(2,110)	(132)
Deficit	<u>(6,936,323)</u>	<u>(6,345,265)</u>
	<u>96,329</u>	<u>234,549</u>
	<u>\$ 900,928</u>	<u>\$ 790,378</u>

Nature and continuance of operations (Note 1)

Commitments (Note 10)

Contingencies (Note 11)

Subsequent events (Note 17)

On behalf of the Board:

“James Borkowski”

Director

“Michael Kinley”

Director

The accompanying notes are an integral part of these consolidated financial statements.

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)
CONSOLIDATED STATEMENTS OF OPERATIONS
(Expressed in United States dollars)
YEAR ENDED DECEMBER 31

	2005	2004
REVENUES		
Sales	\$ 3,141,945	\$ 2,632,613
Royalties	<u>88,938</u>	<u>2,588</u>
	3,230,883	2,635,201
COST OF GOODS SOLD (Schedule)	<u>(2,351,845)</u>	<u>(1,907,183)</u>
GROSS PROFIT	879,038	728,018
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Schedule)	<u>(1,447,712)</u>	<u>(771,802)</u>
Loss before other items, discontinued operations and income taxes	(568,674)	(43,784)
OTHER ITEMS		
Gain on sale of equipment	-	9,292
Gain on debt settlement (Note 9)	11,307	-
Write-down of intangible assets (Note 5)	-	(32,628)
Write-down of note receivable (Note 4)	(68,134)	-
Interest income and renewal fees	<u>53,351</u>	<u>21,000</u>
Loss from continuing operations	(572,150)	(46,120)
Loss from discontinued operations (Note 3)	<u>-</u>	<u>(189,620)</u>
Loss before income taxes	(572,150)	(235,740)
Income tax expense (Note 14)	<u>(18,908)</u>	<u>-</u>
Loss for the year	<u>\$ (591,058)</u>	<u>\$ (235,740)</u>
Basic and diluted loss per common share from continuing operations	\$ (0.11)	\$ (0.01)
Basic and diluted loss per common share from discontinued operations	<u>(0.00)</u>	<u>(0.04)</u>
Basic and diluted loss per common share	<u>\$ (0.11)</u>	<u>\$ (0.05)</u>
Weighted average number of common shares outstanding	5,424,436	4,398,539

The accompanying notes are an integral part of these consolidated financial statements.

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)
CONSOLIDATED SCHEDULES
(Expressed in United States dollars)
YEAR ENDED DECEMBER 31

	2005	2004
COST OF GOODS SOLD		
Purchases and other product costs	\$ 2,043,126	\$ 1,675,279
Freight	<u>308,719</u>	<u>231,904</u>
	<u>\$ 2,351,845</u>	<u>\$ 1,907,183</u>
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
Amortization of deferred financing costs	\$ 27,871	\$ 13,317
Amortization of equipment	709	840
Amortization of intangible assets	102,508	50,000
Bad debts	8,897	-
Consulting	338,509	126,719
Design and marketing	164,766	-
Financing	14,459	9,626
Foreign exchange	815	25,568
Insurance	14,037	16,415
Interest	55,256	36,628
Office	45,680	73,624
Rent	17,655	19,194
Professional fees	154,056	60,432
Regulatory and investor relations	14,783	12,693
Stock-based compensation (Note 9)	77,355	-
Telephone	24,749	28,023
Travel	112,559	68,131
Wages and benefits	<u>273,048</u>	<u>230,592</u>
	<u>\$ 1,447,712</u>	<u>\$ 771,802</u>

The accompanying notes are an integral part of these consolidated financial statements.

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in United States dollars)
YEAR ENDED DECEMBER 31

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss from continuing operations	\$ (591,058)	\$ (46,120)
Items not affecting cash:		
Amortization	131,088	64,157
Interest and fees accrued on note receivable	(53,351)	(21,000)
Stock-based compensation	77,355	-
Bad debts	8,897	-
Gain on sale of equipment	-	(9,292)
Gain on debt settlement	(11,307)	-
Write-down of note receivable	68,134	-
Write-down of intangible assets	-	32,628
Change in non-cash working capital items:		
Accounts receivable	(67,024)	(84,805)
Accounts payable and accrued liabilities	<u>87,675</u>	<u>123,840</u>
Net cash provided by (used in) operating activities	<u>(349,591)</u>	<u>59,408</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Intangible assets	-	(96,957)
Purchase of equipment	(2,640)	(1,182)
Proceeds on sale of equipment	-	13,372
Note receivable	<u>80,837</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>78,197</u>	<u>(84,767)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares for cash	286,025	-
Shareholder loans	-	(47,000)
Proceeds from notes payable	259,209	134,178
Repayment of notes payable	<u>(25,000)</u>	<u>-</u>
Net cash provided by financing activities	<u>520,234</u>	<u>87,178</u>
Foreign exchange effect on cash	<u>9,109</u>	<u>(1,510)</u>
Cash used in discontinued operations	<u>-</u>	<u>(151,201)</u>
Change in cash	257,949	(90,892)
Cash, beginning of year	<u>98,595</u>	<u>189,487</u>
Cash, end of year	<u>\$ 356,544</u>	<u>\$ 98,595</u>

Supplemental disclosure with respect to cash flows (Note 15)

The accompanying notes are an integral part of these consolidated financial statements.

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Expressed in United States dollars)

	Number of Shares Issued	Capital Stock Amount	Contributed Surplus	Cumulative Translation Adjustment	Deficit	Total
Balance at December 31, 2003	4,375,418	\$ 6,342,083	\$ 211,059	\$ 3,898	\$ (6,109,525)	\$ 447,515
Shares issued as bonus for note holders	69,170	26,804	-	-	-	26,804
Cumulative translation adjustment				(4,030)		(4,030)
Loss for the year	-	-	-	-	(235,740)	(235,740)
Balance at December 31, 2004	4,444,588	6,368,887	211,059	(132)	(6,345,265)	234,549
Shares issued as bonus for note holders	54,800	17,755	-	-	-	17,755
Shares issued as settlement of debt	690,998	73,681	-	-	-	73,681
Private placement	3,365,000	286,025	-	-	-	286,025
Stock-based compensation	-	-	77,355	-	-	77,355
Cumulative translation adjustment	-	-	-	(1,978)	-	(1,978)
Loss for the year	-	-	-	-	(591,058)	(591,058)
Balance at December 31, 2005	8,555,386	\$ 6,746,348	\$ 288,414	\$ (2,110)	\$ (6,936,323)	\$ 96,329

The accompanying notes are an integral part of these consolidated financial statements.

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
DECEMBER 31, 2005

1. NATURE AND CONTINUANCE OF OPERATIONS

StonePoint Global Brands Inc. (the “Company”) was incorporated under the laws of the Province of Ontario on January 23, 1997. The Company’s current business is the sale and development of enhanced beverage products. During the year ended December 31, 2003, the Company restructured its operations and sold certain of its private and custom label beverage operating divisions (Note 3). Effective June 28, 2005, the Company changed its name from StonePoint Group Limited and completed a consolidation of its issued and outstanding capital stock, warrants and options on the basis of ten old shares for one new share (10 for 1). All share, warrant, option and per unit data included in these financial statements have been adjusted to retroactively reflect this change.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

	2005	2004
Working capital (deficiency)	\$ (50,379)	\$ 73,815
Deficit	(6,936,323)	(6,345,265)

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles and are expressed in United States dollars, unless stated otherwise.

Principles of consolidation

The financial statements include the accounts of the Company and those of its wholly-owned subsidiaries from the date of acquisition or to the date of disposal. All significant inter-company balances and transactions have been eliminated upon consolidation.

Measurement uncertainty and estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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. Financial results as determined by actual events could differ from those estimates.

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
DECEMBER 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Equipment

Equipment is stated at cost, net of accumulated amortization. Equipment is amortized annually over the estimated useful lives of the assets as follows:

Equipment	5 years straight-line
Computer software	2 years straight-line
Computer hardware	30% declining-balance

Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when the carrying amount of an asset exceeds the estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition. The amount of the impairment loss to be recorded is calculated by the excess of the assets carrying value over its fair value. Fair value is determined using a discounted cash flow analysis.

Intangible assets

Costs directly identifiable to royalty rights and product development costs have been capitalized and are amortized on a straight line basis at rates varying from 2 to 3 years. If management determines there to be an impairment in value, the asset is written-down to its estimated net realizable value.

Deferred financing costs

Deferred financing costs to obtain notes payable are deferred and amortized on a basis consistent with the repayment terms of the underlying debt.

Future income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Revenue recognition

The Company recognizes its revenue at the date the products are shipped to the customer, and collection is reasonably assured. The Company recognizes royalty revenue as earned and collection is reasonably assured.

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
DECEMBER 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Foreign currency translation

The Company's functional currency is the Canadian dollar. The Company uses the current rate method to translate from the functional currency to the United States dollar whereby all assets and liabilities are translated into United States dollar equivalents at the rate of exchange at the balance sheet date. Revenue and expenses are translated into United States dollar equivalents at the average rate of exchange throughout the year. Gains and losses arising from translation of the financial statements are disclosed as a separate component of shareholders' equity.

The accounts of subsidiaries, which are integrated operations, are translated using the temporal method. Under this method, monetary assets and liabilities are translated at the year end exchange rates. Non-monetary assets and liabilities are translated using historical rates of exchange. Revenue and expenses are translated at the rates of exchange prevailing on the dates such items are recognized in earnings. Exchange gains and losses are included in the statement of operations.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the years presented, this calculation proved to be anti-dilutive.

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year.

Stock-based compensation

The Company uses the fair value-based method for stock-based compensation and therefore all awards to employees and non-employees will be recorded at fair value on the date of the grant and expensed over the period of vesting. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option at the date of grant. Any consideration paid by the option holders to purchase shares is credited to capital stock.

Comparative figures

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

3. CORPORATE REORGANIZATION

During the year ended December 31, 2003, the Company reorganized and restructured its operations by winding-up certain companies, transferring certain divisional assets and liabilities and operations to separate subsidiary companies, and selling both the Custom Label and Private Label divisions. Those operations were reported as discontinued operations in fiscal 2003 and any related wind up costs were also reported as such during the year ended December 31, 2004.

STONEPOINT GLOBAL BRANDS INC.
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4. NOTE RECEIVABLE

The note bore interest at 6% per annum and was due on December 26, 2004. Pursuant to an agreement dated April 4, 2005, the Company amended the terms of the note to bear interest at 11% effective December 27, 2004, and to require repayment of C\$100,000 on April 20, 2005, with the balance due on June 30, 2005. The payment of C\$100,000 was received in June, 2005.

On January 14, 2006, the Company entered into a Debt Settlement Agreement (the "DSA"), subsequently amended, with the borrower whereby the principal of \$300,663 and fees and accrued interest of \$52,867 owing to December 21, 2005 were re-capitalized for \$285,396 (C\$332,727) resulting in a write-down of \$68,134. The terms of the DSA provide for interest at 5% per annum, compounded quarterly, and principal repayments of C\$150,000 due on or before January 22, 2006 (received C\$133,000 by March 13, 2006) and semi-annual repayments commencing May 31, 2006 of C\$45,685.

The DSA also provides that the Company will release the borrower from any further obligations under the DSA should all payments comprising the recapitalized amount be made to the satisfaction of the Company. Accordingly, the Company has written down the note to the recapitalized amount, plus accrued interest to December 31, 2005. The note is secured under a security agreement dated January 12, 2006 which provides the Company a security interest in certain assets of the borrower.

The balance at December 31, 2005 includes accrued interest of \$484 (2004 - \$31,500). The note has been pledged as security against the notes payable (Note 8).

5. INTANGIBLE ASSETS AND DEFERRED FINANCING COSTS

Royalty rights

In 2003, the Company obtained the royalty rights for the "Life O2 Super-Oxygenated Water" technology for Asia at a cost of \$150,000 which is being amortized commencing July 1, 2003 on a straight line basis over a 3 year period.

Product development costs

The Company has entered into a partnership agreement to develop products and sales for its Australian wine products. During the year ended December 31, 2005, the Company capitalized \$Nil (2004 - \$102,986) of costs directly related to the development of products and supporting materials, less a write-down of \$Nil (2004 - \$32,628) to estimated realizable value. These costs have resulted in the Company owning several proprietary brands that will be marketed in North America and internationally. The Company commenced amortization of the remaining book value over a one year period beginning April 1, 2005.

Deferred financing costs

The Company has deferred the cost of bonus shares issued to the note holders referred to in Note 8 and is amortizing the cost thereof on a straight line basis over the period to maturity of the related notes.

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. INTANGIBLE ASSETS AND DEFERRED FINANCING COSTS (cont'd...)

	2005			2004		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Product development costs	\$ 70,685	\$ 52,508	\$ 18,177	\$ 70,358	\$ -	\$ 70,358
Royalty rights	<u>150,000</u>	<u>125,000</u>	<u>25,000</u>	<u>150,000</u>	<u>75,000</u>	<u>75,000</u>
	220,685	177,508	43,177	220,358	75,000	145,358
Deferred financing costs	<u>48,481</u>	<u>43,779</u>	<u>4,702</u>	<u>28,716</u>	<u>14,358</u>	<u>14,358</u>
	\$ 269,166	\$ 221,287	\$ 47,879	\$ 249,074	\$ 89,358	\$ 159,716

6. EQUIPMENT

	2005			2004		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Equipment	\$ 616	\$ 530	\$ 86	\$ 596	\$ 181	\$ 415
Computer software	36,220	36,220	-	35,050	35,050	-
Computer hardware	<u>4,386</u>	<u>1,523</u>	<u>2,863</u>	<u>1,695</u>	<u>1,092</u>	<u>603</u>
	\$ 41,222	\$ 38,273	\$ 2,949	\$ 37,341	\$ 36,323	\$ 1,018

7. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued wages and benefits of \$195,197 (2004 - \$159,121) to directors and officers of the Company.
- b) Paid or accrued consulting fees of \$70,947 (2004 - \$18,803) to companies controlled by two directors of the Company.
- c) Issued 423,571 (2004 - Nil) common shares valued at \$45,508 in exchange for debt valued at \$52,509 owed to directors of the Company.

STONEPOINT GLOBAL BRANDS INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
DECEMBER 31, 2005

7. RELATED PARTY TRANSACTIONS (cont'd...)

Included in accounts payable was \$1,235 (December 31, 2004 - \$15,000) owing to directors of the Company.

All transactions were in the normal course of operations and were recorded at exchange amounts established and agreed between the related parties.

8. NOTES PAYABLE

The notes payable bear interest at the rate of 12% per annum, are repayable one year from the date of issuance and are secured by an assignment of a security interest in the note receivable (Note 4).

During the year ended December 31, 2004, the Company issued 69,170 common shares as a bonus payment to the note holders valued at \$26,804 which was recorded as deferred financing costs. During the year ended December 31, 2005, the Company issued additional notes totalling \$259,209 (C\$315,000) under the same terms and conditions, repaid a US\$25,000 note and issued 54,800 common shares as a bonus to those note holders valued at \$17,755.

9. CAPITAL STOCK

Authorized

Unlimited number of voting common shares.

Unlimited number of preference shares, non-voting, bearing a fixed non-cumulative dividend at a rate of 7% of the amount paid-up per annum and redeemable at any time at the option of the Company on payment of the preference redemption price.

Unlimited number of special shares, non-voting, bearing a fixed non-cumulative dividend at a rate of 7% of the amount paid-up per annum, convertible at any time by the holder into one fully paid common share, redeemable at the option of the Company on payment of the special redemption price.

Share consolidation

Effective June 28, 2005, of the Company consolidated its issued and outstanding share capital on a 10:1 basis. All share and per share amounts have been restated to reflect the consolidation.

Issuances

During the year ended December 31, 2005, the Company completed a private placement issuing 3,365,000 units at a price of C\$0.10 per unit for gross proceeds of \$286,025 (C\$336,500), each unit consisting of one common share and one warrant to purchase one additional common share at a price of C\$0.12. The expiry date of 3,165,000 and 200,000 of the warrants is October 18, 2007 and November 18, 2007 respectively. The Company also issued 690,998 shares valued at \$73,681 in settlement of accounts payable totalling \$84,988 (C\$103,650) resulting in a gain on settlement of debt of \$11,307, and 54,800 bonus shares valued at \$17,755 relating to additional notes payable issued during the year (Note 8).

During the year ended December 31, 2004, the Company issued 69,170 common shares as a bonus valued at \$26,804 (Note 8).

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. CAPITAL STOCK (cont'd...)

Stock options

The Company has a stock option plan (the "Plan") under which a maximum of 10% of the issued and outstanding shares of the Company can be reserved for issuance from time to time. Periodically, directors, officers, key employees and consultants of the Company will be offered options to purchase common shares under the Plan. The exercise price of the options granted pursuant to the Plan may not be less than the price permitted by the TSX Venture Exchange and have a maximum term of 5 years. Options granted either vest immediately or are subject to certain vesting requirements as determined by the Board of Directors.

During the year ended December 31, 2005, the Company granted 490,000 stock options at a price C\$0.10 per share expiring August 2, 2010 and 307,000 stock options at a price of C\$0.12 expiring November 10, 2010.

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, December 31, 2003	55,000	C\$	0.23
Options expired	<u>(55,000)</u>		0.23
Balance, December 31, 2004	-		-
Options granted	<u>797,000</u>		0.11
Balance, December 31, 2005	797,000	C\$	0.11

Warrants

At December 31, 2005 there were 3,165,000 warrants outstanding to purchase common shares at a price of C\$0.12 until October 18, 2007 and 200,000 warrants outstanding to purchase common shares at a price of C\$0.12 until November 18, 2007.

Stock-based compensation

During the year ended December 31, 2005, the Company granted 797,000 (2004 – Nil) stock options with a weighted average fair value of \$0.10 (2004 - \$Nil) per option. The options vested on the date of grant. Accordingly, using the Black-Scholes option pricing model, the stock options are recorded at fair value of \$77,355 (2004 - \$Nil) in the statement of operations. The amount was also recorded as contributed surplus on the balance sheet.

STONEPOINT GLOBAL BRANDS INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. CAPITAL STOCK (cont'd...)

Stock-based compensation (cont'd...)

The following assumptions were used for the Black-Scholes valuation of stock options granted:

	Weighted Average 2005	2004
Risk-free interest rate	3.59%	-
Expected life of options	5 years	-
Annualized volatility	206.11%	-
Dividend rate	0.00%	-

10. COMMITMENTS

The Company leases certain premises and equipment under operating leases. The future minimum annual lease payments under operating lease arrangements are as follows:

2006	\$ 13,600
2007	13,600
2008	13,600
2009	13,600
2010	<u>13,600</u>
	<u>\$ 68,000</u>

Pursuant to the acquisition of royalty rights (Note 5), the Company agreed to pay a rebate to its principal customer in the amount of \$500,000, subject to adequate future shipments of product. As at December 31, 2005, the full amount of this obligation has been paid or accrued (2004 - \$316,000) .

11. CONTINGENCIES

A claim against the Company for \$40,000 has been filed. The Company believes this claim is without merit and the outcome cannot be determined at this time. No provision for this claim has been made at December 31, 2005.

12. ECONOMIC DEPENDENCE AND CREDIT RISK

The Company sells products to one customer in Japan, under a 5 year agreement which commenced in January, 2003. This customer accounts for 96% (2004 - 97%) of revenues from continuing operations and 71% (2004 - Nil) of accounts receivable. Subsequent to December 31, 2005, the agreement with this customer was extended through 2013.

STONEPOINT GLOBAL BRANDS INC.
(formerly StonePoint Group Limited)
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(Expressed in United States dollars)
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13. SEGMENTED INFORMATION

The Company operates in one business segment being the sale and development of enhanced beverage products in various geographic locations.

Geographic information is as follows:

	2005	2004
<i>Year ended December 31:</i>		
Sales and royalties during the year:		
Canada	\$ 124,216	\$ 83,111
Japan	3,285,511	2,796,671
United States	<u>6,542</u>	<u>-</u>
	<u>\$ 3,416,269</u>	<u>\$ 2,879,782</u>
<i>As at December 31:</i>		
Capital assets:		
Canada	\$ 50,828	\$ 160,734
Japan	-	-
United States	<u>-</u>	<u>-</u>
	<u>\$ 50,828</u>	<u>\$ 160,734</u>

14. INCOME TAXES

The reconciliation of income taxes at statutory rates is as follows:

	2005	2004
Loss for the year before income taxes	\$ (572,150)	\$ (235,740)
Expected income tax (recovery)	\$ (195,218)	\$ (88,638)
Non-deductible items	65,350	22,840
Unrecognized benefit of non-capital losses	<u>110,960</u>	<u>65,798</u>
Income tax expense (current)	<u>\$ 18,908</u>	<u>\$ -</u>

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14. INCOME TAXES (cont'd ...)

The significant components of the Company's future income tax assets are as follows:

	2005	2004
Loss carryforwards		
Canadian non-capital losses	\$ 717,000	\$ 730,000
Finance costs	20,000	-
United States net operating losses	<u>32,000</u>	<u>54,000</u>
Total loss carryforwards	769,000	784,000
Less: valuation allowance	<u>(769,000)</u>	<u>(784,000)</u>
	\$ -	\$ -

The Company has available for deduction against future taxable income non-capital losses of approximately \$1,935,000. Canadian losses, if not utilized, will expire through to 2015. Future tax benefits which may arise as a result of these non-capital losses and other tax assets have not been recognized in these financial statements and have been offset by a valuation allowance.

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2005	2004
Cash paid during the year for interest	\$ 55,256	\$ 36,628
Cash paid during the year for income taxes	\$ 18,908	\$ -

During the year ended December 31, 2005, the Company issued 54,800 common shares as a bonus for notes payable issued valued at \$17,755, and 690,998 shares were issued in settlement of debts valued at \$73,681.

During the year ended December 31, 2004, the Company issued 69,170 common shares as a bonus payment to the note holders valued at \$26,804.

16. FINANCIAL INSTRUMENTS

The Company's financial instruments consists of cash, accounts receivable, note receivable, accounts payable and accrued liabilities, and notes payable. Management has determined that the carrying value of the financial instruments approximate fair value due to their short-term nature.

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16. FINANCIAL INSTRUMENTS (cont'd...)

Credit risk:

The Company is exposed to credit risk only with respect to uncertainties as to the timing and collectibility of accounts receivable. The Company mitigates credit risk through standard credit and reference checks.

Currency risk:

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

17. SUBSEQUENT EVENTS

Subsequent to December 31, 2005, the Company:

- a) extended the operating agreement with its major Japanese customer through 2013.
- b) entered into a consulting and sales agency agreement with a Canadian winery (see Note 5 – product development costs).
- c) signed a Debt Settlement Agreement concerning its note receivable more fully described in Note 4. Payments totalling C\$133,000 were received in accordance with this agreement.
- d) announced, subject to regulatory approval and applicable finders' fees, a brokered private placement of up to 1,100,000 shares at a price of C\$0.45 per share for gross proceeds of up to C\$500,000, together with its intent to arrange unsecured debenture financing of up to C\$500,000 for a one year term at an annual interest rate of 12%.