

Financial Statements of



March 31, 2013

## NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the International Financial Reporting Standards established by the International Accounting Standards Board for a review of interim financial statements by an entity's auditor.

John D. Pennal  
*President*

Jenifer Cho  
*Director of Finance*

May 29, 2013

## AYLEN CAPITAL INC.

### Interim Statements of Financial Position - Unaudited

(In Canadian Dollars)

	As at March 31, 2013	As at December 31, 2012
<b>ASSETS</b>		
CURRENT		
Cash and cash equivalents (Note 4)	\$ 37,628	\$ 109,924
Marketable securities	357,622	361,049
Accounts receivable (Note 5)	23,363	29,317
Other receivable	18,250	6,604
Prepaid expense and sundry assets	11,001	12,009
	447,864	518,903
INVESTMENTS (Note 6)	1,843,890	1,843,890
PROPERTY AND EQUIPMENT (Note 7)	2,824	3,817
	<b>\$ 2,294,578</b>	<b>\$ 2,366,610</b>
<b>LIABILITIES</b>		
CURRENT		
Accounts payable and accrued liabilities (Note 8)	\$ 80,196	\$ 101,849
Deferred revenue (Note 9)	196,102	231,702
	276,298	333,551
LONG-TERM		
Note payable (Note 10)	690,000	690,000
	966,298	1,023,551
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL (Note 11)	1,350,570	1,350,570
CONTRIBUTED SURPLUS	286,514	286,514
DEFICIT	(308,804)	(294,025)
	1,328,280	1,343,059
	<b>\$ 2,294,578</b>	<b>\$ 2,366,610</b>

The accompanying notes form an integral part of these financial statements

## AYLEN CAPITAL INC.

### Interim Statements of Loss and Comprehensive Loss - Unaudited

For the Three Months ended March 31, 2013 and 2012

(In Canadian Dollars)

	March 31, 2013	March 31, 2012
<b>Revenues</b>		
Sales revenue	\$ 148,507	\$ 210,516
Interest and other income	2,193	2,896
Gain on sale of marketable securities	1,233	6,426
Unrealized gain on fair value of marketable securities	19,850	16,820
	<b>171,783</b>	<b>236,658</b>
<b>Expenses</b>		
General and administrative	89,297	103,495
Selling expenses	96,272	105,444
Amortization (Note 12)	993	884
	<b>186,562</b>	<b>209,823</b>
<b>Net (loss) income and comprehensive (loss) income for the period</b>	<b>(14,779)</b>	<b>26,835</b>
Deficit, beginning of period	(294,025)	(151,929)
<b>Deficit, end of period</b>	<b>\$ (308,804)</b>	<b>\$ (125,094)</b>
Net (loss) gain per share - basic and fully diluted	\$ (0.001)	\$ 0.002
Weighted average number of shares	16,856,632	16,856,632

The accompanying notes form an integral part of these financial statements

## AYLEN CAPITAL INC.

### Interim Statements of Changes in Equity - Unaudited For the Three Months Ended March 31, 2013 and 2012 (In Canadian Dollars)

	Number of fully paid common shares	Capital stock	Contributed Surplus	Deficit	Total shareholders' equity
Balance at December 31, 2012	16,856,632	\$ 1,350,570	\$ 286,514	\$ (294,025)	\$ 1,343,059
Net loss for the period	-	-	-	(14,779)	(14,779)
Balance at March 31, 2013	16,856,632	\$ 1,350,570	\$ 286,514	\$ (308,804)	\$ 1,328,280
Balance at December 31, 2011	16,856,632	\$ 1,350,570	\$ 280,914	\$ (151,929)	\$ 1,479,555
Net income for the period	-	-	-	26,835	26,835
Balance at March 31, 2012	16,856,632	\$ 1,350,570	\$ 280,914	\$ (125,094)	\$ 1,506,390

The accompanying notes form an integral part of these financial statements

# AYLEN CAPITAL INC.

## Interim Statements of Cash Flows - Unaudited For the Three Months Ended March 31, 2013 and 2012 (In Canadian Dollars)

	March 31, 2013	March 31, 2012
<b>Net Inflow (Outflow) of Cash Related to the Following Activities:</b>		
<b>Operating</b>		
Net (loss) income for the year	\$ (14,779)	\$ 26,835
Items not affecting cash:		
Unrealized gain on fair value of marketable securities	(19,850)	(16,820)
Amortization	993	884
Gain on sale of marketable securities	(1,232)	(6,426)
	(34,868)	4,473
Net changes in non-cash working capital balances:		
Accounts receivable	5,954	107,721
Prepaid expenses and sundry assets	1,008	(232)
Accounts payable and accrued liabilities	(21,653)	(51,211)
Deferred revenue	(35,600)	(89,521)
Other receivable	(11,646)	(10,755)
	<b>(96,805)</b>	<b>(39,525)</b>
<b>Investing</b>		
Purchase of office equipment	-	(1,219)
Proceeds from sale of marketable securities, net of purchases	24,509	45,662
	<b>24,509</b>	<b>44,443</b>
<b>(Decrease) Increase in cash position during the period</b>	<b>(72,296)</b>	<b>4,918</b>
Cash and cash equivalents, beginning of period	109,924	70,503
<b>Cash and cash equivalents, end of period</b>	<b>\$ 37,628</b>	<b>\$ 75,421</b>

### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -
Cash and cash equivalent (represented by Cash in Banks)	\$ 37,628	\$ 75,421

The accompanying notes form an integral part of these financial statements

# **AYLEN CAPITAL INC.**

## **Notes to the Interim financial statements - Unaudited**

**March 31, 2013 and 2012**

(In Canadian Dollars)

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These interim financial statements should be read in conjunction with the 2012 annual financial statements of Aylen Capital Inc.

### **1. INCORPORATION AND NATURE OF BUSINESS**

Aylen Capital Inc. ("Aylen" or the "Company") was incorporated on October 28, 2010 as a wholly-owned subsidiary of Centiva Capital Inc. ("Centiva"). The Company's registered head office is located at Royal Bank Plaza, South Tower, Suite 3800, 200 Bay Street, Toronto, Ontario, M5J 2Z4, Canada. Aylen remained inactive from the date of incorporation to October 31, 2011.

On September 30, 2011, a plan of arrangement (the "Arrangement") was completed pursuant to Section 192 of the Canada Business Corporations Act, whereby Centiva and Aylen entered into an agreement to distribute the existing assets of Centiva to shareholders by way of the Arrangement. Under the terms of the Arrangement, all of the existing assets and liabilities of Centiva were transferred to Aylen in exchange for 16,856,532 shares of Aylen and a promissory note in an amount representing \$0.05 per issued and outstanding common share of Centiva immediately prior to the Arrangement. The Arrangement was approved by Centiva shareholders at a special meeting held on September 23, 2011 and by the Ontario Superior Court of Justice on September 27, 2011. The effective date of the transaction was October 31, 2011. On the same date, Centiva changed its name to Spackman Equities Group Inc ("SEGI").

Centiva transferred all of its then existing assets and liabilities, except those relating to the new equity investments and tax losses, to Aylen in exchange for common shares and a promissory note of Aylen. The assets which were transferred to Aylen from Centiva consist primarily of an equity interest in a technology-based company, VFM Leonardo Inc., a technology-based business, Grapevine Solutions, and a portfolio of marketable securities. Grapevine Solutions ("Grapevine"), an unincorporated division of Aylen, operates a web-based survey and data collection business. Aylen took over Grapevine's operations effective November 1, 2011.

### **2. BASIS OF PRESENTATION AND PLAN OF ARRANGEMENT**

Aylen Capital (the "Company" or "Aylen"), was incorporated during 2010 as a wholly owned subsidiary of Centiva Capital Inc. ("Centiva"). On October 31, 2011, under a plan of arrangement, Centiva transferred all of its assets (except for any tax losses) and liabilities to its previously inactive subsidiary, Aylen, in exchange for 16,856,532 common shares and a note payable by Aylen in the amount of \$843,832. The transfer of these assets has been recorded at the carrying amount to Centiva, immediately prior to the transaction. The note payable was considered to be contingent consideration and was fair valued using a probability adjusted discounted cash flow analysis. Any difference between the carrying amount of the net assets and the consideration received (the share capital and note payable) was recorded in equity as contributed surplus.

All Aylen common shares held by Centiva were immediately distributed out to Centiva shareholders. Any transaction costs associated with the plan of arrangement have been expensed.

## AYLEN CAPITAL INC.

### Notes to the Interim financial statements - Unaudited

March 31, 2013 and 2012

(In Canadian Dollars)

The following table summarizes the carrying amounts of the assets and liabilities transferred from Centiva to Aylen:

	Amount
Cash	\$ 10,970
Marketable securities	518,714
Prepaid and sundry assets	7,805
Other receivables	45,159
HST recoverable	29,928
Investment	1,843,890
Equipment	2,169
	2,458,635
Accounts payable and accrued liabilities	77,717
Deferred revenue	99,162
	176,879
Net assets transferred	\$ 2,281,756
Net assets transferred	\$ 2,281,756
Consideration:	
Common shares (at the legal stated capital)	1,350,470
Note payable	690,000
Contributed surplus	\$ 241,286

#### (a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB") under IAS 34 – Interim Financial Reporting. These interim financial statements were prepared using the same basis of presentation, accounting policies and methods of computation as outlined in Note 2 and Note 3, Basis of Preparation and Significant Accounting policies as described in our financial statements for the year ended December 31, 2012. The interim financial statements do not included all of the notes required in annual financial statements. These financial statements were authorized for issuance by the Board of Directors of the Company on May 29, 2013.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out in Note 3 in our financial statements for the year ended December 31, 2012 have been applied consistently to all periods presented in these financial statements. The policies applied in these financial statements are based upon IFRS issued and outstanding as of December 31, 2012.



## AYLEN CAPITAL INC.

### Notes to the Interim financial statements - Unaudited

March 31, 2013 and 2012

(In Canadian Dollars)

#### 4. CASH AND CASH EQUIVALENTS

The Company's cash and cash equivalents consist of the following:

	March 31, 2013	December 31, 2012
Cash in banks	\$ 18,927	\$ 86,708
Cash held with broker	18,700	23,216
	<u>\$ 37,628</u>	<u>\$ 109,924</u>

#### 5. ACCOUNTS RECEIVABLE

Accounts receivable are amounts due from subscriptions that remain uncollected at period end. These amounts are classified as current because collection is expected in one year or less. Accounts receivable are recognized initially at the amount expected to be received less any discount to reduce the recoverable amount to fair value. Subsequently, accounts receivable are measured at amortized cost using the effective interest method less a provision for impairment.

The following table outlines the details of aging of the Company's receivables:

	March 31, 2013	December 31, 2012
Current	\$ 5,998	\$ 15,617
Past due		
31-60 days	6,425	11,184
Greater than 60 days	10,940	2,516
Less: allowance for doubtful accounts	-	-
	<u>\$ 23,363</u>	<u>\$ 29,317</u>

Accounts receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. The management evaluates the accounts receivable on a periodic basis and will make a decision as to write-down.

## AYLEN CAPITAL INC.

### Notes to the Interim financial statements - Unaudited

March 31, 2013 and 2012

(In Canadian Dollars)

#### 6. INVESTMENTS

	No. of shares	Cost
Privately held investments:		
(a) VFM Leonardo Inc.		
Common shares	3,075,359	\$ 1,156,000
Class A Preferred Shares, Series 1 and warrants to purchase further common shares	2,436,658	687,890
	5,512,016.5	\$ 1,843,890

As at March 31, 2013, the Company owned an equity interest of 4.4% in VFM Leonardo Inc. ("VFM") representing approximately 11.6% on a fully-diluted basis, should all warrants and options be exercised.

The Company also owns Class A Preferred Shares representing approximately 2.6% of all outstanding Class A and Class B preference shares. Class A Preferred Shares Series 1 were entitled to a cumulative dividend of 8% per annum and are convertible into common shares at a conversion price of \$0.2811 per share. Preferred shares are redeemable at the option of the holders, at any time after April 22, 2013 for an amount equal to the purchase price plus all accrued and unpaid dividends.

The Company also held 12,000,000 warrants with expiry date of March 1, 2014 and an exercise price of \$0.001 per share. As the warrants are linked to an equity instrument that does not have a quoted price in an active market and whose fair value cannot be reliably measured, they have been recorded at cost which is nil.

VFM is a provider of interactive content solutions to the lodging and travel industry. VFM uses the latest technology, some proprietary, to produce, host, manage, distribute and track rich media advertising platform and distribution network on many different travel websites. VFM is a producer and distributor of online visual content for the hotel and travel industry.

Investments in VFM were recorded at cost, there being no active market in its privately-held shares and there being no reliable estimate/measurement of fair value. The management reviewed the indicators of impairment and believed that there is no objective evidence of permanent impairment on VFM investments as at March 31, 2013.

The management intends to maintain the investment in the long-term to receive benefits from the operational activities of the investee company unless there is a liquidity event that generates significant value to shareholders.

## AYLEN CAPITAL INC.

### Notes to the Interim financial statements - Unaudited

March 31, 2013 and 2012

(In Canadian Dollars)

#### 7. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	Net book value	
			March 31, 2013	December 31, 2012
Office Equipment	\$ 4,334	\$ 1,628	\$ 2,706	\$ 3,067
Equipment	7,581	7,463	118	750
	\$ 11,915	\$ 9,091	\$ 2,824	\$ 3,817

#### 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist primarily of outstanding vendors' invoices and accrued expenses incurred during the period. The balances owing to the creditors are payable in accordance with the vendors' individual credit terms. The Company's contractual maturities were broken down as follows:

	March 31, 2013	December 31, 2012
Trade payables	\$ 37,127	\$ 11,178
Accrued expenses	38,471	86,912
Credit cards	4,597	3,759
	\$ 80,196	\$ 101,849

Accounts payable and accrued liabilities are current financial instruments expected to be settled in the normal course of operations.

#### 9. DEFERRED REVENUE

Deferred revenue represents the unearned portion of subscription fees collected from customers amortized on a straight-line basis over the remaining life of the contract.

	March 31, 2013	December 31, 2012
Unearned subscription fees	\$ 196,102	\$ 231,072

# AYLEN CAPITAL INC.

## Notes to the Interim financial statements - Unaudited

March 31, 2013 and 2012

(In Canadian Dollars)

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### 10. NOTE PAYABLE

The Company issued a demand promissory note in the amount of \$842,832 to Spackman Equities Group Inc. (formerly Centiva Capital Inc) on October 31, 2011 pursuant to the plan of arrangement (Note 2). The note is secured by a Security Agreement over the Grapevine operating assets. The note is non-interest bearing and is only repayable subject to the assets of the Company being sold (namely the marketable securities, available for sale investments (VFM Leonardo) and operating assets of Grapevine). The amount repayable is limited to the lesser of the face value of the note or the proceeds on sale.

The note has been accounted for initially as contingent consideration due to the uncertainty of the liquidity event occurring. Using IFRS 3 (Business Combinations) as a precedent, the contingent consideration has been fair valued using a probability adjusted discounted cash flow analysis based approach using likelihoods of liquidity events occurring for the key assets in question. These probabilities are adjusted at each reporting period and any changes in fair value are recorded in income. During the current period, 2011 and 2012, such fair value changes were not considered material.

A discount rate of 15% was used as part of the calculations. Key model inputs included using an adjusted book value technique to measure the operating assets of the Company, a capitalized cash flow approach to determine the fair value of any proprietary software and normalizing earnings to a maintainable level. Based on the fair value of the assets, probabilities of a liquidation event occurring were applied.

After the date of transfer, certain marketable securities were sold for proceeds of \$344,774. As such, this amount is eligible for repayment on demand. The holder has waived the right to demand repayment until January 1, 2014. Accordingly, the amount has not been presented as a current liability.

### 11. SHARE CAPITAL

#### a) Authorized

An unlimited number of common shares, an unlimited number of Class A common shares and unlimited number of preferred shares issuable in series.

#### (b) Issued and outstanding

	Number of common shares	Amount
Balance at March 31, 2013 and December 31, 2012	16,856,632	\$ 1,350,570

## AYLEN CAPITAL INC.

### Notes to the Interim financial statements - Unaudited

March 31, 2013 and 2012

(In Canadian Dollars)

#### (c) Stock options

The Company has an incentive stock option plan for the officers and directors enabling them to purchase common shares. Each option granted under the plan is for a maximum term of 10 years. The exercise price is determined by the Company's board of directors at the time the option is granted, subject to regulatory approval, and may not be less than the most recent closing price of the common shares at the date of grant. Vesting provisions are also determined at the time of grant by the Company's board of directors.

No new stock options were granted during the first quarter of 2013.

The following table shows the stock options held by officers and directors as at March 31, 2013:

Number of options outstanding	Exercise Price \$	Expiry Date	Number of options exercisable
50,000	0.10	May 2, 2013	50,000
50,000	0.10	May 13, 2013	50,000
150,000	0.10	November 27, 2013	150,000
150,000	0.10	November 25, 2014	150,000
150,000	0.10	November 19, 2015	150,000
150,000	0.05	December 5, 2016	150,000
150,000	0.05	November 26, 2017	150,000
835,663	0.05	December 5, 2021	835,663
1,685,663	0.07		1,685,663

The following summarizes information on the stock options outstanding as at March 31, 2013:

Weighted average exercise price	\$	0.07
Options outstanding as at March 31, 2013		1,685,663
Weighted average remaining contractual life		5.5 years
Options exercisable as at March 31, 2013		1,685,663

## **AYLEN CAPITAL INC.**

**Notes to the Interim financial statements - Unaudited**

**March 31, 2013 and 2012**

(In Canadian Dollars)

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### **12. RESTATEMENT OF PRIOR YEAR'S COMPARATIVE FINANCIAL STATEMENTS**

Statement of Loss and Comprehensive Loss

As described in Note 20 of the financial statements for December 31, 2012, the Company has restated the net assets transferred from Centiva at carrying values rather than at fair value, as previously recorded.

The resulting adjustments to the March 31, 2012 comparative statements are as follow:

(i) Amortization	(52,377)
(ii) Accretion expenses	(13,461)