

Financial Statements of



September 30, 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*

November 28, 2013

**AYLEN CAPITAL INC.****Interim Statements of Financial Position - Unaudited**

(In Canadian Dollars)

	As at September 30, 2013	As At December 31, 2012
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents (Note 4)	\$ 25,485	\$ 109,924
Marketable securities	287,257	361,049
Accounts receivable (Note 5)	36,028	29,317
HST Recoverable	6,817	6,604
Prepaid expense and sundry assets	11,000	12,009
	366,587	518,903
INVESTMENTS (Note 6)	1,843,890	1,843,890
PROPERTY AND EQUIPMENT (Note 7)	1,983	3,817
	<b>\$ 2,212,460</b>	<b>\$ 2,366,610</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 97,156	\$ 101,849
Deferred revenue (Note 9)	164,870	231,702
	262,026	333,551
<b>LONG-TERM</b>		
Note payable (Note 10)	690,000	690,000
	952,026	1,023,551
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL (Note 11)	1,350,570	1,350,570
CONTRIBUTED SURPLUS	286,514	286,514
DEFICIT	(376,650)	(294,025)
	1,260,434	1,343,059
	<b>\$ 2,212,460</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 and nine months ended September 30, 2013

(In Canadian Dollars)

	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
<b>Revenues</b>				
Sales revenue	\$ 153,770	\$ 156,985	\$ 459,765	\$ 501,911
Interest and other income	2,317	2,659	7,509	9,146
Gain on sale of marketable securities	16,604	(1,201)	20,954	7,967
Unrealized gain on fair value of marketable securities held for trading	1,646	22,690	24,279	4,472
	<b>174,337</b>	<b>181,133</b>	<b>512,507</b>	<b>523,496</b>
<b>Expenses</b>				
Selling expenses	98,782	99,563	285,990	293,422
General and administrative	100,345	90,847	307,308	280,420
Amortization (Note 12)	361	635	1,834	2,402
	<b>199,488</b>	<b>191,045</b>	<b>595,132</b>	<b>576,244</b>
<b>Net loss and comprehensive loss for the period</b>	<b>(25,151)</b>	<b>(9,912)</b>	<b>(82,625)</b>	<b>(52,748)</b>
Deficit, beginning of period	(351,499)	(194,765)	(294,025)	(151,929)
<b>Deficit, end of period</b>	<b>\$ (376,650)</b>	<b>\$ (204,677)</b>	<b>\$ (376,650)</b>	<b>\$ (204,677)</b>
Net loss per share - basic and fully diluted	<b>\$ (0.002)</b>	<b>\$ (0.001)</b>	<b>\$ (0.005)</b>	<b>\$ (0.003)</b>
Weighted average number of shares	<b>16,856,632</b>	<b>16,856,632</b>	<b>16,856,632</b>	<b>16,856,632</b>

The accompanying notes form an integral part of these financial statements

## AYLEN CAPITAL INC.

### Interim Statements of Changes in Equity - Unaudited

For the nine months ended September 30, 2013

(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	-	-	-	(82,625)	(82,625)
<b>Balance at September 30, 2013</b>	<b>16,856,632</b>	<b>\$ 1,350,570</b>	<b>\$ 286,514</b>	<b>\$ (376,650)</b>	<b>\$ 1,260,434</b>
Balance at December 31, 2011	16,856,632	\$ 1,350,570	\$ 280,914	\$ (151,929)	\$ 1,479,555
Net loss for the period	-	-	-	(52,748)	(52,748)
<b>Balance at September 30, 2012</b>	<b>16,856,632</b>	<b>\$ 1,350,570</b>	<b>\$ 280,914</b>	<b>\$ (204,677)</b>	<b>\$ 1,426,807</b>

The accompanying notes form an integral part of these financial statements

## AYLEN CAPITAL INC.

### Interim Statements of Cash Flows - Unaudited

For the three months and nine months ended September 30, 2013

(In Canadian Dollars)

	Three months ended		Nine months ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
<b>Net Inflow (Outflow) of Cash Related to the Following Activities:</b>				
<b>Operating</b>				
Net loss for the period	\$ (25,151)	\$ (9,912)	\$ (82,625)	\$ (52,748)
Items not affecting cash:				
Unrealized (gain) loss on fair value of marketable securities held for trading	(1,646)	(22,690)	(24,279)	(4,472)
Amortization	361	635	1,834	2,402
(Gain) loss on sale of marketable securities	(16,604)	1,201	(20,954)	(7,967)
	(43,040)	(30,766)	(126,024)	(62,785)
Net changes in non-cash working capital balances:				
Accounts receivable	(6,261)	32,102	(6,711)	85,493
Prepaid expenses and sundry assets	(8,500)	1,840	1,008	1,588
Accounts payable and accrued liabilities	(5,058)	(5,239)	(4,693)	(93,667)
Deferred revenue	(42,143)	9,515	(66,831)	(34,091)
Other receivable	2,130	5,151	(214)	9,411
	(102,872)	12,603	(203,465)	(94,051)
<b>Investing</b>				
Purchase of office equipment	-	-	-	(2,530)
Proceeds from sale of marketable securities	77,311	17,313	119,026	111,145
	77,311	17,313	119,026	108,615
<b>(Decrease) increase in cash position during the period</b>	<b>(25,561)</b>	<b>29,916</b>	<b>(84,439)</b>	<b>14,564</b>
Cash and cash equivalents, beginning of period	51,046	55,151	109,924	70,503
<b>Cash and cash equivalents, end of period</b>	<b>\$ 25,485</b>	<b>\$ 85,067</b>	<b>\$ 25,485</b>	<b>\$ 85,067</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>				
Cash paid for:				
Interest	\$ -	\$ -	\$ -	\$ -
Income taxes	\$ -	\$ -	\$ -	\$ -
Cash and cash equivalent	\$ 25,485	\$ 85,067	\$ 25,485	\$ 85,067

The accompanying notes form an integral part of these financial statements

# **AYLEN CAPITAL INC.**

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

**September 30, 2013**

(In Canadian Dollars)

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

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

Aylene Capital Inc. ("Aylene" 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. Aylene 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 Aylene 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 Aylene in exchange for 16,856,532 shares of Aylene 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 and tax losses, to Aylene in exchange for common shares of Aylene. The assets which were transferred to Aylene from Centiva consist 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 Aylene, operates a web-based survey and data collection business. Aylene took over Grapevine's operations effective November 1, 2011.

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

Aylene Capital (the "Company" or "Aylene"), 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, Aylene, in exchange for 16,856,532 common shares and a note payable by Aylene 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 Aylene 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

September 30, 2013

(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 November 28, 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

September 30, 2013

(In Canadian Dollars)

### 4. CASH AND CASH EQUIVALENTS

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

	September 30, 2013	December 31, 2012
Cash in banks	\$ 11,238	\$ 86,708
Cash held with broker	14,247	23,216
	\$ 25,485	\$ 109,924

### 5. ACCOUNTS RECEIVABLE

Accounts receivable are amounts due from subscriptions that remain uncollected at year 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:

	September 30, 2013	December 31, 2012
Current	\$ 18,522	\$ 15,617
Past due		
31-60 days	15,481	11,184
Greater than 60 days	2,025	2,516
Less: allowance for doubtful accounts	-	-
Total receivable, net	\$ 36,028	\$ 29,317

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.

### 6. INVESTMENTS

	No. of shares	Cost
Privately held investments:		
(a) VFM Leonardo Inc.		
Common shares	3,075,358.5	\$ 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

## AYLEN CAPITAL INC.

### Notes to the Interim financial statements - Unaudited

September 30, 2013

(In Canadian Dollars)

As at September 30, 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 Series 1 representing approximately 2.6% of all outstanding Class A and Class B preference shares. Class A Preferred Shares Series 1 are 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 held 12,000,000 warrants with an 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 based on IAS 36 and believed that there is no permanent impairment on VFM investments as at September 30, 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.

## 7. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	Net book value	
			September 30, 2013	December 31, 2012
Office equipment	\$ 4,334	\$ 2,351	\$ 1,983	\$ 3,067
Equipment	7,581	7,581	-	750
	\$ 11,915	\$ 9,932	\$ 1,983	\$ 3,817

There was no impairment loss recognized with respect to obsolescence of the software and computer equipment as at September 30, 2013.

## **AYLEN CAPITAL INC.**

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

**September 30, 2013**

(In Canadian Dollars)

#### **8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities consist primarily of outstanding vendors' invoices and accrued expenses incurred during the year. 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:

	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Trade payables	\$ 67,146	\$ 11,178
Accrued expenses	24,472	86,912
Credit cards	5,538	3,759
	<b>\$ 97,156</b>	<b>\$ 101,849</b>

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.

	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Unearned subscription fees	\$ 164,870	\$ 231,072

#### **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 net 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.

# AYLEN CAPITAL INC.

## Notes to the Interim financial statements - Unaudited

September 30, 2013

(In Canadian Dollars)

After the date of transfer, certain marketable securities were sold for proceeds of \$526,662. 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 September 30, 2013 and December 31, 2012	16,856,632	\$ 1,350,570

#### (a) Stock options

The Company has an incentive stock option plan for the officers and directors enabling them to purchase common shares. The term of each option granted under the plan is determined by the Company's board of directors at the time the option is granted. Under the plan the maximum term for which an option may be granted is 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 third quarter of 2013.

The following table shows the stock options held by officers and directors as at September 30, 2013:

Number of options outstanding	Exercise Price \$	Expiry Date	Number of options exercisable
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
1,585,663	0.06		1,585,663

## AYLEN CAPITAL INC.

Notes to the Interim financial statements - Unaudited

September 30, 2013

(In Canadian Dollars)

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The following summarizes information on the stock options outstanding as at September 30, 2013:

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Weighted average exercise price	\$0.06
Options outstanding as at September 30, 2013	1,585,663
Weighted average remaining contractual life	5.3 years
Options exercisable as at September 30, 2013	1,585,663

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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 September 30, 2012 comparative statements are as follow:

	Three months ended September 30	Six months ended September 30
(i) Amortization	(51,851)	(154,837)
(ii) Accretion expenses	(13,461)	(40,383)