# AYLEN CAPITAL INC.

**CONDENSED INTERIM UNAUDITED FINANCIAL STATEMENTS**
**(PREPARED BY MANAGEMENT)**
**FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2016 AND 2015**

# MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying condensed interim unaudited consolidated financial statements of Aylen Capital Inc. were prepared by management in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. The most significant of these accounting principles have been disclosed in the notes to the condensed interim unaudited consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the condensed interim unaudited consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the condensed interim unaudited consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the condensed interim unaudited consolidated financial statements and (ii) the condensed interim unaudited consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the condensed interim unaudited consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the condensed interim unaudited consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the condensed interim unaudited consolidated financial statements together with other financial information of the Company for issuance to the shareholders. These condensed interim unaudited consolidated financial statements were authorized for issuance by the Board on May 24, 2016

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"John D.Pennal"
President

"Alex Falconer"
Chief Financial Officer

May 24, 2016

# AYLEN CAPITAL INC.
## CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
**AS AT**

| | Notes | | March 31, 2016 (Unaudited) | | December 31, 2015 (Audited) |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and cash equivalents | 3 | $ | **50,946** | $ | 142,051 |
| Marketable securities | 4 | | **130,538** | | 125,641 |
| Accounts receivable | 5 | | **19,351** | | 31,392 |
| HST recoverable | | | **11,800** | | 5,335 |
| | | | **212,635** | | 304,419 |
| **Investments** | 6 | | **2** | | 2 |
| **Property and equipment** | 7 | | **968** | | 1,450 |
| | | $ | **213,605** | $ | 305,871 |
| **LIABILITIES** | | | | | |
| Accounts payable and accrued liabilities | 8 | $ | **70,781** | $ | 120,487 |
| Deferred revenue | | | **264,271** | | 295,796 |
| | | | **335,052** | | 416,283 |
| **SHAREHOLDERS' EQUITY** | | | | | |
| **Share capital** | 9 | | **1,350,570** | | 1,350,570 |
| **Contributed surplus** | | | **287,766** | | 287,766 |
| **Deficit** | | | **(1,759,783)** | | (1,748,748) |
| | | | **(121,447)** | | (110,412) |
| | | $ | **213,605** | $ | 305,871 |

**COMMITMENT (Note 13)**

**Approved on Behalf of the Board**

'John Pennal' Director

'William Hale' Director

See accompanying notes to the condensed interim financial statements.

# AYLEN CAPITAL INC.

**CONDENSED INTERIM UNAUDITED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

**FOR THE THREE MONTH PERIODS ENDED**

(Unaudited-prepared by management)

| | Notes | Three Months March 31, 2016 | Three Months March 31, 2015 |
|---|---|---|---|
| **Revenues** | | | |
| Sales revenue | | **$ 215,325** | $ 219,374 |
| Interest and other income | 12 | **1,177** | 1,014 |
| Realized gain on sale of marketable securities | | **812** | 1,789 |
| Unrealized gain on fair value of marketable securities | | **3,207** | 698 |
| | | **220,521** | 222,875 |
| **Expenses** | | | |
| General and administrative | | **$ 107,378** | $ 80,918 |
| Selling expenses | | **123,696** | 122,600 |
| Amortization | 7 | **482** | 482 |
| **Total expenses** | | **231,556** | 204,000 |
| **Net (loss) income and comprehensive (loss) income for the period** | | **$ (11,035)** | $ 18,875 |
| | | | |
| **Net (loss) income per share** | | | |
| **Basic and fully diluted (loss) income per share** | | **$ (0.001)** | $ 0.001 |
| **Weighted average number of shares outstanding - Basic and fully diluted** | | **16,856,632** | 16,856,632 |

See accompanying notes to the condensed interim financial statements.

# AYLEN CAPITAL INC.

**CONDENSED INTERIM UNAUDITED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

(Expressed in Canadian Dollars)

**FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2016 AND 2015**

(Unaudited-prepared by management)

| | Share capital | | | | |
|---|---|---|---|---|---|
| | Common shares | Amount | Contributed surplus | Deficit | Total |
| Balance January 1, 2014 | 16,856,632 | $1,350,570 | $ 286,514 | $ (1,438,873) | $ 198,211 |
| Net income for the period | - | - | - | 18,875 | 18,875 |
| Balance, March 31, 2015 | 16,856,632 | $1,350,570 | $ 286,514 | $ (1,419,998) | $ 217,086 |
| | | | | | |
| Balance January 1, 2015 | 16,856,632 | $1,350,570 | $ 287,766 | $ (1,748,748) | $ (110,412) |
| Net loss for the period | - | - | - | (11,035) | (11,035) |
| Balance, March 31, 2016 | 16,856,632 | $1,350,570 | $ 287,766 | $ (1,759,783) | $ (121,447) |

See accompanying notes to the condensed interim financial statements.

# AYLEN CAPITAL INC.

**CONDENSED INTERIM UNAUDITED STATEMENTS OF CASH FLOWS**
(Expressed in Canadian Dollars)
**FOR THE THREE MONTH PERIODS ENEDED**
(Unaudited-prepared by management)

| | Three Months March 31, 2016 | 2015 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net (loss) income for the period | **$ (11,035)** | $ 18,875 |
| Adjustments not effecting cash: | | |
| Realized gain on sale of marketable securities | **(812)** | (1,789) |
| Unrealized gain on fair value of marketable securities | **(3,207)** | (698) |
| Amortization (Note 7) | **482** | 482 |
| | **(14,572)** | 16,870 |
| Changes in non-cash working capital | | |
| Accounts receivable | **12,040** | (33,515) |
| Prepaid expense and sundry assets | **-** | 1,658 |
| HST recoverable | **(6,464)** | (2,093) |
| Deferred revenue | **(31,525)** | (35,455) |
| Accounts payable and accrued liabilities | **(49,706)** | (37,816) |
| **Cash used in operating activities** | **(90,227)** | (90,351) |
| **INVESTING ACTIVITIES** | | |
| Proceeds from sale of marketable securities | **(878)** | (44,774) |
| **Cash used in investing activities** | **(878)** | (44,774) |
| **Net decrease in cash** | **(91,105)** | (135,125) |
| Cash and cash equivalents, beginning of period | **142,051** | 156,975 |
| **Cash and cash equivalents, end of period** | **$ 50,946** | $ 21,850 |

See accompanying notes to the condensed interim financial statements.

## 1. INCORPORATION AND NATURE OF OPERATIONS

Aylen Capital Inc. ("Aylen" or the "Company") was incorporated on October 28, 2010 under the Canada Business Corporations Act. The Company's registered head office is located at Royal Bank Plaza, South Tower, Suite 3800, 200 Bay Street, Toronto, Ontario, M5J 2Z4, Canada.

Grapevine Solutions ("Grapevine"), an unincorporated division of Aylen, operates a web-based survey and data-collection business. Aylen also has an equity interest in a technology-based company, Leonardo Worldwide Corporation and a portfolio of marketable securities.

## 2. BASIS OF PRESENTATION

### Statement of compliance

The condensed interim unaudited financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"), as issued by the International Accounting Standards Board ("IASB") and therefore, do not contain all disclosures required by International Financial Report Standards ("IFRS") for annual financial statements. Accordingly, these condensed interim unaudited financial statements should be read in conjunction with the Company's most recently prepared audited annual financial statements for the fiscal year ended December 31, 2015.

The policies applied in these condensed interim unaudited financial statements are consistent with the policies disclosed in Notes 2 and 3 of the audited annual financial statements for the year ended December 31, 2015.

The condensed interim unaudited financial statements were authorized for issue by the Board of Directors on May 24, 2016.

### Basis of measurement and functional currency

The condensed interim unaudited financial statements are presented in Canadian dollars and have been prepared on the historical cost basis except for financial instruments measured at fair value through profit or loss. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The Company and its subsidiary's functional currency is the Canadian dollar.

### Recently Issued Accounting Pronouncements not yet Adopted

The IASB issued the following standards, which are not yet effective and have not been applied in the preparation of these financial statements. The Company is in the process of determining the extent of the impact on its financial statements.

On July 24, 2014 the IASB issued the complete IFRS 9. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The impact of adoption of the amendment has not yet been determined.

On May 12, 2014 the IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. The amendments made to IAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset. The Company intends to adopt the amendments to IAS 16 in its financial statements for the annual period beginning on January 1, 2016. The impact of adoption of the amendment has not yet been determined.

(Expressed in Canadian Dollars)

## 3. CASH AND CASH EQUIVALENTS

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

| | **March 31, 2016** | December 31, 2015 |
|---|---|---|
| Cash held in banks | **$ 46,105** | $ 87,597 |
| Cash held by broker | **4,841** | 69,378 |
| | **$ 50,946** | $ 156,975 |

## 4. MARKETABLE SECURITIES

The Company has the following marketable securities:

| | **March 31, 2016** | | December 31, 2015 | |
|---|---|---|---|---|
| | **Cost** | Fair value | Cost | Fair value |
| Investment in equities | **$ 128,844** | $ 130,538 | $ 86,076 | $ 84,305 |

Investment in equities are publicly-traded investments on a recognized securities exchange and for which no sales restrictions apply. The fair value of these securities is based on quoted closing prices at the period end date or the closing price on the last day the security traded if there were no trades at the period end date. If the closing price is outside of the bid-ask spread, management determines appropriate price for the security within the bid-ask spread. The fair value of mutual funds is determined using the net asset value per unit of each fund. The decline in the value of marketable securities was recognized in the statement comprehensive of loss.

## 5. ACCOUNTS RECEIVABLE

Details of the Company's trade and other receivables are as follows:

| | **March 31, 2016** | December 31, 2015 |
|---|---|---|
| Canadian and U.S. customers | **$ 19,351** | $ 27,675 |

Accounts receivable are amounts due from subscriptions that remain uncollected at the financial statements date. 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.

## 6. INVESTMENTS

| Privately held investments: | **March 31, 2016** | | December 31, 2015 | |
|---|---|---|---|---|
| Leonardo Worldwide Corporation | **Number of shares** | Amount | Number of shares | Amount |
| Common shares | **15,075,359** | $ 1 | 15,075,359 | $ 1 |
| Class A preferred shares | **2,436,685** | 1 | 2,436,685 | 1 |
| | | $ 2 | | $ 2 |

(Expressed in Canadian Dollars)

## 6. INVESTMENTS (Cont'd)

As at March 31, 2016, the Company owns an equity interest of 12.6% (December 31, 2015 - 12.6%) in Leonardo Worldwide Corporation ("Leonardo") representing approximately 11.6% (December 31, 2015 - 11.6%) on a fully-diluted basis, should all options and warrants 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. On December 6, 2013, the holder of the majority of the Series 1 and Series 2 preferred shares requested redemption of all of their Series 1 and Series 2 preferred shares for their purchase price plus all accrued and unpaid dividends ("Redemption Payment"). The Company was not able to make the Redemption Payment and as such is in noncompliance of the terms of the Series 1 and Series 2 preferred shares. The consequence of noncompliance is that the dividend rate on the Series 1 and Series 2 preferred shares increased to 9% on January 25, 2014 and to 10% on April 25, 2014 since the Company is still in noncompliance of the Redemption Payment. The increased dividend rates apply to all holders of the Series 1 and Series 2 preferred shares. The holder of the majority of the Series 1 and Series 2 preferred shares rescinded their request for redemption on December 23, 2014 and the dividend rate on the preferred shares were amended to increase to 10% per annum.

In March 2014, the Company exercised 12 million warrants into 12 million common shares of Leonardo at a cost of $12,000.

Leonardo is a provider of interactive content solutions to the lodging and travel industry. Leonardo 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. Leonardo is a producer and distributor of online visual content for the hotel and travel industry. Investments in Leonardo are recorded at cost, there being no active market in its privately-held shares and there being no reliable estimate/measurement of fair value. Management of the Company reviewed the indicators of impairment and concluded that there was objective evidence of impairment on the Leonardo common shares as at December 31, 2015 and recorded an impairment loss of $1,037,668 ( 2014 - $818,222) in the statement of comprehensive loss for the year ended December 31, 2015.

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

| | Equipment | Office equipment | Total |
|---|---|---|---|
| **Cost** | | | |
| Balance at December 31, 2013 | $ 7,581 | $ 4,335 | $ 11,915 |
| Additions | - | 1,455 | 1,455 |
| Balance at December 31, 2014 | $ 7,581 | $ 5,790 | $ 13,371 |
| Additions | - | 1,740 | 1,740 |
| **Balance at December 31, 2015 and March 31, 2016** | **$ 7,581** | **$ 7,530** | **$ 15,111** |
| **Accumulated Amortization** | | | |
| Balance at December 31, 2013 | $ 7,581 | $ 2,712 | $ 10,293 |
| Amortization for the period | - | 1,809 | 1,809 |
| Balance at December 31, 2014 | $ 7,581 | $ 4,521 | $ 12,102 |
| Amortization for the period | - | 1,559 | 1,559 |
| Balance at December 31, 2015 | $ 7,581 | $ 6,080 | $ 13,661 |
| Amortization for the period | - | 482 | 482 |
| Balance at March 31. 2016 | $ 7,581 | $ 6,562 | $ 14,143 |

(Expressed in Canadian Dollars)

## 7. PROPERTY AND EQUIPMENT (Cont'd)

| Net Book Values | | | | | | |
|---|---|---|---|---|---|---|
| As at December 31, 2014 | $ | - | $ | 1,269 | $ | 1,269 |
| As at December 31, 2015 | $ | - | $ | 1,450 | $ | 1,450 |
| **As at March 31, 2016** | **$** | **-** | **$** | **968** | **$** | **968** |

## 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | | **March 31, 2016** | | December 31, 2015 |
|---|---|---|---|---|
| Trade payables | **$** | **7,990** | $ | 17,586 |
| Accrued expenses | | **52,476** | | 91,558 |
| Credit cards | | **10,315** | | 11,343 |
| | **$** | **70,781** | $ | 120,487 |

Accounts payable and accrued liabilities are current obligations expected to be settled in the normal course of operations. There are no accounts payable past due.

## 9. 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) Total outstanding shares:
Issued:
16,856,632 Common shares

(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.

The Company used a zero forfeiture rate in valuing the stock options as all stock options were vested immediately on the date of the grant.

The stock options activity is as follows:

| | **March 31, 2016** | | | December 31, 2015 | | |
|---|---|---|---|---|---|---|
| | **Number of Options** | | **Weighted Average Exercise Price** | Number of Options | | Weighted Average Exercise Price |
| Outstanding, beginning of the period | **1,285,663** | **$** | **0.05** | 1,135,663 | $ | 0.05 |
| Granted | **-** | | **-** | 200,000 | | - |
| Expired during the period | **-** | | **-** | (50,000) | | 0.10 |
| Outstanding, end of the period | **1,285,663** | **$** | **0.05** | 1,285,663 | $ | 0.05 |

(Expressed in Canadian Dollars)

## 9. SHARE CAPITAL (Cont'd)

The following table summarizes the stock options outstanding as at March 31, 2016:

| Number of options outstanding | Exercise price | Expiry date | Number of options exercisable |
|---|---|---|---|
| 50,000 | $ 0.05 | December 5, 2016 | 50,000 |
| 50,000 | $ 0.05 | November 26, 2017 | 50,000 |
| 150,000 | $ 0.05 | November 28, 2018 | 150,000 |
| 100,000 | $ 0.05 | May 30, 2020 | 100,000 |
| 100,000 | $ 0.05 | November 26, 2020 | 100,000 |
| 835,663 | $ 0.05 | December 5, 2021 | 835,663 |
| 1,285,663 | | | 1,285,663 |

## 10. RELATED PARTY TRANSACTIONS

The following related party transactions occurred and were reflected in the financial statements during the periods ended March 31, 2016 and 2015 as follows:

| | Three Months March 31, 2016 | Three Months March 31, 2015 |
|---|---|---|
| Legal fees paid to a firm of which the CEO is counsel | $ - | $ 340 |

**REMUNERATION OF KEY PERSONNEL**

| | Three Months March 31, 2016 | Three Months March 31, 2015 |
|---|---|---|
| Salaries | $ 60,000 | $ 53,734 |
| Directors' fees | 5,625 | 3,750 |
| Consulting fees | 12,900 | 10,000 |
| Total | $ 78,525 | $ 67,484 |

Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Company and its subsidiary including the Company's Board of Directors. The Company considers key management to be the members of the Board of Directors and the Chief Executive Officer.

Included in accounts payable and accrued liabilities are directors' fees of $5,625 and consulting fees of $4,300 (December 31, 2015 - $6,250) and legal fees of $471 (December 31, 2015 - $471) due to a firm of which the CEO is counsel.

## 11. MANAGEMENT OF CAPITAL

The Company's objective is to develop a strong capital base to sustain future development and growth of the business. The Company manages its capital by maintaining a flexible capital structure which optimizes the cost of capital at an acceptable level of risk and makes adjustments on it in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Company's capital base is currently represented by shareholders' equity. The Board of Directors reviews the Company's business plans as part of its strategic initiatives in conjunction with its financial forecast. The Board of Directors does not establish a quantitative return on capital criteria for management but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company regularly monitors and reviews the amount of capital in proportion to risk and future development. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

## 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's significant financial instruments comprise of cash and cash equivalents, marketable securities, accounts receivables, investments in shares of private and public companies, notes payable and accounts payable and accrued liabilities.

**Measurement and Fair Value**

The fair value of the Company's accounts receivable and accounts payable/accrued liabilities approximate their respective carrying value as at the statement of financial position date because of the short term maturity of these instruments. The Company currently does not use hedges or other derivative financial instruments in its operations.

Financial instruments recorded at fair value on the balance sheet date are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1- valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3 - valuation techniques based on inputs for the asset or liability that are not based on observable market data.

The fair value of cash and cash equivalents, marketable securities and investments in publicly traded entities are measured based on Level 1 inputs referred to in the three levels of the hierarchy noted above. There were no Level 2 financial instruments.

**Risk management**

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(Expressed in Canadian Dollars)

## 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

The Company has exposure to the following risks from its use of financial instruments:

(a) Market risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity prices. The Company is exposed to market risk in trading its investments, and unfavourable market conditions could result in dispositions of investments at less than favourable prices.

The Company's investments in marketable securities FVTPL are valued at fair value as determined by price quotations by the stock exchanges on which these investments are listed. The Company's investments in non-publicly-traded investments available-for-sale are measured at cost and are written down when there is an objective evidence of impairment. During periods of significant broader market volatility or volatility experienced by the commodity markets, the value of the Company's investment portfolio can be quite vulnerable to market fluctuations.

(b) Interest risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any floating interest rate instruments and therefore it is not exposed to interest rate fluctuations.

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and accounts receivable. The carrying amount of financial assets represents the maximum credit exposure to the Company.

The Company has established credit approval and monitoring practices to mitigate this risk, including reviewing the creditworthiness of new customers to establish credit limits, monitoring customers' payments and, where considered appropriate, reviewing the financial condition of the existing customers. The Company has no experience of significant write-offs of accounts receivable.

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

| | **March 31, 2016** | December 31, 2015 |
|---|---|---|
| Current | $ 19,351 | $ 31,392 |
| Past due: | | |
| 31-60 days | - | - |
| Greater than 60 days | - | - |
| Total receivable, net | $ 19,351 | $ 31,392 |

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. Majority of the accounts were subsequently collected after year end. The management believed that allowance for doubtful account is not necessary. As the amounts involved are not significant,this credit risk is considered small.

(d) Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due. The Company's activities are financed through a combination of the cash flows from operations and proceeds from the disposition of its short-term investments. The Company manages liquidity risks by monitoring the actual and forecasted cash flows taking into account the current and planned operations. All of the Company's accounts payable are due within the next month.

## 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

(e) Foreign exchange risk

Foreign currency exchange risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate as a result of changes in foreign exchange rates. The Company's operations are exposed to foreign exchange fluctuations in that the majority of sales by the Grapevine division are denominated in US currency, while the majority of costs are denominated in Canadian currency. The Company believes it is not significantly exposed to foreign exchange rate risk; the risk is considered to be acceptable as a normal risk of that class of business.

## 13. COMMITMENTS

The Company has contracted with 2232021 Ontario Inc. to provide operations and sales management services to the Grapevine division for an annual base fee of $103,600, plus applicable taxes, and additional sales based incentives.

## 14. SEGMENTED INFORMATION

For management purposes, the Company is organized into one business segment as web-based survey and data collection, which primarily operates in one geographical location, North America. Management assesses performance and makes decisions based on the results of operations of this business segment.