



**AYLEN CAPITAL INC.**

**CONDENSED INTERIM UNAUDITED FINANCIAL STATEMENTS  
(PREPARED BY MANAGEMENT)  
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017**

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying condensed interim unaudited 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 financial statements. Management acknowledges responsibility for the preparation and presentation of the condensed interim unaudited 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 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 financial statements and (ii) the condensed interim unaudited 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 financial statements.

The Board of Directors is responsible for reviewing and approving the 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 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 financial statements together with other financial information of the Company for issuance to the shareholders. These condensed interim unaudited financial statements were authorized for issuance by the Board on August 26, 2018.

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.

### **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 interim unaudited condensed financial statements of the Company have been prepared by, and are the responsibility of, the Company's management.

"John D. Pennal"  
President

"Alex Falconer"  
Chief Financial Officer

November 26, 2018

**AYLEN CAPITAL INC.****CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian Dollars)

**AS AT**

	<u>Notes</u>	September 30, 2018	December 31, 2017
<b>ASSETS</b>			
Cash and cash equivalents	5	\$ 55,240	\$ 91,643
Marketable securities	6	-	5,132
Accounts receivable	7	3,301	12,626
HST recoverable		14,483	10,383
		<b>73,024</b>	119,784
<b>Investments</b>	8	<b>2</b>	2
<b>Property and equipment</b>	9	<b>594</b>	951
		<b>\$ 73,620</b>	\$ 120,737
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	10	\$ 96,449	\$ 119,417
Deferred revenue	11	287,818	218,106
Loan payable	12	70,000	-
		<b>454,267</b>	337,523
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	13	1,350,570	1,350,570
Contributed surplus		308,524	299,821
Deficit		(2,039,741)	(1,867,177)
		<b>(380,647)</b>	(216,786)
		<b>\$ 73,620</b>	\$ 120,737

**COMMITMENT (Note 17)**

Approved on Behalf of the Board

John Pennal' DirectorWilliam 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 AND NINE MONTH PERIODS ENDED**

	<u>Notes</u>	Three Months September 30,		Nine Months September 30,	
		2018	2017	2018	2017
<b>Revenues</b>					
Sales revenue		\$ 159,189	\$ 146,975	\$ 432,976	\$ 550,630
Interest and other income	16	-	1,218	326	3,649
Realized (loss) gain on sale of marketable securities		-	3,189	(906)	6,966
Unrealized gain (loss) on fair value of marketable securities		-	1,434	-	(4,784)
		<b>159,189</b>	<b>152,816</b>	<b>432,396</b>	<b>556,461</b>
<b>Expenses</b>					
General and administrative		\$ 89,252	\$ 99,442	\$ 267,791	\$ 297,113
Selling expenses		113,281	117,112	328,110	345,818
Amortization	9	119	(31)	356	507
Stock-based payment	13(c)	8,703	-	8,703	11,675
		<b>211,355</b>	<b>216,523</b>	<b>604,960</b>	<b>655,113</b>
<b>Net income (loss) and comprehensive income (loss) for the period</b>		<b>\$ (52,166)</b>	<b>\$ (63,707)</b>	<b>\$ (172,564)</b>	<b>\$ (98,652)</b>
<b>Net income (loss) per share</b>					
<b>Basic and fully diluted income (loss) per share</b>		<b>\$ (0.003)</b>	<b>\$ (0.004)</b>	<b>\$ (0.010)</b>	<b>\$ (0.006)</b>
<b>Weighted average number of shares outstanding - Basic and fully diluted</b>		<b>16,856,632</b>	<b>16,856,632</b>	<b>16,856,632</b>	<b>16,856,632</b>

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 AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017**

	Share capital		Contributed surplus	Deficit	Total
	Common shares	Amount			
Balance January 1, 2017	16,856,632	\$1,350,570	\$ 288,146	\$ (1,785,926)	\$ (147,210)
Share-based payment	-	-	11,675	-	11,675
Net loss for the period	-	-	-	(96,652)	(96,652)
Balance, September 30, 2017	16,856,632	\$1,350,570	\$ 299,821	\$ (1,882,578)	\$ (232,187)
Balance January 1, 2018	16,856,632	\$1,350,570	\$ 299,821	\$ (1,867,177)	\$ (216,786)
Share-based payment (Note 13(c))	-	-	8,703	-	8,703
Net loss for the period	-	-	-	(172,564)	(172,564)
Balance, September 30, 2018	16,856,632	\$1,350,570	\$ 308,524	\$ (2,039,741)	\$ (380,647)

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 AND NINE MONTH PERIODS ENDED**

	Three Months September 30,		Nine Months September 30,	
	2018	2017	2018	2017
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	\$ (52,166)	\$ (63,707)	\$ (172,564)	\$ (98,652)
Adjustments not effecting cash:				
Realized loss (gain) on sale of marketable securities	-	(3,189)	906	(6,966)
Unrealized loss (gain) on fair value of marketable securities	-	(1,434)	-	4,784
Amortization (Note 9)	119	(31)	356	507
Stock-based payment	8,703	-	8,703	11,675
	(43,344)	(68,361)	(162,599)	(88,652)
Changes in non-cash working capital				
Accounts receivable	8,422	12,820	9,325	22,921
Prepaid expense and sundry assets	-	-	-	1,198
HST recoverable	(5,632)	5,815	(4,099)	2,730
Deferred revenue	63,064	28,809	69,712	83,883
Accounts payable and accrued liabilities	(5,611)	17,888	(22,968)	(24,608)
<b>Cash (used in) provided by operating activities</b>	<b>16,899</b>	<b>(3,029)</b>	<b>(110,629)</b>	<b>(2,528)</b>
<b>INVESTING ACTIVITIES</b>				
Property and equipment	-	-	-	(1,426)
Proceeds from sale of marketable securities	-	37,692	57,184	56,037
Purchase of marketable securities	-	(18,732)	(52,958)	(37,943)
<b>Cash provided by investing activities</b>	<b>-</b>	<b>18,960</b>	<b>4,226</b>	<b>16,668</b>
<b>FINANCING ACTIVITIES</b>				
Increase in loan payable	20,000	-	70,000	-
<b>Cash provided by financing activities</b>	<b>20,000</b>	<b>-</b>	<b>70,000</b>	<b>-</b>
<b>Net decrease in cash</b>	<b>36,899</b>	<b>15,931</b>	<b>(36,403)</b>	<b>14,140</b>
Cash and cash equivalents, beginning of period	18,341	38,804	91,643	40,595
<b>Cash and cash equivalents, end of period</b>	<b>\$ 55,240</b>	<b>\$ 54,735</b>	<b>\$ 55,240</b>	<b>\$ 54,735</b>

See accompanying notes to the condensed interim financial statements.

# **AYLEN CAPITAL INC.**

## **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017**

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### **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, 2017.

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, 2017.

The condensed interim unaudited financial statements were authorized for issue by the Board of Directors on November 26, 2018.

#### **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.

### **3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES**

Except as described below, the accounting policies applied in these unaudited condensed interim financial statements are the same as those applied in the Company's annual audited financial statements as at and for the years ended December 31, 2017 and 2016.

The changes in accounting policies will also be reflected in the Company's annual financial statements as at and for the year ending December 31, 2018.

#### **IFRS 15 Revenue from. Contracts with Customers ("IFRS 15")**

Effective January 1, 2018, the Company adopted IFRS 15. The Company has adopted IFRS 15, effective January 1, 2018, utilizing the cumulative effect method applying to the contracts that were not completed contracts at January 1, 2018. Under this method, the Company has recognized the cumulative effect of applying IFRS 15 as an adjustment to the opening balance of deficit as at January 1, 2018 without restating the comparative information which continues to be reported under IAS 18 and IAS 11. The Company reviewed its sources of revenue and the contracts that were not completed at January 1, 2018 using the guidance found in IFRS 15 and determined there are no material changes to the timing and measurement of the Company's revenue in the reporting period, as compared to the provisions of the previous standard.

# AYLEN CAPITAL INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017

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### 3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The Company's accounting policy under IFRS 15 is as follows:

Revenue represents the amount that reflects the consideration the Company expects to receive upon transfer of control of products and services in its contracts with customers, net of discounts and sales taxes. The Company's revenue is derived primarily from licensing of software products under non-cancellable license agreements and the provision of related professional services, including installation, integration and post-contract customer support ("PCS").

The Company's hosted software-as-a-service ("SaaS") application, which allows customers to use hosted software over the contract period without taking possession of the software, is provided on a subscription basis, and recognized ratably over the contract period, commencing on the date an executed contract exists and the customer has the right-to-use and access to the platform.

Professional services revenue involving significant implementation and customization of software, is recognized by the stage of completion of the performance obligation determined using the percentage-of-completion method noted above. Installation and integration services revenue, when considered distinct are recognized over time as the services are performed. Revenue related to the customer reimbursement of travel related expenses incurred during a project implementation where the Company is the principal in the arrangement is included in the professional services revenue category. Revenue is recognized as costs are incurred.

PCS revenue is recognized ratably over the term of the support agreement based on the price charged for the same or similar PCS when sold on a stand-alone basis.

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if it expects the costs to be recoverable, and has determined that such costs meet the requirements to be capitalized. Capitalized contract acquisition costs are amortized consistent with the pattern of transfer to the customer for the goods and services to which the asset relates. The amortization period includes specifically identifiable contract renewals where there is no substantive renewal commission paid on renewals. The expected customer renewal period is estimated based over the life of the intellectual property including expected software upgrades by the customer, which the Company has determined to be approximately one year. The Company applies the practical expedient available under IFRS 15 and does not capitalize incremental costs of obtaining contracts if the amortization period is one year or less.

The timing of revenue recognition often differs from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts are included in unbilled receivables. Amounts billed in accordance with customer contracts, but not yet earned, are recorded and presented as part of deferred revenue.

Significant judgments and estimates:

Contracts with customers often include promises to deliver multiple products and services. Determining whether such bundled products and services are considered to be distinct performance obligations that should be separately recognized; or non-distinct and therefore should be combined with another good or service and recognized as a combined unit of accounting may require significant judgment. The determination of the SSP for distinct performance obligations can also require judgment and estimates. The Company uses a range of amounts to estimate SSP when it sells each of the products and services separately and needs to determine whether there is a discount that needs to be allocated based on the relative SSP of the various products and services. In general, SSP for maintenance and support is established as a percentage of the software license fee as supported by internal analysis of similar vendor contracts. SSP for professional services is established based on observable prices for the same or similar services when sold separately.



# **AYLEN CAPITAL INC.**

## **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017**

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### **3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Management exercises judgement in determining whether a contract's outcome can be estimated reliably. Estimates are continually and routinely revised based on changes in the facts relating to each contract. Judgement is also needed in assessing the ability to collect the corresponding receivables.

Impact of transition to IFRS 15:

Effective January 1, 2018, the Company adopted IFRS 15 using the cumulative effect method, with the effect of adopting this standard recognized on January 1, 2018, the date of initial application. Accordingly, the information presented for 2017 has not been restated. It remains as previously reported under IAS 18, IAS 11 and related interpretations.

Adoption of IFRS 15 has not impacted the accounting for the Company's SaaS or professional services for the Company's software licenses.

#### **IFRS 9: Financial Instruments ("IFRS")**

Effective January 1, 2018, the Company adopted IFRS 9, which sets out requirements for recognition and measurement, impairment, derecognition and general hedge accounting. This standard simplifies the classification of a financial asset as either at amortized cost or at fair value as opposed to the multiple classifications which were permitted under IAS 39. This standard also requires the use of a single impairment method as opposed to the multiple methods in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The standard also adds guidance on the classification and measurement of financial liabilities.

Cash equivalent and marketable securities classified as held for trading under IAS 39 and trade and other receivables that were classified as loans and receivables under IAS 39 are classified as financial assets measured at amortized cost. Accounts payables and accrued liabilities that were classified as other liabilities are classified as financial liabilities measured at amortized costs. There is no change to the initial measurement of the Company's financial assets. Impairment of financial assets is based on an expected credit loss ("ECL") model under IFRS 9, rather than the incurred loss model under IAS 39. ECLs are a probability-weighted estimate of credit losses. The Company calculated ECLs based on consideration of customer-specific factors and actual credit loss experience over the past five years. As a percentage of revenue, the Company's actual credit loss experience has not been material.

The adoption of IFRS 9 has not had an effect on the Company's accounting policies related to financial liabilities.

There was no material impact of transition to IFRS 9 on the Company's statement of financial position at January 1, 2018.

### **4. RECENT ACCOUNTING PRONOUNCEMENTS**

#### **IFRS 16, Leases ("IFRS 16")**

IFRS 16 replaces IAS 17, Leases, and introduces new rules for accounting for leases which will result in substantially all lessee leases being recorded on the condensed interim statements of financial position. The standard is effective for annual periods beginning on or after January 1, 2019 with retroactive application and with early adoption permitted, but only if the entity is also applying IFRS 15.

The Company will adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The Company is assessing the impact of this standard on its financial statements and expects that there will be no impact on the financial statements of the Company

# AYLEN CAPITAL INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017

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### 5. CASH AND CASH EQUIVALENTS

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

	September 30, 2018	December 31, 2017
Cash held in banks	\$ 55,240	\$ 40,408
Cash held by broker	-	51,235
	<u>\$ 55,240</u>	<u>\$ 91,643</u>

There are no restrictions on the cash held by broker.

### 6. MARKETABLE SECURITIES

The Company has the following marketable securities:

	September 30, 2018		December 31, 2017	
	Cost	Fair value	Cost	Fair value
Investment in equities	\$ -	\$ -	\$ 12,916	\$ 5,132

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 change in the value of marketable securities was recognized with \$Nil being purchased, \$57,184 being sold with a loss of \$906 in the statement of comprehensive loss.

### 7. ACCOUNTS RECEIVABLE

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

	September 30, 2018	December 31, 2017
Canadian and U.S. customers	\$ 3,301	\$ 12,626

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 with no allowance taken on accounts receivable.

# AYLEN CAPITAL INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017

### 8. INVESTMENTS

Privately held investments:

	September 30, 2018		December 31, 2017	
	Number of shares	Amount	Number of shares	Amount
Leonardo Worldwide Corporation				
Common shares	15,075,359	\$ 1	15,075,359	\$ 1
Class A preferred shares	2,436,685	1	2,436,685	1
		\$ 2		\$ 2

As at September 30, 2018, the Company owns an equity interest of 12.6% (December 31, 2017 - 12.6%) in Leonardo Worldwide Corporation ("Leonardo") representing approximately 12.0% (December 31, 2017 - 12.0%) 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.

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 \$1,037,666 in the statement of comprehensive loss for the year ended December 31, 2015.

### 9. PROPERTY AND EQUIPMENT

	Equipment	Office equipment	Total
<b>Cost</b>			
Balance at December 31, 2015	\$ 7,581	\$ 7,530	\$ 15,111
Additions	\$ -	\$ 840	\$ 840
Balance at December 31, 2016	\$ 7,581	\$ 8,370	\$ 15,951
Additions	\$ -	\$ 1,426	\$ 1,426
<b>Balance at December 31, 2017 and September 30, 2018</b>	<b>\$ 7,581</b>	<b>\$ 9,796</b>	<b>\$ 17,377</b>
<b>Accumulated Amortization</b>			
Balance at December 31, 2015	\$ 7,581	\$ 6,080	\$ 13,661
Amortization for the period	-	2,140	2,140
Balance at December 31, 2016	\$ 7,581	\$ 8,220	\$ 15,801
Amortization for the period	-	625	625
Balance at December 31, 2017	\$ 7,581	\$ 8,845	\$ 16,426
Amortization for the period	-	357	357
<b>Balance at September 30, 2018</b>	<b>\$ 7,581</b>	<b>\$ 9,202</b>	<b>\$ 16,783</b>
	Office equipment	Total	
<b>Net Book Values</b>			
As at December 31, 2016	\$ 150	\$ 150	
As at December 31, 2017	\$ 951	\$ 951	
<b>As at September 30, 2018</b>	<b>\$ 594</b>	<b>\$ 594</b>	

# AYLEN CAPITAL INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017

### 10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2018	December 31, 2017
Trade payables	\$ 7,231	\$ 21,920
Accrued expenses	89,218	87,308
Credit cards	-	10,189
	<u>\$ 96,449</u>	<u>\$ 119,417</u>

### 11. DEFERRED REVENUE

The following table presents changes in the deferred revenue balances for the nine months ended September 30, 2018:

Balance, December 31, 2017	\$ 218,106
Adjustment on initial application of IFRS 15	-
Adjusted balance, January 1, 2018	<u>218,106</u>
Amounts invoiced and revenue deferred	482,379
Recognition of deferred revenue included in the adjusted balance at the beginning of the period	<u>(194,561)</u>
Balance, September 30, 2018	<u>\$ 287,818</u>
Current	\$ 109,405
Non-current	<u>\$ 178,413</u>

### 12. LOAN PAYABLE

	September 30, 2018	December 31, 2017
	<u>\$ 70,000</u>	<u>\$ -</u>

On April 14, 2018 the Company obtained a line of credit (LOC) of \$50,000 and additional \$20,000 LOC on July 4, 2018 expiring December 31, 2019 from the President and CEO of the Company. Advances under the LOC are repayable on demand, bear interest at the rate of 5% per annum, are secured against all the assets of the Company and, at the option of the lender, may be convertible into common shares of the Company at the rate of \$0.02 per share.

The entire amount of the LOC has been drawn down by the Company.

### 13. 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.

# AYLEN CAPITAL INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017

### 13. SHARE CAPITAL (Cont'd)

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:

	September 30, 2018		December 31, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of the period	1,285,663	\$ 0.04	150,000	\$ 0.04
Granted	500,000	0.02	1,185,663	0.01
Expired during the period	-	-	(50,000)	0.10
Outstanding, end of the period	1,785,663	\$ 0.01	1,285,663	\$ 0.04

During the period ended September 30, 2018, the Company granted 500,000 options (December 31, 2017 - Nil) which vested immediately at an exercise price of \$0.02 per share and with a term of 5 years from the date of grant. The share-based payment expense related to the options for the period ended September 30, 2018 of \$8,703 (December 31, 2017 - \$Nil) has been estimated using the Black-Scholes pricing model and disclosed as a separate component of shareholders' equity

The following table summarizes the stock options outstanding as at September 30, 2018:

Number of options outstanding	Exercise price	Expiry date	Number of options exercisable
100,000	\$ 0.02	November 25, 2021	100,000
1,185,663	\$ 0.01	January 16, 2022	1,185,663
500,000	\$ 0.02	September 12, 2023	500,000
1,785,663			1,785,663

### 14. RELATED PARTY TRANSACTIONS

The following related party transactions occurred and were reflected in the financial statements during the periods ended September 30, 2018 and 2017 as follows:

#### REMUNERATION OF KEY PERSONNEL

	Three Months September 30,		Nine Months September 30,	
	2018	2017	2018	2017
Salaries	\$ 55,000	\$ 60,000	\$ 165,000	\$ 182,146
Directors' fees	3,750	5,625	11,250	16,875
Consulting fees	12,000	7,900	30,500	33,700
Total	\$ 70,750	\$ 73,525	\$ 218,425	\$ 233,101

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 management fees of \$12,500 directors' fees of \$41,250 (December 31, 2017 - \$12,500 and \$30,000).

# **AYLEN CAPITAL INC.**

## **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017**

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### **15. 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.

### **16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

# AYLEN CAPITAL INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017

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

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

(a) Fair value of financial instruments:

The fair value of financial assets and liabilities, together with their carrying amounts are as follows:

Financial assets	September 30, 2018		December 31, 2017	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets at amortized cost:				
Cash and cash equivalents	\$ 55,240	\$ 55,240	\$ 91,643	\$ 91,643
Accounts receivable	3,301	3,301	12,626	12,626
HST receivable	14,483	14,483	10,383	10,383
Marketable securities	-	-	5,132	8,550
	<u>\$ 73,024</u>	<u>\$ 73,024</u>	<u>\$ 119,784</u>	<u>\$ 123,202</u>

Financial liabilities	September 30, 2018		December 31, 2017	
	Carrying value	Fair value	Carrying value	Fair value
Other financial liabilities, measured at amortized cost:				
Trade payables and accrued liabilities	\$ 96,449	\$ 96,449	\$ 119,417	\$ 119,417
Deferred revenue	287,818	287,818	218,106	218,106
	<u>\$ 384,267</u>	<u>\$ 384,267</u>	<u>\$ 337,523</u>	<u>\$ 337,523</u>

(b) 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:

	September 30,	December 31,
	2018	2017
Current	\$ 1,424	\$ 6,879
Past due:		
31-60 days	1,877	3,254
Greater than 60 days	-	519
Total receivable, net	<u>\$ 3,301</u>	<u>\$ 10,652</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. 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.

# **AYLEN CAPITAL INC.**

## **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2018 AND 2017**

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

#### (c) 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 year.

#### (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.

### **17. 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.

### **18. 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.

### **19. SUBSEQUENT EVENT**

On November 16, 2018, the Company sold all its shares of Leonardo Worldwide Corporation to an unrelated third party. The proceeds received by the Company on closing were US\$642,000. Two additional amounts of the purchase price payable to the Company have been withheld by the purchaser (the "Holdbacks"). The first Holdback is approximately US\$89,000 and is payable one year after closing and the second Holdback payable is approximately US\$62,000 and is payable two years after closing. The Holdbacks may be reduced by the portion attributable to the Company of any shortfall pursuant to a net tangible asset purchase price adjustment mechanism or any claims for indemnification made by the purchaser.

Following the sale of its shares of Leonardo Worldwide Corporation the Company has repaid in full all amounts referred to in Note 12 Loan Payable, including accrued interest.