



**AYLEN CAPITAL INC.**

**CONDENSED INTERIM UNAUDITED FINANCIAL STATEMENTS  
(PREPARED BY MANAGEMENT)  
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018  
(In Canadian Dollars)**

## 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 November 28, 2019.

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 28, 2019

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

(Expressed in Canadian Dollars)

**AS AT**

	<u>Notes</u>	September 30, 2019	December 31, 2018 (Audited)
<b>ASSETS</b>			
Cash and cash equivalents	5	\$ 542,460	\$ 724,808
Accounts receivable	6	6,825	7,427
HST recoverable		6,294	22,008
Current portion of consideration receivable	7	121,165	121,165
		676,744	875,408
Non current portion of consideration receivable	7	64,202	55,076
Property and equipment	8	119	475
		\$ 741,065	\$ 930,959
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	9	\$ 31,788	\$ 93,554
Contract liabilities	10	234,408	293,651
		266,196	387,205
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	11	1,350,570	1,350,570
Contributed surplus		320,765	320,765
Deficit		(1,196,466)	(1,127,581)
		474,869	543,754
		\$ 741,065	\$ 930,959

**COMMITMENT (Note 15)****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,	
		2019	2018	2019	2018
<b>Revenues</b>					
Sales revenue		\$ 143,635	\$ 159,189	\$ 482,081	\$ 432,976
Interest income	14	2,603	-	7,017	326
Realized loss on sale of marketable securities		-	-	-	(906)
		<b>146,238</b>	<b>159,189</b>	<b>489,098</b>	<b>432,396</b>
<b>Expenses</b>					
General and administrative		\$ 89,040	\$ 89,252	\$ 267,936	\$ 267,791
Selling expenses		69,149	113,281	291,211	328,110
Bad debt expense		-	-	7,486	-
Interest on short term debt		-	-	120	-
Amortization	8	119	119	356	356
Share-based payment		-	8,703	-	8,703
<b>Total expenses</b>		<b>158,308</b>	<b>211,355</b>	<b>567,109</b>	<b>604,960</b>
<b>Other income</b>					
Accretion on consideration receivable		3,075	-	9,126	-
<b>Net loss and comprehensive loss for the period</b>		<b>\$ (8,995)</b>	<b>\$ (52,166)</b>	<b>\$ (68,885)</b>	<b>\$ (172,564)</b>
<b>Net loss per share</b>					
<b>Basic net loss per share</b>		<b>\$ (0.001)</b>	<b>\$ (0.003)</b>	<b>\$ (0.004)</b>	<b>\$ (0.010)</b>
<b>Diluted net loss per share</b>		<b>\$ (0.001)</b>	<b>\$ (0.003)</b>	<b>\$ (0.004)</b>	<b>\$ (0.010)</b>
<b>Weighted average number of shares outstanding - Basic</b>					
		<b>16,856,632</b>	<b>16,856,632</b>	<b>16,856,632</b>	<b>16,856,632</b>
<b>Weighted average number of shares outstanding - Diluted</b>					
		<b>17,861,348</b>	<b>16,856,632</b>	<b>17,861,348</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, 2019 AND 2018**

	Share capital		Contributed surplus	Deficit	Total
	Common shares	Amount			
Balance January 1, 2018	16,856,632	\$1,350,570	\$ 299,821	\$ (1,867,177)	\$ (216,786)
Share-based payment	-	-	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)
Balance January 1, 2019	16,856,632	\$1,350,570	\$ 320,765	\$ (1,127,581)	\$ 543,754
Net loss for the period	-	-	-	(68,885)	(68,885)
Balance, September 30, 2019	16,856,632	\$1,350,570	\$ 320,765	\$ (1,196,466)	\$ 474,869

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,	
	2019	2018	2019	2018
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	\$ (8,995)	\$ (52,166)	\$ (68,885)	\$ (172,564)
Adjustments not affecting cash:				
Realized loss on sale of marketable securities	-	-	-	906
Amortization (Note 8)	119	119	356	356
Share-based payment	-	8,703	-	8,703
Accretion expense	(3,075)	-	(9,126)	-
	(11,951)	(43,344)	(77,655)	(162,599)
Changes in non-cash working capital				
Accounts receivable	(1,413)	8,422	602	9,325
HST recoverable	4,071	(5,632)	15,714	(4,099)
Contract liabilities	18,574	63,064	(59,243)	69,712
Accounts payable and accrued liabilities	(39,164)	(5,611)	(61,766)	(22,968)
<b>Cash (used in) provided by operating activities</b>	<b>(29,883)</b>	<b>16,899</b>	<b>(182,348)</b>	<b>(110,629)</b>
<b>INVESTING ACTIVITIES</b>				
Proceeds from sale of marketable securities	-	-	-	57,184
Purchase of marketable securities	-	-	-	(52,958)
<b>Cash provided by investing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,226</b>
<b>FINANCING ACTIVITIES</b>				
Increase in loan payable	-	20,000	-	70,000
<b>Cash provided by financing activities</b>	<b>-</b>	<b>20,000</b>	<b>-</b>	<b>70,000</b>
<b>Net (decrease) increase in cash</b>	<b>(29,883)</b>	<b>36,899</b>	<b>(182,348)</b>	<b>(36,403)</b>
Cash and cash equivalents, beginning of period	572,343	18,341	724,808	91,643
<b>Cash and cash equivalents, end of period</b>	<b>\$ 542,460</b>	<b>\$ 55,240</b>	<b>\$ 542,460</b>	<b>\$ 55,240</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, 2019 AND 2018**

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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 Scotia Plaza, 40 King Street West, Suite 2502, Toronto, Ontario M5H 3Y2, Canada.

Grapevine Solutions (“Grapevine”), an unincorporated division of Aylen, operates a web-based survey and data-collection business.

### **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, 2018.

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, 2018.

The condensed interim unaudited financial statements were authorized for issue by the Board of Directors on November 28, 2019.

#### **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 is 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, 2018 and 2017.

#### **IFRS 15, Revenue from Contracts with Customers (“IFRS 15”)**

On January 1, 2018, the Company adopted the new accounting standard IFRS 15 – “Revenue from Contract with Customers” (“IFRS 15”). IFRS 15 introduced a single model for recognizing revenue from contracts with customers and applied to all contracts with customers. The standard requires revenue in a manner that depicts the transfer of promised goods and services to a customer and at an amount that reflects the considerations expected to be received in exchange from transferring those goods or services. IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs and provides revised guidance on principal versus agent consideration. IFRS 15 was applied on a retrospective basis and did not require an adjustment to the Company's financial statements.

#### **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.

# AYLEN CAPITAL INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018

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

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 9")

IFRS 9 – Financial instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules 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. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. A new hedge accounting model is introduced and represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company adopted this standard on January 1, 2018 and it did not have a material impact on the financial statements.

### 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.

### 5. CASH AND CASH EQUIVALENTS

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

	September 30, 2019	December 31, 2018
Cash held in banks	\$ 542,460	\$ 724,808

There were no restrictions on the cash held by broker.

### 6. ACCOUNTS RECEIVABLE

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

	September 30, 2019	December 31, 2018
Canadian and U.S. customers	\$ 6,825	\$ 7,427

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, 2019 AND 2018

### 7. INVESTMENTS

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 CAD\$847,887. Two additional amounts of the purchase price payable to the Company have been withheld by the purchaser (the "Holdbacks"). The first holdback is US\$89,000 (CAD\$121,165 as at December 31, 2018) and is payable one year after closing; as the expected repayment date of November 16, 2019 is within twelve months of year end, this is considered a current asset and has been classified as such. The second holdback is US\$57,182 (CAD\$84,750 as at December 31, 2018) and is payable two years after closing; as the expected repayment date of November 16, 2019 is not within twelve months of year end, this is considered a non-current asset. The present value of this receivable was calculated to be approximately CAD\$53,572 using a market rate of interest of 20% and an effective interest rate of 22.8%. Accretion income of \$1,504 was recognized on this receivable for the period between the closing date of November 16, 2018 and December 31, 2018. In addition to this accretion income, the Company recognized a total gain on sale of the Leonardo shares of CAD\$1,022,622, calculated as the excess of total consideration comprised of CAD\$847,887 on closing, CAD\$121,165 first holdback receivable and the CAD\$53,572 present value of the second holdback receivable over the CAD\$2 carrying value of the Leonardo shares recognized in other income on the statement of income (loss) and comprehensive income (loss). 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.

### 8. PROPERTY AND EQUIPMENT

	Equipment	Office equipment	Total
<b>Cost</b>			
Balance at December 31, 2016	\$ 7,581	\$ 8,370	\$ 15,951
Additions	\$ -	\$ 1,426	\$ 1,426
<b>Balance at December 31, 2017, 2018 and September 30, 2019</b>	<b>\$ 7,581</b>	<b>\$ 9,796</b>	<b>\$ 17,377</b>
<b>Accumulated Amortization</b>			
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	-	476	476
Balance at December 31, 2018	\$ 7,581	\$ 9,321	\$ 16,902
Amortization for the period	-	356	356
<b>Balance at September 30, 2019</b>	<b>\$ 7,581</b>	<b>\$ 9,677</b>	<b>\$ 17,258</b>
<b>Net Book Values</b>			
As at December 31, 2016	\$ 150	\$ 150	\$ 150
As at December 31, 2017	\$ 951	\$ 951	\$ 951
As at December 31, 2018	\$ 475	\$ 475	\$ 475
<b>As at September 30, 2019</b>	<b>\$ 119</b>	<b>\$ 119</b>	<b>\$ 119</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, 2019 AND 2018

### 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2019	December 31, 2018
Trade payables	\$ 566	\$ 59,875
Accrued expenses	31,222	26,471
Credit cards	-	7,208
	<u>\$ 31,788</u>	<u>\$ 93,554</u>

### 10. CONTRACT LIABILITIES

The following table presents changes in the contract liability balances for the years ended September 30, 2019 and December 31, 2018:

Balance as at December 31, 2018	\$ 293,651
Adjustment on initial application of IFRS 15:	-
Adjusted balance, January 1, 2019	<u>293,651</u>
Amounts invoiced and collected during the period ended September 30, 2019:	419,078
Amounts earned during the period ended September 30, 2019:	<u>(482,081)</u>
Amounts billed but not earned during the period	230,648
Foreign exchange gain on deferred revenue for sales held in USD	3,760
Contract liabilities, September 30, 2019	<u>\$ 234,408</u>

### 11. SHARE CAPITAL

(a) Authorized:

An unlimited number of common shares, an unlimited number of Class A common shares and an 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:

	September 30, 2019		December 31, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of the period	1,785,663	\$ 0.04	1,285,663	\$ 0.04
Granted	-	-	500,000	0.02
Outstanding, end of the period	<u>1,785,663</u>	<u>\$ 0.01</u>	<u>1,785,663</u>	<u>\$ 0.01</u>

# AYLEN CAPITAL INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

### FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018

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

The following table summarizes the stock options outstanding as at September 30, 2019:

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

#### 12. RELATED PARTY TRANSACTIONS

The following related party transactions occurred and were reflected in the financial statements during the periods ended September 30, 2019 and 2018 as follows:

##### REMUNERATION OF KEY PERSONNEL

	Three Months September 30,		Nine Months September 30,	
	2019	2018	2019	2018
Salaries	\$ 55,000	\$ 55,000	\$ 165,000	\$ 165,000
Directors' fees	3,750	3,750	11,250	11,250
Consulting fees	12,000	12,000	36,000	30,500
Total	\$ 70,750	\$ 70,750	\$ 212,250	\$ 206,750

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 \$11,250 (December 31, 2018 - \$Nil), consulting fees of \$Nil (December 31, 2018 - \$2,168).

#### 13. 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.

# AYLEN CAPITAL INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018

### 14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's significant financial instruments are comprised of cash and cash equivalents, accounts receivables, consideration receivable 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 issued convertible notes in the year and repaid the debt before December 31, 2018 year end.

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 is 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.

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:

	September 30, 2019		December 31, 2018	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Financial assets at amortized cost:				
Cash and cash equivalents	\$ 542,460	\$ 542,460	\$ 724,808	\$ 724,808
Accounts receivable	6,825	6,825	7,427	7,427
HST receivable	6,294	6,294	22,008	22,008
Consideration receivable	185,367	185,367	176,241	176,241
	<u>\$ 740,946</u>	<u>\$ 740,946</u>	<u>\$ 930,484</u>	<u>\$ 930,484</u>

# AYLEN CAPITAL INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018

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

	September 30, 2019		December 31, 2018	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities				
Other financial liabilities, measured at amortized cost:				
Trade payables and accrued liabilities	\$ 31,788	\$ 31,788	\$ 93,554	\$ 93,554
Deferred revenue	234,408	234,408	293,651	293,651
	<u>\$ 266,196</u>	<u>\$ 266,196</u>	<u>\$ 387,205</u>	<u>\$ 387,205</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 cash equivalents, accounts receivable and consideration 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, 2019	December 31, 2018
Current	\$ 2,338	\$ 3,840
Past due:		
31-60 days	590	3,356
Greater than 60 days	3,897	231
Total receivable, net	<u>\$ 6,825</u>	<u>\$ 7,427</u>

The Corporation is exposed to normal credit risk from customers. Accounts receivable are generally unsecured, subject to the Corporation's ability to file security interest under certain conditions. Accounts receivable are normally collected 30 days after invoicing. Default rates on unsecured credit have traditionally been below 1% of annual revenue. Licenses for proprietary software cease to function if payments are not kept current. The Corporation minimizes concentrations of credit risk by maintaining a wide customer base spread across differing industries. Additional sales and services may be withheld if a customer fails to pay its obligations in a timely manner. The Corporation considers accounts over 30 days old overdue. As at September 30, 2019, accounts receivable over 30 days old were \$4,488 (December 31, 2018 - \$3,587). The Corporation recorded \$7,486 bad debts during the nine month ended ended September 30, 2019 (December 31, 2018 - \$Nil).

#### (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.

# **AYLEN CAPITAL INC.**

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

(Expressed in Canadian Dollars)

**FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018**

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### **14. 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.

### **15. 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.

### **16. 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.