

Hybrid Paytech World Inc.

Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month periods ended March 31, 2014 and 2013

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Hybrid Paytech World Inc.

Interim Consolidated Statements of Financial Position (Unaudited)

As at March 31, 2014 and December 31, 2013

	March 31, 2014	December 31, 2013
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash	407,058	94,768
Short-term investments	39,425	39,425
Trade and other receivables (Note 4)	207,200	177,808
Inventories	94,458	78,750
Prepaid expenses	1,277	10,510
	<u>749,418</u>	<u>401,261</u>
NON-CURRENT ASSETS		
Deferred costs (Note 5)	269,011	222,368
Property and equipment	179,176	204,850
Intangible assets (Note 6)	3,301,495	3,113,881
Goodwill (Note 6)	<u>3,139,191</u>	<u>3,139,191</u>
	<u>6,889,413</u>	<u>6,680,290</u>
	<u>7,638,831</u>	<u>7,081,551</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	2,989,784	3,244,256
Liability for acquisition of non-controlling interest of Mobi (Note 11)	6,368,562	6,110,388
Income taxes payable	7,289	8,175
Convertible notes (Note 8)	376,835	2,507,959
Current portion of long-term debt	<u>34,428</u>	<u>34,428</u>
	<u>9,776,898</u>	<u>11,905,206</u>
NON-CURRENT LIABILITIES		
Long-term debt	83,189	91,796
Deferred income taxes	<u>583,320</u>	<u>617,300</u>
	<u>10,443,407</u>	<u>12,614,302</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	14,050,547	9,090,426
Other equity accounts (Note 9)	5,805,514	5,576,714
Equity component of convertible notes (Note 8)	71,400	422,907
Deficit	(22,346,870)	(20,252,726)
Cumulative translation account	<u>(25,796)</u>	<u>(16,520)</u>
Total equity attributable to shareholders of the Company	(2,445,205)	(5,179,199)
Non-controlling interest	<u>(359,371)</u>	<u>(353,552)</u>
Total equity	<u>(2,804,576)</u>	<u>(5,532,751)</u>
Total liabilities and shareholder equity	<u>7,638,831</u>	<u>7,081,551</u>

Going Concern (Note 2)

Events after the Reporting Period (Note 17)

On behalf of the Board of Directors

(s) Louis Bélanger-Martin
Louis Bélanger-Martin

(s) Frank Di Tomaso
Frank Di Tomaso

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Hybrid Paytech World Inc.

Interim Consolidated Statements of Net Loss (Unaudited)

Three-month periods ended March 31, 2014 and 2013

	March 31, 2014	(Restated Note 16) March 31, 2013
	\$	\$
Revenues	13,197	84,702
Expenses		
Share-based payments expense (Note 9)	228,800	234,134
Salaries and benefits	492,899	177,922
Contract labor	284,887	181,117
Management fees	-	124,200
Computer software development	143,491	158,167
Travel	77,526	56,614
Professional fees	288,962	27,464
Office expense	111,945	68,903
Marketing and promotion	8,214	66,660
Filing fees	30,958	36,267
Purchases	7,207	72,534
Taxes and licenses	4,976	-
Foreign exchange loss	215	5,292
Depreciation of property and equipment	27,761	22,006
Amortization of intangible assets (Note 6)	141,482	31,000
Bad debt	3,097	-
Total operating expenses	1,852,420	1,262,280
Operating loss	(1,839,223)	(1,177,578)
Net financial expenses (Note 10)	298,607	41,090
Net loss before income taxes	(2,137,830)	(1,218,668)
Income tax expense	-	-
Recovery of deferred tax	(33,980)	-
Net loss	(2,103,850)	(1,218,668)
Net loss attributable to:		
Shareholders of the Company	(2,094,144)	(1,158,429)
Non-controlling interest	(9,706)	(60,239)
Net loss	(2,103,850)	(1,218,668)
Loss per share (Note 13)		
Basic and diluted	\$(0,05)	\$(0,05)
Weighted average number of outstanding common shares (Note 13)		
Basic and diluted	39,360,516	22,378,417

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Hybrid Paytech World Inc.

Interim Consolidated Statements of Comprehensive Loss (Unaudited)

Three-month periods ended March 31, 2014 and 2013

	March 31, 2014	(Restated Note 16) March 31, 2014
	\$	\$
Net loss	(2,103,850)	(1,218,668)
Other Comprehensive loss to be reclassified to profit or loss in subsequent periods		
Cumulative Translation Adjustment	(5,389)	(5,956)
Comprehensive Loss	(2,109,239)	(1,224,624)
Comprehensive loss attributable to:		
Shareholders of the Company	(2,103,420)	(1,161,823)
Non-controlling interest	(5,819)	(62,801)
Comprehensive Loss	(2,109,239)	(1,224,624)

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Hybrid Paytech World Inc.

Interim Consolidated Statements of Changes in Equity (Unaudited)

For the three-month periods ended March 31, 2014 and 2013

	Share Capital	Share Capital	Other equity accounts	Equity component of convertible note	Deficit	Cumulative translation adjustment	Total	Equity of non- controlling interest	Total equity
	#	\$	\$	\$	\$		\$	\$	\$
Balance December 31, 2013	27,798,695	9,090,426	5,576,714	422,907	(20,252,726)	(16,520)	(5,179,199)	(353,552)	(5,532,751)
Net loss for the period					(2,094,144)		(2,094,144)	(9,706)	(2,103,850)
Other comprehensive (loss) income						(9,276)	(9,276)	3,887	(5,389)
Comprehensive loss for the period					(2,094,144)	(9,276)	(2,103,420)	(5,819)	(2,109,239)
Issuance of shares from the conversion of convertible debt (Notes 8,9)	7,987,033	2,317,841	198,843	(351,507)			2,165,177	-	2,165,177
Share-based payments (Note 9)			228,800				228,800	-	228,800
Warrants exercised (Note 9)	7,987,033	2,642,280	(198,843)				2,443,437	-	2,443,437
Balance March 31, 2014	43,772,761	14,050,547	5,805,514	71,400	(22,346,870)	(25,796)	(2,445,205)	(359,371)	(2,804,576)

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Hybrid Paytech World Inc.

Condensed Interim Consolidated Statements of Changes in Equity (Unaudited)

For the three-month periods ended March 31, 2014 and 2013 (continued)

(Restated Note 16)	Share Capital	Share Capital	Other equity accounts	Equity component of convertible note	Deficit	Cumulative translation adjustment	Total	Equity of non-controlling interest	Total equity
	#	\$	\$	\$	\$		\$	\$	\$
Balance December 31, 2012	20,882,966	4,974,899	1,636,579	351,507	(7,690,353)	14,189	(713,179)	414,514	(298,665)
Net loss for the period					(1,158,429)		(1,158,429)	(60,239)	(1,218,668)
Other comprehensive loss						(3,394)	(3,394)	(2,562)	(5,956)
Comprehensive loss for the period					(1,158,429)	(3,394)	(1,161,823)	(62,801)	(1,224,624)
Issuance of shares under private placement (Note 9)	3,590,019	3,231,016					3,231,016	-	3,231,016
Share issue cost		(233,022)					(233,022)	-	(233,022)
Share-based payments (Note 9)			234,134				234,134	-	234,134
Settlement of liabilities (Note 9)	265,000	212,000					212,000	-	212,000
Warrants exercised (Note 9)	33,768	16,720					16,720	-	16,720
Issuance of warrants (Note 9)			1,304				1,304	-	1,304
Balance March 31, 2013	24,771,753	8,201,613	1,872,017	351,507	(8,848,782)	10,795	1,587,150	351,713	1,938,863

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Hybrid Paytech World Inc.

Interim Consolidated Statements of Cash Flows (Unaudited)
For the three-month periods ended March 31, 2014 and 2013

	March 31, 2014	(Restated Note 16) March 31, 2013
	\$	\$
Operating activities		
Net loss for the year	(2,103,850)	(1,218,668)
Adjustments for items not involving cash		
Depreciation of property and equipment	27,761	22,006
Amortization of intangible assets	141,482	31,000
Share-based payments compensation	228,800	234,134
Fair value adjustment on liability for acquisition of Mobi	258,174	-
Accretion expense on convertible notes	23,962	14,909
Interest on convertible notes	10,091	23,762
Recovery of deferred taxes	(33,980)	-
	(1,447,560)	(892,857)
Change in non-cash working capital items (Note 14)	(283,303)	325,197
	(1,730,863)	(567,660)
Investing activities		
Acquisition of property and equipments	(80,773)	(112,858)
Acquisition of intangibles assets	(286,557)	(201,349)
	(367,330)	(314,207)
Financing activities		
Repayment of long-term debt	(8,607)	-
Proceed from private placement	-	3,231,016
Share issue costs	-	(233,022)
Deferred financing fees	(46,643)	-
Proceed from issuance of warrants	-	1,304
Proceed from exercise of warrants	2,443,437	16,720
	2,388,187	3,016,018
Effect of the exchange rate changes on cash	22,296	(5,956)
Variation in cash during the period	312,290	2,128,195
Cash, beginning of the period	94,768	688,185
Cash, end of the period	407,058	2,816,380

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated financial statements (Unaudited)

For the three-month periods ended March 31, 2014 and 2013

1. Statute of incorporation and nature of activities

Hybrid Paytech World Inc. ("the Company" or "Hybrid") was incorporated under the Business Corporations Act (Alberta) on February 8, 2005. The Company's registered office and its head office is located at 3-643 Notre Dame Street West, Montreal, Quebec H3C 1H8. The consolidated financial statements comprise the Company and its wholly-owned subsidiaries First Equity Strategy LLC ("First Equity"), incorporated in the State of Delaware, Hybrid-PayTech Asia Inc. incorporated in the Philippines, and Hybrid-PayTech Asia Pacific (HK) Limited, incorporated in Hong Kong. The Company's other subsidiaries are a 51% ownership of Vault Acquiring Solutions LLC, incorporated in the state of Delaware, USA and a 51% ownership of Solutions Mobi724 Inc., incorporated under the Corporations Act (Canada). The Company has developed internet technology that enables point of sale ("POS") payments on-line for credit cards and PIN debit cards. Also Hybrid is a unique provider of cloud based e-couponing solution for worldwide distribution that enables merchants and consumers to redeem promotions and loyalty based systems with exceptional ease.

The common shares of Hybrid are traded under the symbol "HPT" on the Canadian Securities Exchange ("CSE").

2. Basis of preparation and Going concern

a) Statement of compliance

These condensed interim consolidated financial statements and the notes thereto have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*. They do not include all of the information required in the full annual financial statements. Certain information and footnote disclosures normally included in annual financial statements were omitted or condensed where such information is not considered material to the understanding of the Company's interim financial information. As such, they should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2013 and with the restated consolidated financial statements of the Company as at and for the year ended December 31, 2012.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 27, 2014.

The preparation of financial data is based on accounting principles and methods of computation consistent with those used in the preparation of the audited annual financial statements as at December 31, 2013.

Other new or amended accounting standards had no significant impact on the Company's accounting methods.

b) Going concern

These condensed interim consolidated financial statements have been prepared on a going concern basis. A going concern basis contemplates the realization of the carrying value of assets and the settlement of liabilities in the normal course of business as they come due, which is dependent on future events including amongst other things, attaining a satisfactory revenue level from its Mobile POS technology system and e-couponing solutions, attainment of profitable operations, the generation of cash from operations and the ability to secure new financing arrangements and new capital to carry out its business plan. These matters are dependent on a number of items outside of the Company's control and there exists material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt upon the Company's ability to continue as a going concern as described in the following paragraph, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These condensed interim consolidated financial statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

The Company has generated limited revenues since inception and has generated losses from operations totaling \$2,103,850 for the three months ended March 31, 2014, and an accumulated deficit of \$22,346,870 since the Company's inception on February 8, 2005. As at March 31, 2014, the Company's committed cash obligations and expected level of expenses for the next twelve months exceeds its committed sources of funds, even after taking into consideration the receipt of \$1.5M of the convertible debenture financing received subsequent to March 31, 2014. The Company can give no assurance that it will achieve profitability or be capable of sustaining profitable operations.

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated financial statements (Unaudited)

For the three-month periods ended March 31, 2014 and 2013

3. New accounting standard adopted in 2014

The following standards have been adopted in the first quarter of 2014 commencing January 1, 2014.

IAS 36 – Impairment of assets

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) reverses the unintended requirement in IFRS 13 *Fair Value Measurement* to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. The amendments apply retrospectively for annual periods beginning on or after January 1, 2014. The Company has determined that the amendments to IAS 36 did not have a material impact on the Company's condensed interim consolidated financial statements.

IAS 32 – Offsetting Financial Assets and Liabilities

The amendments to IAS 32 clarify that an entity currently has a legally enforceable right to set-off if that right is: (1) not contingent on a future event; and (2) enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. The effective date for the amendments to IAS 32 is annual periods beginning on or after January 1, 2014. The Company has determined that the amendments to IAS 32 did not have a material impact on the Company's condensed interim consolidated financial statements.

IFRIC 21, Levies

IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and is applicable retrospectively. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The adoption of IFRIC 21 for the annual period beginning January 1, 2014 did not affect the Company's condensed interim consolidated financial statements.

4. Trade and other receivables

	March 31, 2014	December 31, 2013
	\$	\$
Trade receivables	4,664	12,138
Sales tax receivable	192,528	163,374
Other receivables	10,008	2,296
	<u>207,200</u>	<u>177,808</u>

5. Deferred Costs

March 31, 2014	December 31, 2013
\$	\$
<u>269,011</u>	<u>222,368</u>

During the three months period ended March 31, 2014, the Company incurred professional fees of \$46,643 (nil for the three months period ended March 31, 2013) that are directly related to a probable future equity transaction. These costs will be reclassified to capital stock upon completion of the equity transaction.

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated financial statements (Unaudited)

For the three-month periods ended March 31, 2014 and 2013

6. Intangible assets

	Licensed Software \$	Software technology \$	Processor Connections \$	EMV Payment Switch \$	Patents \$	Total Intangibles \$	Goodwill \$
Cost							
Balance December 31, 2013	1	2,813,324	-	543,037	17,302	3,373,664	3,139,191
Additions	-	-	-	301,677	27,419	329,096	-
Balance, March 31, 2014	1	2,813,324	-	844,714	44,721	3,702,760	3,139,191
Accumulated amortization							
Balance, December 31, 2013	-	299,991	-	-	-	259,783	-
Amortization	-	141,482	-	-	-	141,482	-
Balance, March 31, 2014	-	401,265	-	-	-	401,265	-
Net Book Value March 31, 2014	1	2,412,059	-	844,714	44,721	3,301,495	3,139,191
Cost							
Balance, December 31, 2012	1	1,040,000	200,000	-	-	1,240,000	-
Additions	-	55,324	-	543,037	17,302	615,663	-
Additions via business acquisition	-	2,758,000	-	-	-	2,758,000	3,139,191
Impairment	-	(1,040,000)	(200,000)	-	-	(1,240,000)	-
Balance, December 31, 2013	1	2,813,324	-	543,037	17,302	3,373,664	3,139,191
Accumulated amortization							
Balance, December 31, 2012	-	52,000	10,000	-	-	62,000	-
Amortization	-	363,783	20,000	-	-	383,783	-
Impairment	-	(156,000)	(30,000)	-	-	(186,000)	-
Balance, December 31, 2013	-	299,991	-	-	-	259,783	-
Net Book Value December 31, 2013	1	2,513,333	-	543,037	17,302	3,113,881	3,139,191

During the fourth quarter of fiscal 2013, the Company decided that it will not use the Vault Acquiring Solution LLC (Vault) technology acquired in 2012. As a result, the Company determined that the carrying value of the acquired software technology and processor connection included in intangible assets was impaired and recorded an impairment charge of \$1,054,000 in the intangible assets was charged to the consolidated statement of loss.

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated financial statements (Unaudited)

For the three-month periods ended March 31, 2014 and 2013

7. Accounts payable and accrued liabilities

	March 31, 2014	December 31, 2013
	\$	\$
Accounts payable and accrued liabilities	1,842,664	1,708,814
Salaries and related benefits	335,719	122,914
Amounts due to related parties (Note 12)	61,401	412,528
Liability for third party garnishment resulting from assumption of judgment against former directors ¹	750,000	1,000,000
	<u>2,989,784</u>	<u>3,244,256</u>

¹ In March 2014, the Company assumed a liability in the amount of \$1,000,000 for the settlement of a judgement rendered by the Quebec Superior Court issued on December 4, 2013 against two former Directors and Founders of the Company. A payable of \$1,000,000 was recorded as at December 31, 2013.

In Q1-2014, an amount of \$250,000 was paid at signing of the agreement with former Directors and Founders and the balance including interest to be paid no later than June 27, 2014. As at May 27, 2013, the Company has paid a total of \$500,000.

In consideration for assuming the portion of this liability attributable to the former Directors and Founders, the Company is in the process of finalizing an agreement with them to relinquish in favour of the Company, 1,100,000 shares of the Company which they currently own as well as other compensation. The total compensation will only be received once payment in full of the liability is made. In addition, the management service contract between the Company and a company owned by the former Directors and Founders was terminated with an effective date of February 9, 2014.

8. Convertible notes

2010 – 2012 convertible notes

Pursuant to the approval of the Autorité des Marchés Financiers, the convertible notes issues between 2010 and 2012 in the aggregate amount of \$2,165,177 in capital and accrued interest were fully converted into 7,987,033 common shares and 7,987,033 warrants exercisable at \$0.30 and \$0.40.

The following tables summarize the components of the convertible notes:

	Liability component	Embedded conversion option reserve	Embedded warrant reserve	Total equity component	Total convertible notes
	\$	\$	\$	\$	\$
Balance December 31, 2013	2,507,959	169,064	253,843	422,907	2,930,866
Accretion interest expense	34,053	-	-	-	34,053
Convertible notes converted during period	(2,165,177)	(152,664)	(198,843)	(351,507)	(2,516,684)
Balance March 31, 2014	376,835	16,400	55,000	71,400	448,235
Balance, December 31, 2012	1,847,382	152,664	198,843	351,507	2,198,889
Accretion interest expense	38,671	-	-	-	38,671
Balance March 31, 2013	1,886,053	152,664	198,843	351,507	2,237,560

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated financial statements (Unaudited)

For the three-month periods ended March 31, 2014 and 2013

9. Shareholders' Equity

a) Movements in the Company's share capital are as follows:

	Number of common shares	Amount
Balance, December 31, 2013	27,798,695	9,090,426
Share issued for conversion of convertible notes (Note 8)	7,987,033	2,317,841
Exercise of warrants ¹	7,987,033	2,642,280
Balance, March 31, 2014	43,772,761	14,050,547
Balance, December 31, 2012	20,882,966	4,974,899
Share issued for private placement ²	3,590,019	3,231,016
Share issued for settlement of accounts payable ³	265,000	212,000
Exercise of warrants ⁴	33,768	16,720
Share issue costs		(233,022)
Balance, March 31, 2013	27,771,753	8,201,613

Exercise of warrants

¹ During the three months period ended, March 31, 2014 total of 7,987,033 warrants were exercised for a cash consideration of \$2,443,437 (exercise price between \$0.30 and \$0.40). An amount of \$198,843 from the exercise of the warrants was reclassified from warrant reserve to share capital.

⁴ During the three months period ended, March 31, 2013, a total of 33,768 warrants were exercised for a cash consideration of \$16,720 (exercise price of \$0.495).

Share issued as part of a private placement

² During the three months period ended, March 31, 2013, a total of 3,590,019 shares were issued at \$0.90 per share as part of a private placement. The private placement was completed over two installments for a total cash consideration of \$3,231,016. As part of the private placement, investors also received a total of 2,692,507 warrants of the Company exercisable at \$1.25. Additionally, the Company issued a total of 217,796 warrants to brokers exercisable at a price between \$0.90 and \$1.25 and were recorded as share issue costs.

³*Shares issued for settlement of liabilities*

In Q1-2013, due to the Company's cash position, an agreement was reached to settle outstanding trade payable balances in the amount of \$212,000 to arm's length parties by issuing 265,000 common shares.

b) Share Purchase Options

The Company has adopted an incentive stock option plan (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, at its discretion, grant to directors, officers, employees and other key personnel of the Company, options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed twenty percent (20%) of the issued and outstanding common shares exercisable for a period of up to five (5) years. The vesting of the stock options is based on the passage of time as approved by the Board of Directors and not on market conditions. The price per common share, which is defined by the CSE at the date of grant, and the number of common shares, which is determined by the members of the board, may be allotted to each director, officer, employee or other key personnel of the Company and all other terms and conditions of the options granted under the Stock Option Plan.

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated financial statements (Unaudited)

For the three-month periods ended March 31, 2014 and 2013

9. Shareholders' Equity (cont'd)

The following table summarizes the share option activities under this plan

	For the three months period ended March 31, 2014		For the three months period ended March 31, 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	5,463,624	0.88	2,783,290	0.80
Granted	180,000	0.50	-	-
Forfeited	(735,656)	0.97	-	-
Expired	(5,000)	1.10	-	-
Balance, end of period	4,902,968	0.85	2,783,290	0.80
Exercisable options	3,685,170	0.81	927,764	0.80

Outstanding options as at March 31, 2014 are as follows:

Range of exercise prices	Weighted average residual life span (in years)	Outstanding options	Weighted average exercise price	Exercisable options	Weighted average exercise price
0.50	2.92	180,000	0.50	180,000	0.50
0.65	0.40	1,678,596	0.65	1,678,596	0.65
0.96	2.58	2,135,334	0.96	1,128,445	0.96
1.00	1.63	514,038	1.00	418,129	1.00
1.10	1.44	395,000	1.10	280,000	1.10
0.50 to 1.10	1.65	4,902,968	0.85	3,685,170	0.81

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	Exercise price	Share options	
		March 31, 2014	December 31, 2013
February 9, 2014	1.10	-	5,000
March 22, 2014	1.00	15,000	15,000
April 19, 2014	1.10	6,667	6,667
June 1, 2014	0.96	8,334	8,334
June 21, 2014	1.10	23,334	23,334
August 9, 2014	1.10	10,000	-
August 11, 2014	0.65	1,098,596	-
August 11, 2014	0.96	188,333	-
August 11, 2014	1.00	105,656	-
August 14, 2014	0.96	33,333	-
August 16, 2014	0.96	88,333	-
August 16, 2014	1.00	105,656	-
August 20, 2014	1.10	10,000	-
August 23, 2014	0.65	580,000	1,678,596
October 17, 2015	1.10	344,999	359,999
December 4, 2015	1.00	287,726	499,038
October 30, 2016	0.96	1,817,001	2,127,000
February 28, 2017	0.50	180,000	-
		4,902,968	4,722,968

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated financial statements (Unaudited)

For the three-month periods ended March 31, 2014 and 2013

9. Shareholders' Equity (cont'd)

There were no option exercised during the three months period ended March 31, 2014 and 2013

An amount of \$228,800 has been expensed as share-based payment awards for the period (\$234,134 for March 31, 2013). The offsetting credit has been recorded as option reserve. The stock based compensation expense was calculated according to the weighted average fair value of options granted based on the Black-Scholes valuation model using the following weighted average assumptions shown below based on the expected number of options expected to vest:

	For the three months ended	
	March 31, 2014	March 31, 2013
Share price	0.50	-
Exercise price	0.50	-
Risk-free interest rate	1.02%	-
Expected life	3 years	-
Expected estimated volatility	143.4%	-
Dividend yield	nil	-
Fair value of options granted	0.39	-

c) Other equity accounts are as follows:

	March 31, 2014	December 31, 2013
	\$	\$
Contributed Surplus	117,099	48,534
Option reserve	2,785,424	2,561,274
Warrant reserve	2,902,991	2,966,906
	<u>5,805,514</u>	<u>5,576,714</u>
<i>Contributed Surplus</i>		<u>\$</u>
Balance, December 31, 2013		48,534
Warrant expired/cancelled during the year		63,915
Stock options expired		4,650
Balance, March 31, 2014		<u>117,099</u>
Balance, December 31, 2012 and March 31, 2013		<u>33,609</u>
<i>Option Reserve</i>		<u>\$</u>
Balance, December 31, 2013		2,561,274
Stock based payments		228,800
Stock options expired		(4,650)
Balance, March 31, 2014		<u>2,785,424</u>
Balance, December 31, 2012		875,762
Stock based payments		234,134
Balance, March 31, 2013		<u>1,109,896</u>

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated financial statements (Unaudited)

For the three-month periods ended March 31, 2014 and 2013

9. Shareholders' Equity (Cont'd)

Warrants Reserve

Warrants issued and outstanding	Number of warrants	Amount	Weighted Average Exercise Price
Balance, December 31, 2013	13,919,948	2,966,906	1.13
Expired/cancelled during the period	(608,719)	(63,915)	(1.24)
Issued during the period	7,987,033	198,843	0.31
Exercised during the period	(7,987,033)	(198,843)	(0.31)
Balance, March 31, 2014	13,311,229	2,902,991	1.13
Balance, December 31, 2012	7,362,827	727,208	1.02
Issued during the period ¹	4,214,303	1,304	1.20
Exercised during the period	(33,768)	-	(0.50)
Balance, March 31, 2013	11,543,362	728,512	1.09

¹ In Q1-2013, 2,910,303 warrants were issued in connection with the private placement. In addition to the warrants issued for the private placement, in January 2013, 1,304,000 warrants exercisable at \$1.10 with an 18 month life each were issued for proceeds of \$1,304. These warrants issued were recorded in warrant reserve at the proceeds received.

In February 2014, the Company extended 9,964,447 warrants by an additional 12 months.

10. Financial expenses

Financial expenses comprises of the following:

	Three-months ended March 31, 2014 \$	Three-months ended March 31, 2013 \$
Interest and banking fees	4,553	2,419
Interest expense on long term debt	1,827	-
Interest expense on convertible notes	10,091	23,762
Accretion expense on convertible notes	23,962	14,909
Fair value adjustment on liability for acquisition of Mobi (Notes 7, 11)	258,174	-
Total finance expenses	298,607	41,090

11. Fair value measurement

Liability for the acquisition of non-controlling interest of Mobi

The only financial instrument measured at fair value on a recurring basis is the liability for the acquisition of non-controlling interest of Mobi. The Company categorizes the fair value measurement in Level 3, as it uses valuation techniques that include inputs that are not based on observable market data. Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments. The fair value of the liability was determined based on a multiple of 4.5 times the expected future annual revenues based on signed contracts and discounted at an annual rate of 31.9% (36.9% as at December 31, 2013). The settlement of the obligation will be paid by the Company by the issuance of common shares whereby the price per share will be determined as the greater of the 30 day trading weighted average market price prior to the second closing date or \$1.23. The floor price of \$1.23 reduced the liability as the expected average share value is estimated at \$0.81 (\$0.86 as at December 31, 2013).

A variation of 2% in the discount rate would have an impact of approximately \$56,000 on the liability for the acquisition of the non-controlling interest of Mobi.

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated financial statements (Unaudited)

For the three-month periods ended March 31, 2014 and 2013

11. Fair value measurement (cont'd)

The table below summarizes the changes in fair value during the period for the liability for measured at fair value:

	\$
Balance as at December 31, 2012	-
Recognition of liability upon acquisition of Mobi	3,744,795
Changes in fair value	2,365,593
Balance as at December 31, 2013	6,110,388
Changes in fair value (Note 10)	258,174
Balance as at March 31, 2014	6,368,562

12. Related Party Transactions

The following table summarized the transaction and balances outstanding with related parties of the Company:

	For the three- months ended March 31, 2014 \$	For the three- months ended March 31, 2013 \$
Transactions:		
Management fees to officers and directors ¹	-	41,100
Management fees to persons that are significant shareholders and founders of the Company ²	-	83,100
Finder's fee to persons that are significant shareholders and founders of the Company ²	-	-
Commission to persons that are significant shareholders and are founders of the Company ² (included in share issue costs)	-	115,632
	-	239,832
	March 31, 2014	December 31, 2013
Balances outstanding:		
Amounts due to officers and directors	61,401	141,874
Amounts due to persons that are significant shareholders and founders of the Company	-	261,779
Amounts due to an officer of a subsidiary	-	8,875
	61,401	412,528

¹ There are management service contracts between the Company and key management personnel according to which the latter provide advisory and management services to the Company in exchange for management fees.

² There was a management service contract between the Company and significant shareholders (own more than 10% of the outstanding common shares) who are also key management personnel of the Company according to which the latter provide advisory and management services to the Company in exchange for management fees. The contracts also provide for the payment a finder's fee of 4% for closing of any financings as well as a 3.5% commission in the event the completion of a merger or an acquisition involving the Company. In consideration for the settlement agreement assumed by the Company, the management service contract was terminated with an effective date of February 9, 2014 (Note 7).

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated financial statements (Unaudited)

For the three-month periods ended March 31, 2014 and 2013

12. Related Party Transactions (cont'd)

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year were as follows:

	For the three months ended March 31, 2014	For the three months ended March 31, 2013
	\$	\$
Salaries and related benefits and contract labor	174,267	-
Management fees, commissions and finder's fees	-	239,832
Share-based payments compensation	129,132	116,128
	<u>303,399</u>	<u>355,960</u>

13. Earnings (loss) per share

a. Basic

Basic earnings (loss) per common share are calculated by dividing the net loss attributable to the owners of the Company by the weighted average number of outstanding common shares during the period.

	For the three months ended March 31, 2014	For the three months ended March 31, 2013
	\$	\$
Net loss for the period	(2,094,144)	(1,158,429)
Weighted average number of common shares outstanding	<u>39,360,516</u>	<u>22,378,417</u>

b. Diluted

For the three months period ended March 31, 2014 and 2013, the diluted net loss per share was calculated based on the net loss attributable to owners of the parent using the basic weighted average number of shares outstanding, since the convertible notes, all the outstanding warrants and stock options and the potential share issuance for the business acquisition have been excluded from the calculation of diluted net loss per share because they were anti-dilutive. Accordingly, diluted net loss per share for each period was the same as the basic net loss per share.

14. Information Included in the Consolidated Statements of Cash Flows

	For the three months ended March 31, 2014	For the three months ended March 31, 2013
	\$	\$
Changes in non-cash working capital items		
Trade and other receivables	(36,472)	221,201
Inventories	(30,811)	(6,299)
Prepaid expenses and deposits	8,022	(24,890)
Accounts payable and accrued liabilities	(223,156)	135,185
Income taxes payable	(886)	-
	<u>(283,303)</u>	<u>325,197</u>

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated financial statements (Unaudited)

For the three-month periods ended March 31, 2014 and 2013

15. Segmented reporting

The Company operates and reports its results as one operating segment, which is the development of new Internet technologies to facilitate point of sale payments. The Company operates in three different geographies. The Company's sales and non-current assets by geographic locations are as follows:

	For the three months ended March 31, 2014 \$	For the three months ended March 31, 2013 \$
Sales from external customers		
United States	6,083	76,692
South America	6,923	7,684
Canada	191	-
Asia		326
	13,197	84,702
	March 31, 2014 \$	December 31, 2013 \$
Non-current assets		
United States	-	-
South America	-	-
Canada	6,868,220	6,657,863
Asia	21,193	22,427
	6,889,413	6,680,290

16. Restatement

On April 19, 2014 the Company restated its audited consolidated financial statements as at and for the year ended December 31, 2012. The nature and impact of each error were explained in Note 24 to the aforementioned audited consolidated statements. As such, the errors also had an impact on the condensed interim consolidated financial statements of the Company as at and for the three month period ended March 31, 2013. The impact of such errors on the interim consolidated statements of financial position, net loss, comprehensive loss and cash flows as at and for the three months ended March 31, 2013 are as follows:

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated financial statements (Unaudited)

For the three-month periods ended March 31, 2014 and 2013

16. Restatement (cont'd)

The March 31, 2013 Interim Consolidated Statement of Financial Position was adjusted as follows

	Reference	Previously Reported	Adjustments	As Restated
Assets				
Current assets				
Cash		2,816,380	-	2,816,380
Accounts receivable		78,733	-	78,733
Inventory		30,314	-	30,314
Loans receivable		70,032	-	70,032
Deposits and sales tax receivable		182,123	-	182,123
		3,177,583	-	3,177,583
Non-current assets				
Intangible assets		1	-	1
EMV payment switch		201,349	-	201,349
Software technology	(a,g)	972,000	(10,000)	962,000
Processor connections	(g)	200,000	(15,000)	185,000
Property and equipments	(f)	207,519	1,071	208,590
		1,580,869	(23,929)	1,556,940
Total assets		4,758,451	(23,929)	4,734,522
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		636,503	-	636,503
Due to related parties		198,877	-	198,877
Deferred Taxes	(a,d)	-	74,226	74,226
Convertible notes		1,886,053	-	1,886,053
		2,721,433	74,226	2,795,659
Shareholders' Equity				
Capital stock	(c)	8,226,440	(24,827)	8,201,613
Options Reserve	(b,h)	605,184	513,494	1,118,678
Equity component of Convertible notes		351,507	-	351,507
Warrants Reserve	(c)	728,512	24,827	753,339
Accumulated other comprehensive income	(f)	-	10,795	10,795
Deficit attributable to Shareholders of the Company	(b,d,e,f,g,h,i)	(8,277,521)	(571,261)	(8,848,782)
		1,634,122	(46,972)	1,587,150
Equity attributable to non-controlling interest	(a,e,f,h,i)	402,896	(51,183)	351,713
Total Shareholders' Equity (Deficiency)		2,037,018	(98,155)	1,938,863
Total liabilities and Shareholders' Equity		4,758,451	(23,929)	4,734,522

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated financial statements (Unaudited)

For the three-month periods ended March 31, 2014 and 2013

16. Restatement (cont'd)

The March 31, 2013 interim Consolidated Statement of Net Loss and Comprehensive Loss was adjusted as follows;

Three Months Ended March 31, 2013	Reference	Previously Reported	Adjustments	As Restated
Revenues				
Revenues		84,702	-	84,702
Expenses				
Contract labor	(j)	156,986	24,131	181,117
Salaries and related expenses		177,922		177,922
Stock-based payment expenses	(h)	-	234,134	234,134
Computer software development	(j)	182,298	(24,131)	158,167
Purchases		72,534	-	72,534
Management fees	(j)	87,000	37,200	124,200
Professional fees		27,464	-	27,464
Rent and utilities		21,068	-	21,068
Office expense		33,412	-	33,412
Travel & entertainment	(j)	93,814	(37,200)	56,614
Filing fees		36,267	-	36,267
Marketing and promotion		66,660	-	66,660
Telephone and internet		14,423	-	14,423
Foreign exchange loss (gain)	(f)	11,248	(5,956)	5,292
Amortization of Intangible asset	(g)	-	31,000	31,000
Depreciation of Property and equipment		22,006	-	22,006
Total Operating Expenses		1,003,102	259,178	1,262,280
Operating loss		(918,400)	(259,178)	(1,177,578)
Interest and bank charges, net		2,419	-	2,419
Accretion expense on convertible notes		38,671	-	38,671
Net Loss		(959,490)	(259,178)	(1,218,668)
Cumulative Translation Adjustment	(f)	-	(5,956)	(5,956)
Comprehensive Loss		(959,490)	(265,134)	(1,224,624)
Net loss attributable to				
Owners		(914,441)	(243,988)	(1,158,429)
Non-controlling interest	(i)	(45,049)	(15,190)	(60,239)
		(959,490)	(259,178)	(1,218,668)
Net loss and Comprehensive Loss attributable to				
Owners		(914,441)	(247,382)	(1,161,823)
Non-controlling interest		(45,049)	(17,752)	(62,801)
		(959,490)	(265,134)	(1,224,624)

The effect of the restatements on net loss per share (basic and diluted) is an increase of \$0.01 to \$0.05.

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated financial statements (Unaudited)

For the three-month periods ended March 31, 2014 and 2013

16. Restatement (cont'd)

The March 31, 2014 Interim Consolidated Statement of Cash Flows has been adjusted as follows;

	Reference	Previously Reported	Adjustments	As Restated
Operating activities				
Net Loss for the period		(959,490)	(259,178)	(1,218,668)
Adjustment for items not involving cash:				
Depreciation of property and equipment		22,006	-	22,006
Amortization of intangible assets	(g)	-	31,000	31,000
Stock-based payment expenses	(h)	-	234,134	234,134
Accretion expense		38,671	-	38,671
Changes in non-cash working capital items				
Increase in deposits and sales taxes receivable		(56,759)		(56,759)
Increase in inventory		(6,299)		(6,299)
Decrease in accounts receivable		277,960		277,960
Increase in prepaids and deposits	(*1)	-	(24,890)	(24,890)
Decrease in accounts payable and accrued liabilities		77,509		77,509
Increase in due to related parties	(*1)	-	57,676	57,676
Cash flow used in operating activities		(606,402)	38,742	(567,660)
Investing activities				
Purchase of plant and equipment		(112,858)	-	(112,858)
Investment in EMV payment switch technology		(201,349)	-	(201,349)
Cash flows used in investing activities		(314,207)	-	(314,207)
Financing Activities				
Proceeds from issue of common shares		3,247,736	-	3,247,736
Proceeds from issue of warrants		1,304	-	1,304
Share issue costs		(233,022)	-	(233,022)
Increase in loans receivable	(*1)	(24,890)	24,890	-
Increase in loans payable	(*1)	57,676	(57,676)	-
Cash flow provided by financing activities		3,048,804	(32,786)	
Effect of exchange rate changes on cash	(f)	-	(5,956)	(5,956)
NET INCREASE IN CASH		2,128,195	-	2,128,195
Cash – beginning of period		688,185	-	688,185
Cash – end of period		2,816,380	-	2,816,380

(*1) Reclassification of amount to changes in non-cash working capital items to better reflect the nature of the transactions and to be consistent to the presentation for the three months ended March 31, 2014.

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated financial statements (Unaudited)

For the three-month periods ended March 31, 2014 and 2013

16. Restatement (cont'd)

- a) In the purchase price allocation for the acquisition of Vault Acquiring Solutions LLC (Vault), the fair value of the net assets acquired and the non controlling interest were incorrectly calculated in the December 31, 2012 consolidated financial statements. As a result, the following adjustments were made;

Consolidated Statement of Financial Position	
	\$
Increase in Software Technology	68,000
Increase in Deferred Tax Liability	206,846
Decrease in Non Controlling Interest	138,846

- b) The Company recalculated the estimate of the stock based compensation expense for the year ended December 31, 2012. As a result, the following adjustments were made;

Consolidated Statement of Financial Position	
	\$
Increase in options reserve	279,360
Increase in Deficit	279,360

- c) The Company reclassified the expired warrants out of capital stock into warrant reserve for the year ended December 31, 2012. As a result, the following adjustments were made;

Consolidated Statement of Financial Position	
	\$
Decrease in capital stock	24,827
Increase in warrants reserve	24,827

- d) In the December 31, 2012 consolidated financial statements, The Company adjusted the deferred tax recovery based on the adjusted purchase price allocation for the acquisition of Vault. As a result, the following adjustments were made;

Consolidated Statement of Financial Position	
	\$
Decrease in Deferred Tax Liability	132,620
Decrease in Deficit	132,620

- e) In the December 31, 2012 consolidated financial statements, the net loss attributable to the non controlling interest did not take into account the amortization of the software technology nor the processor connectors as well as the increase in the recovery of the deferred taxes. As a result, the following adjustments were made;

Consolidated Statement of Financial Position	
	\$
Increase in Deficit	105,415
Increase in non-controlling interest	105,415

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated financial statements (Unaudited)

For the three-month periods ended March 31, 2014 and 2013

16. Restatement (cont'd)

- f) At December 31, 2012, the Company changed the functional currency of the Company's subsidiary Vault Acquiring Solutions LLC to the United States dollar and Hybrid-PayTech Asia Inc. to the Philippine Peso from the Canadian dollar. As a result, the following adjustments were made;

Consolidated Statement of Financial Position

	\$
Increase in Deficit	7,162
Decrease in non-controlling interest	2,562
Increase in Cumulative Translation Adjustment	10,795
Increase in Property and Equipment	1,071

Consolidated Statement of Statement of Net Loss

	\$
Decrease in Foreign Exchange Loss	5,956

Consolidated Statement of Comprehensive Loss

	\$
Increase in comprehensive loss attributable to shareholders of Hybrid	3,394
Increase in comprehensive loss attributable to non-controlling interest	2,562

- g) The Software technology and the Processor connections' estimated life was estimated at 10 years instead of being assets with an indefinite life. As a result, the following adjustments were made;

Consolidated Statement of Financial Position

	\$
Increase in Accumulated Amortization - Software Technology	78,000
Increase in Accumulated Amortization - Processor Connections	15,000
Increase in Deficit	93,000

Consolidated Statement of Net Loss

	\$
Increase in Amortization Expense	31,000

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated financial statements (Unaudited)

For the three-month periods ended March 31, 2014 and 2013

16. Restatement (cont'd)

- h) The company recalculated the estimate of the stock based compensation expense for the stock option granted during fiscal year 2012. As a result, the following adjustments were made to the March 31, 2013 condensed interim consolidated financial statement;

Consolidated Statement of Financial Position		\$
Increase in Option Reserve		234,134
Increase in Deficit		234,134
Consolidated Statement of Net Loss		\$
Increase in share-based payment expense		234,134

- i) The net loss attributable to the non controlling interest did not take into account the adjustment relating to the amortization of the software technology and the processor connectors. As a result, the following adjustments were made to the March 31, 2013 condensed interim consolidated financial statements;

Consolidated Statement of Financial Position		\$
Decrease in Deficit		15,810
Decrease in non-controlling interest		15,190
Consolidated Statement of Net Loss		\$
Increase in net loss attributable to shareholders of Hybrid		15,810
Increase in net loss attributable to non-controlling interest		15,190

- j) The Company performed certain reclassification on the Consolidated Statement of Net Loss to better reflect the nature of the account. As a result, the following adjustment were made to the March 31, 2013 condensed interim consolidated financial statements;

Consolidated Statement of Net Loss		\$
Increase in management fees		37,200
Decrease in travel expenses		37,200
Increase in contract labor		24,131
Decrease in computer software development		24,131

17. Events after the Reporting Period

In April 2014, the Company completed the first tranche of the private placement of the \$4,000,000 authorized financing involving the issuance of unsecured convertible debentures totaling \$1,500,000.