

Hybrid Paytech World Inc.

Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended
June 30, 2014 and 2013

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Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Hybrid Paytech World Inc.

Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2014 and 2013

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Hybrid Paytech World Inc.

Interim Consolidated Statements of Financial Position (Unaudited)

As at June 30, 2014 and December 31, 2013

	June 30, 2014	December 31, 2013
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash	139,938	94,768
Short-term investments	39,425	39,425
Trade and other receivables (Note 4)	212,645	177,808
Inventories	91,636	78,750
Prepaid expenses	2,289	10,510
	<u>485,933</u>	<u>401,261</u>
NON-CURRENT ASSETS		
Deferred costs (Note 5)	274,506	222,368
Property and equipment	148,264	204,850
Intangible assets (Note 6)	3,280,570	3,113,881
Goodwill (Note 6)	3,139,191	3,139,191
	<u>6,842,531</u>	<u>6,680,290</u>
	<u>7,328,464</u>	<u>7,081,551</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	2,843,160	3,244,256
Liability for acquisition of non-controlling interest of Mobi (Note 12)	5,338,200	6,110,388
Income taxes payable	4,016	8,175
Convertible notes (Note 8)	388,400	2,507,959
Current portion of long-term debt	34,428	34,428
	<u>8,608,204</u>	<u>11,905,206</u>
NON-CURRENT LIABILITIES		
Long-term debt	84,582	91,796
Deferred income taxes	549,340	617,300
	<u>9,242,126</u>	<u>12,614,302</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	14,275,547	9,090,426
Convertible debentures (Note 10)	1,578,325	-
Other equity accounts (Note 9)	6,087,629	5,576,714
Equity component of convertible notes and debentures (Note 8,10)	443,400	422,907
Deficit	(23,920,716)	(20,252,726)
Cumulative translation account	(25,970)	(16,520)
	<u>(1,561,785)</u>	<u>(5,179,199)</u>
Total equity attributable to shareholders of the Company	(1,561,785)	(5,179,199)
Non-controlling interest	<u>(351,877)</u>	<u>(353,552)</u>
	<u>(1,913,662)</u>	<u>(5,532,751)</u>
Total equity	<u>(1,913,662)</u>	<u>(5,532,751)</u>
Total liabilities and shareholder equity	<u>7,328,464</u>	<u>7,081,551</u>

Going Concern (Note 2)

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)

For the three-month and six-month periods ended June 30, 2014 and 2013

	Three-month periods		Six-month periods	
		(Restated Note 17)		(Restated Note 17)
	2014	2013	2014	2013
	\$	\$	\$	\$
Revenues	24,145	94,499	37,342	179,201
Expenses				
Share-based payments expense (Note 9)	282,115	168,637	510,915	402,771
Salaries and benefits	623,773	249,727	1,116,672	427,649
Contract labor	380,469	329,856	665,356	510,973
Management fees (Note 13)	-	364,001	-	488,201
Computer software development	176,804	212,507	320,295	370,674
Travel	143,325	197,424	220,851	254,038
Professional fees	403,375	135,763	692,337	163,227
Office expense	119,702	161,758	231,647	230,661
Marketing and promotion	16,024	190,726	24,238	257,386
Filing fees	18,004	39,466	48,962	75,733
Contract buyout expense (Note 9)	155,625	-	155,625	-
Loss on settlement of liabilities (Note 9)	69,375	-	69,375	-
Purchases	5,729	54,601	12,936	127,135
Taxes and licenses	(3,310)	-	1,666	-
Foreign exchange loss	(340)	(13,986)	(125)	(8,694)
Depreciation of property and equipment	31,352	30,125	59,113	52,131
Amortization of intangible assets (Note 6)	145,123	31,000	286,605	62,000
Bad debt expense	-	-	3,097	-
Total operating expenses	2,567,145	2,151,605	4,419,565	3,413,885
Operating loss	(2,543,000)	(2,057,106)	(4,382,223)	(3,234,684)
Net financial expenses (income) (Note 11)	(986,038)	45,230	(687,431)	86,320
Net loss before income taxes	(1,556,962)	(2,102,336)	(3,694,792)	(3,321,004)
Income tax expense	79	-	79	-
Recovery of deferred tax	(33,980)	-	(67,960)	-
Net loss	(1,523,061)	(2,102,336)	(3,626,911)	(3,321,004)
Net loss attributable to:				
Shareholders of the Company	(1,523,521)	(2,022,826)	(3,617,665)	(3,181,255)
Non-controlling interest	460	(79,510)	(9,246)	(139,749)
Net loss	(1,523,061)	(2,102,336)	(3,626,911)	(3,321,004)
Loss per share (Note 14)				
Basic and diluted	\$(0.04)	\$(0.08)	\$(0.09)	\$(0.13)
Weighted average number of outstanding common shares (Note 14)				
Basic and diluted	43,937,596	24,526,248	41,661,700	24,526,248

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)

For the three-month and six-month periods ended June 30, 2014 and 2013

	Three-month periods		Six-month periods	
		(Restated Note 17)		(Restated Note 17)
	2014	2013	2014	2013
	\$	\$	\$	\$
Net loss	(1,523,061)	(2,102,336)	(3,626,911)	(3,321,004)
Other comprehensive loss to be reclassified to profit or loss in subsequent periods				
Cumulative translation adjustment	6,860	(1,250)	1,471	(7,206)
Comprehensive loss	<u>(1,516,201)</u>	<u>(2,103,586)</u>	<u>(3,625,440)</u>	<u>(3,328,210)</u>
Comprehensive loss attributable to:				
Shareholders of the Company	(1,523,695)	(2,029,290)	(3,627,115)	(3,191,113)
Non-controlling interest	7,494	(74,296)	1,675	(137,097)
Comprehensive loss	<u>(1,516,201)</u>	<u>(2,103,586)</u>	<u>(3,625,440)</u>	<u>(3,328,210)</u>

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 six-month periods ended June 30, 2014 and 2013

	Share Capital	Share Capital	Convertible Debenture	Other equity accounts	Equity component of convertible notes and debentures	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						(3,617,665)		(3,617,665)	(9,246)	(3,626,911)
Other comprehensive (loss) income							(9,450)	(9,450)	10,921	1,471
Comprehensive loss for the period						(3,617,665)	(9,450)	(3,627,115)	1,675	(3,625,440)
Issuance of shares from the conversion of convertible notes (Notes 8,9)	7,987,033	2,317,841		198,843	(351,507)			2,165,177		2,165,177
Share-based payments (Note 9)				510,915				510,915		510,915
Warrants exercised (Note 9)	7,987,033	2,642,280		(198,843)				2,443,437		2,443,437
Settlement of contract buyout (Note 9)	375,000	225,000						225,000		225,000
Issuance of convertible debentures (Note 10)			1,528,000		372,000			1,900,000		1,900,000
Accretion on convertible debentures (Note 10)			50,325			(50,325)		-		-
Balance June 30, 2014	44,147,761	14,275,547	1,578,325	6,087,629	443,400	(23,920,716)	(25,970)	(1,561,785)	(351,877)	(1,913,662)

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 six-month periods ended June 30, 2014 and 2013 (continued)

(Restated Note 17)	Share Capital	Share Capital	Convertible Debenture	Other equity accounts	Equity component of convertible notes and debentures	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						(3,181,255)		(3,181,255)	(139,749)	(3,321,004)
Other comprehensive loss							(9,858)	(9,858)	2,652	(7,206)
Comprehensive loss for the period						(3,181,255)	(9,858)	(3,191,113)	(137,097)	(3,328,210)
Issuance of shares under private placement (Note 9)	5,410,050	4,856,488						4,856,488		4,856,488
Share issue cost (Note 13)		(373,081)						(373,081)		(373,081)
Share-based payments (Note 9)				402,771				402,771		402,771
Settlement of liabilities (Note 9)	388,456	312,000						312,000		312,000
Warrants exercised (Note 9)	33,768	16,720						16,720		16,720
Issuance of warrants (Note 9)				2,184				2,184		2,184
Balance June 30, 2013	26,715,240	9,787,026	-	2,041,534	351,507	(10,871,608)	4,331	1,312,790	277,417	1,590,207

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 and six-month periods ended June 30, 2014 and 2013

	Three-month periods		Six-month periods	
		(Restated Note 17)		(Restated Note 17)
	2014	2013	2014	2013
	\$	\$	\$	\$
Operating activities				
Net loss for the year	(1,523,061)	(2,102,336)	(3,626,911)	(3,321,004)
Adjustments for items not involving cash				
Depreciation of property and equipment	31,352	30,125	59,113	52,131
Amortization of intangible assets	145,123	31,000	286,605	62,000
Share-based payments compensation	282,115	168,637	510,915	402,771
Loss on settlement of liabilities	69,375	-	69,375	-
Contract buyout expense (Note 9)	155,625	-	155,625	-
Fair value adjustment on liability for acquisition of Mobi (Note 11)	(1,030,362)	-	(772,188)	-
Accretion expense on convertible notes (Note 8)	1,105	15,957	25,067	30,866
Interest on convertible notes	10,460	25,431	20,551	49,193
Recovery of deferred taxes	(33,980)	-	(67,960)	-
	(1,892,248)	(1,831,186)	(3,339,808)	(2,724,043)
Change in non-cash working capital items (Note 15)	(117,143)	(149,811)	(400,446)	175,386
	(2,009,391)	(1,980,997)	(3,740,254)	(2,548,657)
Investing activities				
Acquisition of property and equipments	13,347	(87,984)	(67,426)	(200,842)
Acquisition of intangible assets	(145,512)	(197,438)	(432,069)	(398,787)
	(132,165)	(285,422)	(499,495)	(599,629)
Financing activities				
Proceeds from long term debt	10,000	-	10,000	-
Repayment of long-term debt	(8,607)	-	(17,214)	-
Proceeds from convertible debentures	1,900,000	-	1,900,000	-
Proceed from issuance of common shares	-	1,625,472	-	4,873,208
Share issue costs	-	(140,059)	-	(373,081)
Deferred financing fees	(5,495)	-	(52,138)	-
Proceeds from issuance of warrants	-	880	-	2,184
Proceeds from exercise of warrants	-	-	2,443,437	-
	1,895,898	1,486,293	4,284,085	4,502,311
Effect of the exchange rate changes on cash	(21,462)	(1,250)	834	(7,206)
Variation in cash during the period	(267,120)	(781,376)	45,170	1,346,819
Cash, beginning of the period	407,058	2,816,380	94,768	688,185
Cash, end of the period	139,938	2,035,004	139,938	2,035,004

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 and six-month periods ended June 30, 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 a cloud based e-coupons 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 August 29, 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-coupons 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 \$3,626,911 for the six months ended June 30, 2014, and an accumulated deficit of \$23,920,716 since the Company's inception on February 8, 2005. As at June 30, 2014, the Company's committed cash obligations and expected level of expenses for the next twelve months exceeds its committed sources of funds. The Company can give no assurance that its financing plan will be successful, nor can it give 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 and six-month periods ended June 30, 2014 and 2013

3. New accounting standard adopted in 2014

The following standards have been adopted for all interim periods commencing on or after 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

	June 30, 2014	December 31, 2013
	\$	\$
Trade receivables	5,751	12,138
Sales tax receivable	195,594	163,374
Other receivables	11,300	2,296
	<u>212,645</u>	<u>177,808</u>

5. Deferred Costs

June 30, 2014	December 31, 2013
\$	\$
<u>274,506</u>	<u>222,368</u>

During the six-month period ended June 30, 2014, the Company incurred professional fees of \$52,138 (nil for the six-month period ended June 30, 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 and six-month periods ended June 30, 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	-	-	-	395,810	57,484	453,294	-
Balance, June 30, 2014	1	2,813,324	-	938,847	74,786	3,826,958	3,139,191
Accumulated amortization							
Balance, December 31, 2013	-	259,783	-	-	-	259,783	-
Amortization	-	282,965	-	-	3,640	286,605	-
Balance, June 30, 2014	-	542,748	-	-	3,640	546,388	-
Net Book Value June 30, 2014	1	2,270,576	-	938,847	71,146	3,280,570	3,139,191
Cost							
Balance, December 31, 2012	1	1,040,000	200,000	-	-	1,240,001	-
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	-	259,783	-	-	-	259,783	-
Net Book Value December 31, 2013	1	2,553,541	-	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 and six-month periods ended June 30, 2014 and 2013

7. Accounts payable and accrued liabilities

	June 30, 2014	December 31, 2013
	\$	\$
Accounts payable and accrued liabilities	2,133,658	1,708,814
Salaries and related benefits	283,219	122,914
Amounts due to related parties (Note 13)	176,283	412,528
Liability for third party garnishment resulting from assumption of judgment against former directors ¹	250,000	1,000,000
	<u>2,843,160</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.

As at June 30, 2014, cash payments of \$750,000 were made towards the liability for third party garnishment resulting from the assumption of judgement with former Directors and Founders and the balance including interest to be paid no later than October 28, 2014. As at August 29, 2014, the Company has not paid any additional amount towards the liability for third party garnishment.

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	45,618	-	-	-	45,618
Convertible notes converted during period	(2,165,177)	(152,664)	(198,843)	(351,507)	(2,516,684)
Balance June 30, 2014	388,400	16,400	55,000	71,400	459,800
Balance, December 31, 2012	1,847,382	152,664	198,843	351,507	2,198,889
Accretion interest expense	80,059	-	-	-	80,059
Balance June 30, 2013	1,927,441	152,664	198,843	351,507	2,278,948

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 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
Settlement of contract buyout ²	375,000	225,000
Balance, June 30, 2014	44,147,761	14,275,547
Balance, December 31, 2012	20,882,966	4,974,899
Share issued for private placement ³	5,410,050	4,856,488
Share issued for settlement of accounts payable ⁴	388,456	312,000
Exercise of warrants ⁵	33,768	16,720
Share issue costs		(373,081)
Balance, June 30, 2013	26,715,240	9,787,026

Exercise of warrants

¹ During the six months period ended, June 30, 2014 a 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.

⁵ During the six months period ended, June 30, 2013, a total of 33,768 warrants were exercised for a cash consideration of \$16,720 (exercise price of \$0.495).

Settlement of contract buyout

² During the six months period ended June 30, 2014 a total of 375,000 shares, at a price of \$0.415 per share, were issued to an arm's length party to settle a contract buyout with a former employee in the amount of \$155,625. The total fair value of the common shares issued was calculated to be \$225,000 resulting in a loss on settlement of liability of \$69,375.

Share issued as part of a private placement

³ During the six months period ended June 30, 2013, a total of 5,410,050 shares were issued at \$0.90 per share as part of a private placement. The private placement was completed over three installments for a total cash consideration of \$4,869,045. As part of the private placement, investors also received a total of 4,057,528 warrants of the Company exercisable at \$1.25. Additionally, the Company issued a total of 283,507 warrants to brokers exercisable at a price between \$0.90 and \$1.25 and were recorded as share issue costs.

Shares issued for settlement of liabilities

⁴ During the six months period ended June 30, 2013, due to the Company's cash position, an agreement was reached to settle outstanding trade payable balances in the amount of \$262,000 to arm's length parties by issuing 326,728 common shares. In addition, the Company issued 61,728 common shares to a director to settle an outstanding trade payable balance in the amount of \$50,000.

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2014 and 2013

9. Shareholders' Equity (cont'd)

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 ranges from immediate and can go up to 3 years on a straight line basis 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.

The following table summarizes the share option activities under this plan:

	For the six months period ended June 30, 2014		For the six months period ended June 30, 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	380,000	0.50	-	-
Forfeited	(735,656)	0.97	(10,000)	1.10
Expired	(58,334)	1.05	-	-
Balance, end of period	5,049,634	0.84	2,773,290	0.80
Exercisable options	3,831,836	0.79	1,463,965	0.75

Outstanding options as at June 30, 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	2.78	380,000	0.50	380,000	0.50
0.65	0.13	1,678,596	0.65	1,678,596	0.65
0.96	2.01	2,127,000	0.96	1,120,111	0.96
1.00	0.88	499,038	1.00	403,129	1.00
1.10	1.23	365,000	1.10	250,000	1.10
0.50 to 1.10	1.27	5,049,634	0.84	3,831,836	0.79

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2014 and 2013

9. Shareholders' Equity (cont'd)

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

Expiry date	Exercise price	Share options	
		June, 30, 2014	December 31, 2013
February 9, 2014	1.10	-	5,000
March 22, 2014	1.00	-	15,000
April 19, 2014	1.10	-	6,667
June 1, 2014	0.96	-	8,334
June 21, 2014	1.10	-	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	88,334	-
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	345,000	359,999
December 4, 2015	1.00	287,726	499,038
October 30, 2016	0.96	1,817,000	2,127,000
February 28, 2017	0.50	180,000	-
May 14, 2017	0.50	200,000	-
		5,049,634	4,722,968

There were no option exercised during the six months period ended June 30, 2014 and 2013.

An amount of \$510,915 has been expensed as share-based payment awards for the six-month period ended June 30, 2014 (\$402,771 for June 30, 2013), and for the three month period ended June 30, 2014, the Company recorded a share based payment expenses of \$282,115 (\$168,637 for June 30, 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:

	2014			2013
	February 28	May 14	Weighted Average	
Number of options	180,000	200,000	380,000	-
Share price	0.50	0.50	0.50	-
Exercise price	0.50	0.50	0.50	-
Risk-free interest rate	1.02%	1.03%	1.03%	-
Expected life	3 years	3 years	3 years	-
Expected estimated volatility	143.4%	140.0%	141.8%	-
Dividend yield	nil	nil	nil	-
Fair value of options granted	0.39	0.39	0.39	-

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2014 and 2013

9. Shareholders' Equity (Cont'd)

c) Other equity accounts are as follows:

	June 30, 2014	December 31, 2013
	\$	\$
Contributed Surplus	163,433	48,534
Option reserve	3,021,205	2,561,274
Warrant reserve	2,902,991	2,966,906
	<u>6,087,629</u>	<u>5,576,714</u>
<i>Contributed Surplus</i>		<u>\$</u>
Balance, December 31, 2013		48,534
Warrant expired/cancelled during the period		63,915
Stock options expired		50,984
Balance, June 30, 2014		<u>163,433</u>
Balance December 31, 2012		33,609
Options expired		4,639
Balance as at June 30, 2013		<u>38,248</u>
<i>Option Reserve</i>		<u>\$</u>
Balance, December 31, 2013		2,561,274
Stock based payments expense		510,915
Stock options expired		(50,984)
Balance, June 30, 2014		<u>3,021,205</u>
Balance, December 31, 2012		875,762
Stock based payments expense		402,771
Stock options expired		(4,639)
Balance, June 30, 2013		<u>1,273,894</u>

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 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	13,919,950	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, June 30, 2014	13,311,231	2,902,991	1.13
Balance, December 31, 2012	7,362,827	727,208	1.02
Issued during the period ¹	6,695,035	2,184	1.26
Exercised during the period	(33,768)	-	(0.50)
Balance, June 30, 2013	14,024,092	729,392	1.13

¹ During the six months period ended June 30, 2013, 4,341,035 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. In May 2013, 1,050,000 warrants with an exercise price of \$1.50 with an 18 month life each were issued for proceeds of \$1,050. These warrants issued were recorded in warrant reserve at the proceeds received.

During the six months period ended June 30, 2014, the Company extended 11,601,729 warrants by an additional 12 months.

10. Convertible Debentures

In Q2-2014, the Company issued \$1,900,000 Face Value Convertible Debentures that may be converted, at the option of the Company or the holder, at any time after October 1, 2015 until September 30, 2016 up to a maximum of 1,900,000 units (\$1.00 conversion price). The conversion price is set at \$1.00 per common share and the agreement contains a ratchet provision discounting the conversion price per share by up to 25% of the Common Share issuance price or of conversion price of convertible debentures for any new future financings. In the event that a new financing greater than \$5 million occurs on or prior to September 30, 2015 the capital and interest of the convertible debenture will automatically be converted into Units on the basis of the conversion price per unit less the allowable discount as stipulated in the ratchet provision. Each unit consists of one common share of the Company and $\frac{3}{4}$ share purchase warrant. Upon conversion, each warrant entitles the holder to purchase one additional share of the Company at a price of \$1.45 for a period of twenty-four months following the issuance. The convertible debentures bear an annual interest rate of 10%, which is payable on maturity at September 30, 2016.

On the transaction date, the convertible debentures and the embedded warrant reserve component were recorded as equity instruments at their fair value and included in shareholders' equity. From the total proceeds received in the amount of \$1,900,000, the convertible debentures were assigned a value of \$1,528,000 and the embedded warrant reserve component was assigned a value of \$372,000 according to their respective estimated fair value. The accretion on the convertible debentures is recorded as a reduction to retained earnings.

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2014 and 2013

10. Convertible Debentures (cont'd)

The following tables summarize the components of the convertible debentures:

	Convertible debentures	Embedded warrant reserve	Total convertible debentures
	\$	\$	\$
Balance December 31, 2013	-	-	-
Convertible debenture issued	1,528,000	372,000	1,900,000
Accretion and interest expense	50,325	-	50,325
Balance June 30, 2014	1,578,325	372,000	1,950,325

11. Net financial expenses (income)

Net financial expenses (income) comprises of the following:

	For the three months ended		For the six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
	\$	\$	\$	\$
Interest and banking fees	4,349	(3,842)	8,902	6,261
Interest expense on long term debt	28,410	-	30,237	-
Interest expense on convertible notes	10,460	25,431	20,551	49,193
Accretion expense on convertible notes	1,105	15,957	25,067	30,866
Fair value adjustment on liability for acquisition of Mobi (Note 12)	(1,030,362)	-	(772,188)	-
Total finance expense (income)	(986,038)	45,230	(687,431)	86,320

12. 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. 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 \$0.49 (\$0.86 as at December 31, 2013).

For the three-month and six-month periods ended June 30, 2014 and 2013

	\$
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 11)	(772,188)
Balance as at June 30, 2014	5,338,200

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

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Transactions:				
Management fees to officers and directors ¹	-	22,245	-	63,345
Management fees to persons that are significant shareholders and founders of the Company ²	-	227,100	-	310,200
Commission to persons that are significant shareholders and are founders of the Company ² (included in share issue costs)	-	75,129	-	190,761
	-	324,474	-	564,306

	June 30, 2014	December 31, 2013
Balances outstanding:		
Amounts due to officers and directors	176,283	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
	<u>176,283</u>	<u>412,528</u>

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 and six-month periods ended June 30, 2014 and 2013

13. 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-month periods ended June 30,		For the six-month periods ended June 30,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Salaries and related benefits and contract labor	99,772	0	214,039	0
Management fees, commissions and finder's fees	-	324,474	-	564,306
Share-based payments compensation	100,475	83,572	229,607	199,700
	<u>200,247</u>	<u>408,046</u>	<u>443,646</u>	<u>764,006</u>

14. 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 June 30, 2014		For the six months ended June 30, 2014	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
	\$	\$	\$	\$
Net loss for the period	(1,523,521)	(2,022,826)	(3,617,665)	(3,181,255)
Weighted average number of common shares outstanding	<u>43,937,596</u>	<u>24,526,248</u>	<u>41,661,700</u>	<u>24,526,248</u>

Diluted

For the six months periods ended June 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 and debentures, 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.

15. Information included in the Consolidated Statements of Cash Flows

	For the three months ended June 30,		For the six months ended June 30,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Changes in non-cash working capital items				
Trade and other receivables	1,531	(31,947)	(34,941)	189,254
Inventories	18,983	(59,176)	(11,828)	(65,475)
Prepaid expenses and deposits	179	(54,890)	8,201	(79,780)
Accounts payable and accrued liabilities	(134,563)	10,648	(357,719)	88,157
Due to related parties	-	(14,446)	-	43,230
Income taxes payable	(3,273)	-	(4,159)	-
	<u>(117,143)</u>	<u>(149,811)</u>	<u>(400,446)</u>	<u>175,386</u>

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2014 and 2013

16. Segmented reporting

The Company operates and reports its results as two operating segments, which is the development of new Internet technologies to facilitate point of sale payments and e-coupons. Each of the operating segments is a reportable segment for financial reporting purposes. The Company also operates in different geographies. The Company's sales and non-current assets by geographic locations and by reportable segment are as follows:

	For the three months ended June 30, 2013	For the three months ended June 30, 2013	For the six months ended June 30, 2014	For the six months ended June 30, 2013
	\$	\$	\$	\$
Sales from external customers				
Payment solution				
United States	5,908	10,819	11,991	87,511
South America	-	10,565	-	18,249
Canada	4,572	-	4,763	-
Asia	2,776	73,115	2,776	73,441
	13,256	94,499	19,530	179,201
E-Couponing				
South America	10,889	-	17,812	-
	24,145	94,499	37,342	179,201
			June 30, 2014	December 31, 2013
			\$	\$
Non-current assets				
Payment solution			-	-
Canada			1,423,714	992,430
Asia			18,556	22,427
			1,442,270	1,014,857
E-Couponing				
Canada			5,400,261	5,665,433
			6,842,531	6,680,290

17. 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 and six month periods ended June 30, 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 and six month periods ended June 30, 2013 are as follows:

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2014 and 2013

17. Restatement (cont'd)

The June 30, 2013 Interim Consolidated Statement of Financial Position was adjusted as follows

	Reference	Previously Reported	Adjustments	As Restated	
Assets					Assets
Current assets					Current assets
Cash		2,035,004	-	2,035,004	Cash
Accounts receivable		146,500	-	146,500	Trade and other receivables
Inventory		89,490	-	89,490	Inventory
Loans receivable		124,922	-	124,922	Prepaid expenses and deposits
Deposits and sales tax receivable		146,303	-	146,303	Sales tax receivable
		2,542,219	-	2,542,219	
Non-current assets					Non-current assets
Intangible assets		1	-	1	Intangible assets
EMV payment switch		398,787	-	398,787	EMV payment switch
Software technology	(a,g)	972,000	(36,000)	936,000	Software technology
Processor connections	(g)	200,000	(20,000)	180,000	Processor connections
Property and equipments	(f)	265,378	1,071	266,449	Property and equipments
		1,836,166	(54,929)	1,781,237	
Total assets		4,378,385	(54,929)	4,323,456	Total assets
Liabilities					Liabilities
Current liabilities					Current liabilities
Accounts payable and accrued liabilities		547,151	-	547,151	Accounts payable and accrued liabilities
Due to related parties		184,431	-	184,431	Due to related parties
Convertible notes		1,927,441	-	1,927,441	Convertible notes
		2,659,023	-	2,659,023	
Non-current liabilities					
Deferred Taxes	(a,d)	-	74,226	74,226	Deferred Taxes
Shareholders' Equity					Shareholders' Equity
Capital stock	(c)	9,811,853	(24,827)	9,787,026	Share capital
Options Reserve	(b,h)	605,184	682,131	1,287,315	Options Reserve
Equity component of Convertible notes		351,507	-	351,507	Equity component of Convertible notes
Warrants Reserve	(c)	729,392	24,827	754,219	Warrants Reserve
Cumulative translation adjustment	(f)	-	4,331	4,331	Cumulative translation adjustment
Deficit attributable to Shareholders of the Company	(b,d,e,f,g,h,i)	(10,117,150)	(754,458)	(10,871,608)	Deficit attributable to Shareholders of the Company
		1,380,786	(67,996)	1,312,790	
Equity attributable to non- controlling interest	(a,e,f,h,i)	(338,576)	(61,159)	277,417	Equity attributable to non- controlling interest
Total Shareholders' Equity		1,719,362	(129,155)	1,590,207	Total Shareholders' Equity
Total liabilities and Shareholders' Equity		4,378,385	(54,929)	4,323,456	Total liabilities and Shareholders' Equity

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2014 and 2013

17. Restatement (cont'd)

The June 30, 2013 Interim Consolidated Statement of Net Loss and Comprehensive Loss was adjusted as follows;

Three months ended June 30, 2013	Reference	Previously Reported	Adjustments	As Restated
Revenues				
Revenues		94,499	-	94,499
Expenses				
Contract labor	(j)	310,906	18,950	329,856
Salaries and related expenses		249,727	-	249,727
Stock-based payment expenses	(h)	-	168,637	168,637
Computer software development	(j)	231,457	(18,950)	212,507
Purchases		54,601	-	54,601
Management fees	(j)	203,202	160,799	364,001
Professional fees		135,763	-	135,763
Rent and utilities		30,868	-	30,868
Office expense		81,614	-	81,614
Travel & entertainment	(j)	358,223	(160,799)	197,424
Filing fees		39,466	-	39,466
Marketing and promotion		190,726	-	190,726
Telephone and internet		49,276	-	49,276
Foreign exchange loss (gain)	(f)	(12,736)	(1,250)	(13,986)
Amortization of Intangible asset	(g)	-	31,000	31,000
Depreciation of property and equipment		30,125	-	30,125
Total Operating Expenses		1,953,218	198,387	2,151,605
Operating loss		(1,858,719)	(198,387)	(2,057,106)
Interest and bank charges, net		3,842	-	3,842
Accretion expense on convertible notes		41,388	-	41,388
		45,230	-	45,230
Net loss		(1,903,949)	(198,387)	(2,102,336)
Cumulative Translation Adjustment	(f)	-	(1,250)	(1,250)
Comprehensive loss		(1,903,949)	(199,637)	(2,103,586)
Net loss attributable to:				
Owners		(1,839,629)	(183,197)	(2,022,826)
Non-controlling interest	(i)	(64,320)	(15,190)	(79,510)
		(1,903,949)	(198,387)	(2,102,336)
Net loss and Comprehensive loss attributable to				
Owners		(1,839,629)	(189,661)	(2,029,290)
Non-controlling interest		(64,320)	(9,976)	(74,296)
		(1,903,949)	(199,637)	(2,103,586)

The effect of the restatements had no impact on the net loss per share (basic and diluted).

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2014 and 2013

17. Restatement (cont'd)

The June 30, 2013 interim Consolidated Statement of Net Loss and Comprehensive Loss was adjusted as follows;

Six months ended June 30, 2013	Reference	Previously Reported	Adjustments	As Restated
Revenues				
Revenues		179,201	-	179,201
Expenses				
Contract labor	(j)	467,892	43,081	510,973
Salaries and related expenses		427,649	-	427,649
Stock-based payment expenses	(h)	-	402,771	402,771
Computer software development	(j)	413,755	(43,081)	370,674
Purchases		127,135	-	127,135
Management fees	(j)	290,202	197,999	488,201
Professional fees		163,227	-	163,227
Rent and utilities		51,936	-	51,936
Office expense		115,026	-	115,026
Travel & entertainment	(j)	452,037	(197,999)	254,038
Filing fees		75,733	-	75,733
Marketing and promotion		257,386	-	257,386
Telephone and internet		63,699	-	63,699
Foreign exchange loss (gain)	(f)	(1,488)	(7,206)	(8,694)
Amortization of Intangible asset	(g)	-	62,000	62,000
Depreciation of Property and equipment		52,131	-	52,131
Total Operating Expenses		2,956,320	457,565	3,413,885
Operating loss		(2,777,119)	(457,565)	(3,234,684)
Interest and bank charges, net		6,261	-	6,261
Accretion expense on convertible notes		80,059	-	80,059
		86,320	-	86,320
Net loss		(2,863,439)	(457,565)	(3,321,004)
Cumulative Translation Adjustment	(f)	-	(7,206)	(7,206)
Comprehensive loss		(2,863,439)	(464,771)	(3,328,210)
Net loss attributable to:				
Owners		(2,754,070)	(427,185)	(3,181,255)
Non-controlling interest	(i)	(109,369)	(30,380)	(139,749)
		(2,863,439)	(457,565)	(3,321,004)
Net loss and Comprehensive loss attributable to:				
Owners		(2,754,070)	(437,043)	(3,191,113)
Non-controlling interest		(109,369)	(27,728)	(137,097)
		(2,863,439)	(464,771)	(3,328,210)

The effect of the restatements on net loss per share (basic and diluted) is an increase of \$0.02 to \$0.13.

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2014 and 2013

17. Restatement (cont'd)

The June 30, 2014 Interim Consolidated Statement of Cash Flows has been adjusted as follows;

Three months ended June 30, 2013	Reference	Previously Reported	Adjustments	As Restated
Operating activities				
Net Loss for the period		(1,903,949)	(198,387)	(2,102,336)
Adjustment for items not involving cash:				
Depreciation of property and equipment		30,125	-	30,125
Amortization of intangible assets	(g)	-	31,000	31,000
Stock-based payment expenses	(h)	-	168,637	168,637
Accretion expense on convertible notes		41,388	-	41,388
Issue of common shares to settle accounts payable	(*1)	312,000	(312,000)	-
Changes in non-cash working capital items				
Increase in deposits and sales taxes receivable		35,820	-	35,820
Increase in inventory		(59,176)	-	(59,176)
Decrease in accounts receivable		(67,767)	-	(67,767)
Increase in prepaids and deposits	(*1)	-	(54,890)	(54,890)
Decrease in accounts payable and accrued liabilities	(*1)	(301,352)	312,000	10,648
Increase in due to related parties	(*1)	-	(14,446)	(14,446)
Cash flow used in operating activities		(1,912,911)	(68,086)	(1,980,997)
Investing activities				
Purchase of property and equipment		(87,984)	-	(87,984)
Investment in EMV payment switch technology		(197,438)	-	(197,438)
Increase in loan receivable	(*1)	(79,780)	79,780	-
Cash flows used in investing activities		(365,202)	79,780	(285,422)
Financing Activities				
Proceeds from issue of common shares		1,625,472	-	1,625,472
Proceeds from issue of warrants		880	-	880
Share issue costs		(140,059)	-	(140,059)
Increase in loans receivable	(*1)	24,890	(24,890)	-
Increase in loans payable	(*1)	(14,446)	14,446	-
Cash flow provided by financing activities		1,496,737	(10,444)	1,486,293
Effect of exchange rate changes on cash	(f)	-	(1,250)	(1,250)
Net increase in cash		(781,376)	-	(781,376)
Cash – beginning of period		2,816,380	-	2,816,380
Cash – end of period		2,035,004	-	2,035,004

(*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 June 30, 2014.

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2014 and 2013

17. Restatement (cont'd)

The June 30, 2014 Interim Consolidated Statement of Cash Flows has been adjusted as follows;

Six months ended June 30, 2013	Reference	Previously Reported	Adjustments	As Restated
Operating activities				
Net Loss for the period		(2,863,439)	(457,565)	(3,321,004)
Adjustment for items not involving cash:				
Depreciation of property and equipment		52,131	-	52,131
Amortization of intangible assets	(g)	-	62,000	62,000
Stock-based payment expenses	(h)	-	402,771	402,771
Accretion expense		80,059	-	80,059
Issue of common shares to settle accounts payable	(*1)	312,000	(312,000)	-
Changes in non-cash working capital items				
Increase in deposits and sales taxes receivable		(20,939)	-	(20,939)
Increase in inventory		(65,475)	-	(65,475)
Decrease in accounts receivable		210,193	-	210,193
Increase in prepaids and deposits	(*1)	-	79,780	(79,780)
Decrease in accounts payable and accrued liabilities	(*1)	(223,843)	312,000	88,157
Increase in due to related parties	(*1)	-	43,230	43,230
Cash flow used in operating activities		(2,519,313)	(29,344)	(2,548,657)
Investing activities				
Purchase of property and equipment		(200,842)	-	(200,842)
Investment in EMV payment switch technology		(398,787)	-	(398,787)
Increase in loan receivable	(*1)	(79,780)	79,780	-
Cash flows used in investing activities		(679,409)	79,780	(599,629)
Financing Activities				
Proceeds from issue of common shares		4,873,208	-	4,873,208
Proceeds from issue of warrants		2,184	-	2,184
Share issue costs		(373,081)	-	(372,081)
Increase in loans payable	(*1)	43,230	(43,230)	-
Cash flow provided by financing activities		4,545,541	(43,230)	4,502,311
Effect of exchange rate changes on cash	(f)	-	(7,206)	(7,206)
Net increase in cash		1,346,819	-	1,346,819
Cash – beginning of period		688,185	-	688,185
Cash – end of period		2,035,004	-	2,035,004

(*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 six months ended June 30, 2014.

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Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2014 and 2013

17. 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 and six-month periods ended June 30, 2014 and 2013

17. 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	5,912
Increase in non-controlling interest	2,652
Increase in Cumulative Translation Adjustment	4,331
Increase in Property and Equipment	1,071

Consolidated Statement of Statement of Net Loss

	Three month period \$	Six month period \$
Decrease in Foreign Exchange Loss	1,250	7,206

Consolidated Statement of Comprehensive Loss

	Three month period \$	Six month period \$
Increase in comprehensive loss attributable to shareholders of Hybrid	6,464	9,858
Decrease in comprehensive loss attributable to non-controlling interest	5,214	2,652

- 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	104,000
Increase in Accumulated Amortization - Processor Connections	20,000
Increase in Deficit	124,000

Consolidated Statement of Net Loss

	Three month period \$	Six month period \$
Increase in Amortization Expense	31,000	62,000

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and six-month periods ended June 30, 2014 and 2013

17. 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 June 30, 2013 condensed interim consolidated financial statement;

Consolidated Statement of Financial Position		\$
Increase in Option Reserve		402,771
Increase in Deficit		402,771

Consolidated Statement of Net Loss	Three month period	Six month period
	\$	\$
Increase in share-based payment expense	168,637	402,771

- 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 June 30, 2013 condensed interim consolidated financial statements;

Consolidated Statement of Financial Position		\$
Decrease in Deficit		31,620
Decrease in non-controlling interest		30,380

Consolidated Statement of Net Loss	Three month period	Six month period
	\$	\$
Increase in net loss attributable to shareholders of Hybrid	15,810	31,620
Increase in net loss attributable to non-controlling interest	15,190	30,380

- 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 June 30, 2013 condensed interim consolidated financial statements;

Consolidated Statement of Net Loss	Three month period	Six month period
	\$	\$
Increase in management fees	160,799	197,999
Decrease in travel expenses	160,799	197,999
Increase in contract labor	18,950	43,081
Decrease in computer software development	18,950	43,081