

Hybrid Paytech World Inc.

Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and nine-month periods ended
September 30, 2014 and 2013

Hybrid Paytech World Inc.

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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 nine-month periods ended September 30, 2014 and 2013

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Hybrid Paytech World Inc.

Interim Consolidated Statements of Financial Position (Unaudited)

As at September 30, 2014 and December 31, 2013

	September 30, 2014	December 31, 2013
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash	51,100	94,768
Short-term investments	39,425	39,425
Trade and other receivables (Note 4)	78,954	177,808
Inventories	18,378	78,750
Prepaid expenses	8,372	10,510
	<u>196,229</u>	<u>401,261</u>
NON-CURRENT ASSETS		
Deferred costs (Note 5)	-	222,368
Property and equipment	108,348	204,850
Intangible assets (Note 6)	3,223,714	3,113,881
Goodwill (Note 6)	3,139,191	3,139,191
	<u>6,471,253</u>	<u>6,680,290</u>
	<u>6,667,482</u>	<u>7,081,551</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	3,071,466	3,244,256
Liability for acquisition of non-controlling interest of Mobi (Note 15)	3,336,375	6,110,388
Restructuring provision (Note 8)	280,000	-
Income taxes payable	4,920	8,175
Convertible notes (Note 9)	416,528	2,507,959
Demand loans (Note 10,16)	525,000	-
Current portion of long-term debts	34,428	34,428
	<u>7,668,717</u>	<u>11,905,206</u>
NON-CURRENT LIABILITIES		
Long-term debts	97,522	91,796
Deferred income taxes	515,360	617,300
	<u>8,281,599</u>	<u>12,614,302</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	14,275,547	9,090,426
Convertible debentures (Note 12)	1,651,142	-
Other equity accounts (Note 11)	6,413,651	5,576,714
Equity component of convertible notes and debentures (Note 9,12)	443,400	422,907
Deficit	(23,999,162)	(20,252,726)
Cumulative translation account	(48,274)	(16,520)
	<u>(1,263,696)</u>	<u>(5,179,199)</u>
Total equity attributable to shareholders of the Company	(1,263,696)	(5,179,199)
Non-controlling interest	(350,421)	(353,552)
	<u>(1,614,117)</u>	<u>(5,532,751)</u>
Total equity	<u>(1,614,117)</u>	<u>(5,532,751)</u>
Total liabilities and shareholder equity	<u>6,667,482</u>	<u>7,081,551</u>

Going Concern (Note 2)

Events after the Reporting Period (Note 21)

On behalf of the Board of Directors

(s) Stephane Boisvert
Stephane Boisvert

(s) Pierre McMaster
Pierre McMaster

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 nine-month periods ended September 30, 2014 and 2013

	Three-month periods		Nine-month periods	
		(Restated Note 20)		(Restated Note 20)
	2014	2013	2014	2013
	\$	\$	\$	\$
Revenues	27,842	11,078	65,184	190,279
Expenses				
Share-based payments expense (Note 11)	326,022	147,204	836,937	549,975
Salaries and benefits	311,288	335,968	1,427,960	763,617
Contract labor	156,694	148,440	822,050	659,413
Restructuring expense (Note 8)	280,000	-	280,000	-
Management fees (Note 16)	-	383,414	-	871,615
Computer software development	103,652	236,421	423,947	607,095
Travel	81,235	203,616	302,086	457,654
Professional fees	81,530	117,190	773,867	280,417
Office expense	94,987	97,845	328,300	328,506
Marketing and promotion	-	31,110	24,238	288,496
Filing fees	16,001	39,187	64,963	114,920
Contract buyout expense (Note 11)	-	-	155,625	-
Loss on settlement of liabilities (Note 11)	-	-	69,375	-
Loss on abandonment of subsidiary (Note 13)	103,665	-	103,665	-
Write off of deferred financing costs (Note 5)	319,589	-	319,589	-
Purchases	348	69,448	13,284	196,583
Foreign exchange loss (gain)	(20,510)	13,004	(20,635)	4,310
Depreciation of property and equipment	21,206	44,882	80,319	97,013
Amortization of intangible assets (Note 6)	145,125	99,125	431,730	161,125
Bad debt expense	-	-	3,097	-
Total operating expenses	2,020,832	1,966,854	6,440,397	5,380,739
Operating loss	(1,992,990)	(1,955,776)	(6,375,213)	(5,190,460)
Net financial expenses (income) (Note 14)	(1,956,163)	253,797	(2,643,594)	340,117
Net loss before income taxes	(36,827)	(2,209,573)	(3,731,619)	(5,530,577)
Income tax expense	-	-	79	-
Recovery of deferred tax	(33,980)	-	(101,940)	-
Net loss	(2,847)	(2,209,573)	(3,629,758)	(5,530,577)
Net loss attributable to:				
Shareholders of the Company	(5,629)	(2,174,847)	(3,623,294)	(5,356,102)
Non-controlling interest	2,782	(34,726)	(6,464)	(174,475)
Net income (loss)	(2,847)	(2,209,573)	(3,629,758)	(5,530,577)
Earnings (loss) per share (Note 17)				
Basic and diluted	\$(0.00)	\$(0.08)	\$(0.09)	\$(0.21)
Weighted average number of outstanding common shares (Note 17)				
Basic and diluted	44,147,761	27,664,967	42,499,493	25,236,409

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 nine-month periods ended September 30, 2014 and 2013

	Three-month periods		Nine-month periods	
		(Restated Note 20)		(Restated Note 20)
	2014	2013	2014	2013
	\$	\$	\$	\$
Net loss	(2,847)	(2,209,573)	(3,629,758)	(5,530,577)
Other comprehensive loss to be reclassified to profit or loss in subsequent periods				
Cumulative translation adjustment	(23,630)	(6,033)	(22,159)	(13,239)
Comprehensive loss	<u>(26,477)</u>	<u>(2,215,606)</u>	<u>(3,651,917)</u>	<u>(5,543,816)</u>
Comprehensive loss attributable to:				
Shareholders of the Company	(27,933)	(2,175,421)	(3,655,048)	(5,366,534)
Non-controlling interest	<u>1,456</u>	<u>(40,185)</u>	<u>3,131</u>	<u>(177,282)</u>
Comprehensive loss	<u>(26,477)</u>	<u>(2,215,606)</u>	<u>(3,651,917)</u>	<u>(5,543,816)</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 nine-month periods ended September 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						(3,623,294)		(3,623,294)	(6,464)	(3,629,758)
Other comprehensive (loss) income							(31,754)	(31,754)	9,595	(22,159)
Comprehensive loss for the period						(3,623,294)	(31,754)	(3,655,048)	3,131	(3,651,917)
Issuance of shares from the conversion of convertible notes (Notes 9,11)	7,987,033	2,317,841		198,843	(351,507)			2,165,177		2,165,177
Share-based payments (Note 11)				836,937				836,937		836,937
Warrants exercised (Note 11)	7,987,033	2,642,280		(198,843)				2,443,437		2,443,437
Settlement of contract buyout (Note 11)	375,000	225,000						225,000		225,000
Issuance of convertible debentures (Note 12)			1,528,000		372,000			1,900,000		1,900,000
Accretion on convertible debentures (Note 12)			123,142			(123,142)		-		-
Balance September 30, 2014	44,147,761	14,275,547	1,651,142	6,413,651	443,400	(23,999,162)	(48,274)	(1,263,696)	(350,421)	(1,614,117)

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 nine-month periods ended September 30, 2014 and 2013 (continued)

(Restated Note 20)	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						(5,356,102)		(5,356,102)	(174,475)	(5,530,577)
Other comprehensive loss							(13,239)	(13,239)		(13,239)
Comprehensive loss for the period						(5,356,102)	(13,239)	(5,369,341)	(174,475)	(5,543,816)
Issuance of shares under private placement (Note 11)	5,410,050	4,869,045						4,869,045		4,869,045
Share issue cost (Note 11)		(365,509)						(365,509)		(365,509)
Share-based payments (Note 11)				549,975				549,975		549,975
Settlement of liabilities (Note 11)	388,456	312,000						312,000		312,000
Acquisition of MOBI724 Solutions	1,078,455	1,396,500						1,396,500		1,396,500
Stock options exercised	5,000	3,250						3,250		3,250
Warrants exercised (Note 11)	33,768	16,715						16,715		16,715
Issuance of warrants (Note 11)				1,974				1,974		1,974
Balance September 30, 2013	27,798,695	11,206,900	-	2,188,528	351,507	(13,046,455)	950	701,430	240,039	941,469

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 nine-month periods ended September 30, 2014 and 2013

	Three-month periods		Nine-month periods	
		(Restated Note 20)		(Restated Note 20)
	2014	2013	2014	2013
	\$	\$	\$	\$
Operating activities				
Net loss for the period	(2,847)	(2,209,573)	(3,629,758)	(5,530,577)
Adjustments for items not involving cash				
Depreciation of property and equipment	21,206	44,882	80,319	97,013
Amortization of intangible assets	145,125	99,125	431,730	161,125
Share-based payments compensation	326,022	147,204	836,937	549,975
Loss on settlement of liabilities (Note 11)	-	-	69,375	-
Contract buyout expense (Note 11)	-	-	155,625	-
Loss on abandonment (Note 13)	103,665	-	103,665	-
Write off of deferred financing costs (Note 5)	319,589	-	319,589	-
Fair value adjustment on liability for acquisition of Mobi (Notes 14,15)	(2,001,825)	-	(2,774,013)	-
Accretion expense on convertible notes (Note 9)	17,285	3,656	42,352	34,522
Interest on convertible notes (Note 9)	10,843	5,826	31,394	55,019
Recovery of deferred taxes	(33,980)	-	(101,940)	-
	(1,094,917)	(1,908,880)	(4,434,725)	(4,632,923)
Change in non-cash working capital items (Note 18)	620,638	725,564	220,192	900,950
	(474,279)	(1,183,316)	(4,214,533)	(3,731,973)
Investing activities				
Acquisition of property and equipments	-	(67,963)	(67,426)	(268,805)
Acquisition of intangible assets	(83,081)	(266,876)	(515,150)	(665,663)
	(83,081)	(334,839)	(582,576)	(934,468)
Financing activities				
Proceeds from long term debts	21,547	-	31,547	-
Repayment of long-term debts	(8,607)	-	(25,821)	-
Proceeds from convertible debentures	-	-	1,900,000	-
Proceed from issuance of common shares	-	(4,163)	-	4,869,045
Share issue costs	-	7,572	-	(365,509)
Proceeds from demand loans	525,000	-	525,000	-
Deferred financing fees	(45,083)	-	(97,221)	-
Proceeds from exercise of stock options	-	3,250	-	3,250
Proceeds from issuance of warrants	-	(210)	-	1,974
Proceeds from exercise of warrants	-	16,715	2,443,437	16,715
	492,857	23,164	4,776,942	4,525,475
Effect of the exchange rate changes on cash	(24,335)	(1,427)	(23,501)	(8,633)
Variation in cash during the period	(88,838)	(1,496,418)	(43,668)	(149,599)
Cash, beginning of the period	139,938	2,035,004	94,768	688,185)
Cash, end of the period	51,100	538,586	51,100	538,586

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 nine-month periods ended September 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 257 Sherbrooke Street East, Suite 400, Montreal, Quebec H2X 1E3. 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 Pacific (HK) Limited, incorporated in Hong Kong and the operations of Hybrid Paytech Asia Inc. incorporated in the Philippines, up to September 4, 2014 the date the Company abandoned and ceased to operate the subsidiary. 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 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 November 30, 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 \$3,478,989 for the nine months ended September 30, 2014, and an accumulated deficit of \$23,848,393 since the Company's inception on February 8, 2005. As at September 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 nine-month periods ended September 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

	September 30, 2014	December 31, 2013
	\$	\$
Trade receivables	4,837	12,138
Sales tax receivable	72,852	163,374
Other receivables	1,265	2,296
	<u>78,954</u>	<u>177,808</u>

5. Deferred Costs

	\$
Balance December 31, 2013	222,368
Additions	97,221
Write off	(319,589)
Balance September 30, 2014	<u>-</u>

During the nine-month period ended September 30, 2014, the Company incurred professional fees of \$97,221 (nil for the nine-month period ended September 30, 2013) that were directly related to a probable future equity transaction. These costs would have been reclassified to capital stock upon completion of the equity transaction. Though as of September 30, 2014, management cancelled the contract with the investment advisors and has determined that the future equity transaction which the professional fees are related to is no longer probable and as a result the entire amount was written off.

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and nine-month periods ended September 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	-	59,214	-	417,660	64,689	541,563	-
Balance, September 30, 2014	1	2,872,538	-	960,697	81,991	3,915,227	3,139,191
Accumulated amortization							
Balance, December 31, 2013	-	259,783	-	-	-	259,783	-
Amortization	-	426,920	-	-	4,810	431,730	-
Balance, September 30, 2014	-	686,703	-	-	4,810	691,513	-
Net Book Value September 30, 2014	1	2,185,835	-	960,697	77,181	3,223,714	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 nine-month periods ended September 30, 2014 and 2013

7. Accounts payable and accrued liabilities

	September 30, 2014	December 31, 2013
	\$	\$
Accounts payable and accrued liabilities	2,407,565	1,708,814
Salaries and related benefits	215,080	122,914
Amounts due to related parties (Note 16)	198,821	412,528
Liability for third party garnishment resulting from assumption of judgment against former directors ¹	250,000	1,000,000
	<u>3,071,466</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 judgment 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 September 30, 2014, cash payments of \$750,000 were made towards the liability for third party garnishment resulting from the assumption of judgment with former Directors and Founders. As at November 30, 2014, the Company has not paid any additional amount towards the liability for third party garnishment and is in negotiations to settle the remaining outstanding balance.

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 favor 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. Restructuring Provision

	\$
Balance December 31, 2013	-
Arising during the period	280,000
Balance September 30, 2014	<u>280,000</u>

The Company recorded a restructuring provision related to the re-organization of the management structure which will result in the elimination of certain positions. The restructuring plan was drawn up in Q3-2014 and is expected to be completed by Q1-2015. The reduction in headcount and the elimination of certain positions will result in the Company to pay termination payments pursuant to employment contracts and regulatory requirements. The Company has identified the positions that will be eliminated and has made its best estimate of the termination payments that will be required to be disbursed. The Company has put several employees on temporary lay-off and if not re-called prior to January 12, 2015, severance payments will be due to those employees.

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and nine-month periods ended September 30, 2014 and 2013

9. 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 and interest expense	73,746	-	-	-	73,746
Convertible notes converted during period	(2,165,177)	(152,664)	(198,843)	(351,507)	(2,516,684)
Balance September 30, 2014	416,528	16,400	55,000	71,400	487,928
Balance, December 31, 2012	1,847,382	152,664	198,843	351,507	2,198,889
Accretion and interest expense	89,541	-	-	-	89,541
Balance September 30, 2013	1,936,923	152,664	198,843	351,507	2,288,430

10. Demand loans

During the nine month period, the Company obtained demand loans in the amount of \$525,000. The \$425,000 in demand loans are unsecured and non-interest bearing and must be reimbursed on or before December 31, 2014. The other \$100,000 in demand loan bears interest at 1.25% per month and is must be reimbursed on or before February 15, 2015. An amount representing \$400,000 of the demand loans is payable to related parties (Note 16).

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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11. 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 9)	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, September 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	4,869,045
Shares issue on business acquisition	1,078,455	1,396,500
Share issued for settlement of accounts payable ⁴	388,456	312,000
Exercise of warrants ⁵	33,768	16,715
Exercise of stock options	5,000	3,250
Share issue costs	-	(365,509)
Balance, September 30, 2013	27,798,695	11,206,900

Exercise of warrants

¹ During the nine month period ended September 30, 2014 a total of 7,987,033 warrants were exercised for a cash consideration of \$2,443,437 (exercise price at \$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 nine month period ended September 30, 2013, a total of 33,768 warrants were exercised for a cash consideration of \$16,715 (exercise price of \$0.495).

Settlement of contract buyout

² During the nine month period ended September 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 nine month period ended September 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 nine month period ended September 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)

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11. 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 nine months period ended September 30, 2014		For the nine months period ended September 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	1,130,000	0.50	-	-
Forfeited	(1,041,989)	0.98	(10,000)	1.10
Exercised	-	-	(5,000)	0.65
Expired	(2,278,242)	0.74	(5,000)	1.10
Balance, end of period	3,273,393	0.82	2,763,290	0.80
Exercisable options	2,317,484	0.77	1,546,465	0.74

Outstanding options as at September 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	750,000	0.50	683,333	0.50
0.50	2.62	200,000	0.50	200,000	0.50
0.50	2.42	180,000	0.50	180,000	0.50
0.96	1.96	1,589,000	0.96	832,334	0.96
1.00	1.18	287,726	1.00	191,817	1.00
1.10	0.71	266,667	1.10	230,000	1.10
0.50 to 1.10	2.04	3,273,393	0.82	2,317,484	0.77

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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11. Shareholders' Equity (cont'd)

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

Expiry date	Exercise price	Share options	
		September 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	-	23,333
August, 23, 2014	0.65	-	1,678,596
January 11, 2015	0.96	55,000	-
February 18, 2015	0.96	4,000	-
March 20, 2015	1.10	156,667	-
March 20, 2015	0.96	55,000	-
October 17, 2015	1.1	110,000	375,000
December 4, 2015	1.00	287,726	604,694
October 30, 2016	0.96	1,475,000	2,747,000
February 28, 2017	0.50	180,000	-
May 14, 2017	0.50	200,000	-
July 10, 2017	0.50	750,000	-
		<u>3,273,393</u>	<u>5,463,624</u>

There were no option exercised during the nine months period ended September 30, 2014 and 5,000 stock options were exercised during the nine months period ended September 30, 2013.

An amount of \$836,937 has been expensed as share-based payment awards for the nine-month period ended September 30, 2014 (\$549,975 for September 30, 2013), and for the three month period ended September 30, 2014, the Company recorded a share based payment expenses of \$326,022 (\$147,204 for September 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	July 10	Weighted Average	
Number of options	180,000	200,000	750,000	1,130,000	-
Share price	0.50	0.50	0.50	0.50	-
Exercise price	0.50	0.50	0.50	0.50	-
Risk-free interest rate	1.02%	1.03%	1.10%	1.07%	-
Expected life	3 years	3 years	3 years	3 years	-
Expected estimated volatility	143.4%	140.0%	138.5%	139.5%	-
Dividend yield	nil	nil	Nil	nil	-
Fair value of options granted	0.39	0.39	0.30	0.33	-

The forfeiture rate for management is 0% and for all other grants at 8%.

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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11. Shareholders' Equity (Cont'd)

c) Other equity accounts are as follows:

	September 30, 2014	December 31, 2013
	\$	\$
Contributed Surplus	1,967,825	48,534
Option reserve	2,113,292	2,561,274
Warrant reserve	2,332,534	2,966,906
	<u>6,413,651</u>	<u>5,576,714</u>
<i>Contributed Surplus</i>		<u>\$</u>
Balance, December 31, 2013		48,534
Warrant expired/cancelled during the period		634,372
Stock options expired		1,284,919
Balance, September 30, 2014		<u>1,967,825</u>
Balance December 31, 2012		33,609
Balance September 30, 2013		<u>33,609</u>
<i>Option Reserve</i>		<u>\$</u>
Balance, December 31, 2013		2,561,274
Stock based payments expense		836,937
Stock options expired		(1,284,919)
Balance, September 30, 2014		<u>2,113,292</u>
Balance, December 31, 2012		875,762
Stock based payments expense		549,975
Balance, September 30, 2013		<u>1,425,737</u>

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and nine-month periods ended September 30, 2014 and 2013

11. Shareholders' Equity (Cont'd)

c) 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	(2,076,803)	(634,372)	(0.75)
Issued during the period	7,987,033	198,843	0.31
Exercised during the period	(7,987,033)	(198,843)	(0.31)
Balance, September 30, 2014	11,843,145	2,332,534	1.20
Balance, December 31, 2012	7,362,827	727,208	1.02
Issued during the period ¹	6,695,033	1,974	1.26
Exercised during the period	(33,768)	-	(0.50)
Balance, September 30, 2013	14,024,092	729,182	1.13

¹ During the nine month period ended September 30, 2013, 4,341,033 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 nine months period ended September 30, 2014, the Company extended 11,601,729 warrants by an additional twelve (12) months.

12. 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 of 25% 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)

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12. 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	123,142	-	123,142
Balance September 30, 2014	1,651,142	372,000	2,023,142

13. Loss on abandonment of subsidiary

The Company decided to cease supporting the operations of Hybrid Paytech Asia Inc. in the Philippines and has abandoned all ties with the subsidiary. This was a result of unsuccessful negotiations to restructure and reorganize the capital structure of, Hybrid Paytech Asia Inc. The Company has also severed all ties with the former management team of Hybrid Paytech Asia Inc. As such, on September 4, 2014, the Company lost control of the subsidiary. As a result, the Company has derecognized all the assets and liabilities of the subsidiary at their carrying value and did not receive any consideration for the aforementioned transaction which resulted in the Company incurring a loss on abandonment of subsidiary in the amount of \$103,665. The Company has not consolidated the statement of financial position of Hybrid Paytech Asia Inc. at September 30, 2014 and has only consolidated the statement of operations and statement of cash flow up to September 4, 2014, the date of loss of control of the subsidiary. In addition, the balance of the cumulative translation adjustment in the amount of \$34,319 that was in other comprehensive income was realized as a gain on the statement of net loss in foreign exchange at the date of loss of control.

14. Net financial expenses (income)

Net financial expenses (income) comprises of the following:

	For the three months ended		For the nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
	\$	\$	\$	\$
Interest and banking fees	2,095	244,315	10,997	250,576
Interest expense on long term debt	15,439	-	45,676	-
Interest expense on convertible notes	10,843	5,826	31,394	55,019
Accretion expense on convertible notes	17,285	3,656	42,352	34,522
Fair value adjustment on liability for acquisition of Mobi (Note 15)	(2,001,825)	-	(2,774,013)	-
Total finance expense (income)	(1,956,163)	253,797	(2,643,594)	340,117

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15. 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 the terms and conditions of the Acquisition Agreement that stipulates the formula as being 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 \$0.31 (\$0.86 as at December 31, 2013).

In October 2014, the Company reached an agreement in principal with the shareholders of Mobi to acquire the remaining 49% of Mobi as was stipulated in the Acquisition Agreement signed on July 12, 2013. The Company will issue from treasury 12,500,000 common shares to complete the acquisition and ultimately own 100% of Mobi. This transaction will be completed and recorded in Q4-2014 and would result in a gain on the fair value adjustment of the liability to acquire the non-controlling interest of Mobi of approximately \$2.3 million.

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 14)	(2,774,013)
Balance as at September 30, 2014	3,336,375

16. Related Party Transactions

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

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Transactions:				
Management fees to officers and directors ¹	-	54,405	-	117,750
Management fees to persons that are significant shareholders and founders of the Company ²	-	13,596	-	323,796
Commission to persons that are significant shareholders and are founders of the Company ² (included in share issue costs)	-	99,400	-	290,161
	-	167,401	-	731,707

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and nine-month periods ended September 30, 2014 and 2013

16. Related Party Transactions (cont'd)

	September 30, 2014	December 31, 2013
Balances outstanding:		
Amounts due to officers and directors (Note 7)	198,821	141,874
Demand loans to directors (Note 10)	400,000	-
Amounts due to persons that are significant shareholders and founders of the Company (Note 7)	-	261,779
Amounts due to an officer of a subsidiary (Note 7)	-	8,875
	<u>598,821</u>	<u>412,528</u>

¹ In 2013, there were 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 In 2013, 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).

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 September 30,		For the nine-month periods ended September 30,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Salaries and related benefits and contract labor	88,462	-	302,501	-
Management fees, commissions and finder's fees	-	167,401	-	731,707
Share-based payments compensation	22,903	73,082	252,510	272,782
	<u>111,365</u>	<u>240,483</u>	<u>555,011</u>	<u>1,004,489</u>

17. 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 September 30,		For the nine months ended September 30,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Net loss for the period	(5,629)	(2,174,847)	(3,623,294)	(5,356,102)
Basic weighted average number of common shares outstanding	44,147,761	27,664,967	42,499,493	25,236,409

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and nine-month periods ended September 30, 2014 and 2013

17. Loss per share (cont'd)

b. Diluted

For the three and nine months periods ended September 30, 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.

18. Information included in the Consolidated Statements of Cash Flows

	For the three months ended		For the nine months ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
	\$	\$	\$	\$
Changes in non-cash working capital items				
Trade and other receivables	100,206	(78,256)	65,265	110,998
Inventories	(3,038)	59,785	(14,866)	(5,690)
Prepaid expenses	(8,343)	6,938	(142)	(72,842)
Accounts payable and accrued liabilities	250,909	737,097	(106,810)	868,484
Restructuring provision	280,000	-	280,000	-
Income taxes payable	904	-	(3,255)	-
	<u>620,638</u>	<u>725,564</u>	<u>220,192</u>	<u>900,950</u>

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19. 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 September 30, 2014 \$	For the three months ended September 30, 2013 \$	For the nine months ended September 30, 2014 \$	For the nine months ended September 30, 2013 \$
Sales from external customers				
Payment solution				
United States	1,471	531	13,462	88,042
South America	-	4,494	-	22,743
Canada	7,928	-	12,691	-
Asia	56	(307)	2,832	73,134
	<u>9,456</u>	<u>4,718</u>	<u>28,986</u>	<u>183,919</u>
Couponing				
South America	18,387	6,360	36,199	6,360
	<u>27,842</u>	<u>11,078</u>	<u>65,184</u>	<u>190,279</u>
			September 30, 2014 \$	December 31, 2013 \$
Non-current assets				
Payment solution			-	-
Canada			1,151,766	992,430
Asia			-	22,427
			<u>1,151,766</u>	<u>1,014,857</u>
Couponing				
Canada			5,319,487	5,665,433
			<u>6,471,253</u>	<u>6,680,290</u>

20. 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 nine month periods ended September 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 nine month periods ended September 30, 2013 are as follows:

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Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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20. Restatement (Cont'd)

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

Three months ended September 30, 2013	Reference	Previously Reported	Adjustments	As Restated
Revenues				
Revenues		11,078	-	11,078
Expenses				
Contract labor	(e)	(381,023)	529,463	148,440
Salaries and related expenses		335,968	-	335,968
Stock-based payment expenses	(c)	549,975	(402,771)	147,204
Computer software development	(e)	255,021	(18,600)	236,421
Purchases		69,448	-	69,448
Management fees	(e)	581,413	(197,999)	383,414
Professional fees	(e)	628,053	(510,863)	117,190
Rent and utilities		19,635	-	19,635
Office expense		51,899	-	51,899
Travel & entertainment	(e)	5,617	197,999	203,616
Filing fees		39,187	-	39,187
Marketing and promotion		31,110	-	31,110
Telephone and internet		26,311	-	26,311
Foreign exchange loss (gain)	(a)	5,798	7,206	13,004
Amortization of Intangible asset	(b)	161,125	(62,000)	99,125
Depreciation of property and equipment		44,882	-	44,882
Total Operating Expenses		2,424,419	(457,565)	1,966,854
Operating loss		(2,413,341)	457,565	(1,955,776)
Interest and bank charges, net		244,315	-	244,315
Accretion expense on convertible notes		9,482	-	9,482
		253,797	-	253,797
Net loss		(2,667,138)	457,565	(2,209,573)
Cumulative Translation Adjustment	(a)	(13,239)	7,206	(6,033)
Comprehensive loss		(2,680,377)	464,771	(2,215,606)
Net loss attributable to:				
Owners		(2,602,032)	427,185	(2,174,847)
Non-controlling interest	(d)	(65,106)	30,380	(34,726)
		(2,667,138)	457,565	(2,209,573)
Net loss and Comprehensive loss attributable to				
Owners		(2,615,271)	439,850	(2,175,421)
Non-controlling interest		(65,106)	24,921	(40,185)
		(2,680,377)	464,771	(2,215,606)

The effect of the restatements on net loss per share (basic and diluted) is a decrease of \$0.02 to \$0.08.

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and nine-month periods ended September 30, 2014 and 2013

20. Restatement (cont'd)

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

Nine months ended September 30, 2013	Reference	Previously Reported	Adjustments	As Restated
Revenues				
Revenues		190,279	-	190,279
Expenses				
Contract labor	(e)	86,869	572,544	659,413
Salaries and related expenses		763,617	-	763,617
Stock-based payment expenses		549,975	-	549,975
Computer software development	(e)	668,776	(61,681)	607,095
Purchases		196,583	-	196,583
Management fees		871,615	-	871,615
Professional fees	(e)	791,280	(510,863)	280,417
Rent and utilities		71,571	-	71,571
Office expense		166,925	-	166,925
Travel & entertainment		457,654	-	457,654
Filing fees		114,920	-	114,920
Marketing and promotion		288,496	-	288,496
Telephone and internet		90,010	-	90,010
Foreign exchange loss (gain)		4,310	-	4,310
Amortization of Intangible asset		161,125	-	161,125
Depreciation of Property and equipment		97,013	-	97,013
Total Operating Expenses		5,380,739	-	5,380,739
Operating loss		(5,190,460)	-	(5,190,460)
Interest and bank charges, net		250,576	-	250,576
Accretion expense on convertible notes		89,541	-	89,541
		340,117	-	340,117
Net loss		(5,530,577)	-	(5,530,577)
Cumulative Translation Adjustment		(13,239)	-	(13,239)
Comprehensive loss		(5,543,816)	-	(5,543,816)
Net loss attributable to:				
Owners		(5,356,102)	-	(5,356,102)
Non-controlling interest		(174,475)	-	(174,475)
		(5,530,577)	-	(5,530,577)
Net loss and Comprehensive loss attributable to				
Owners		(5,369,341)	2,807	(5,366,534)
Non-controlling interest		(174,475)	(2,807)	(177,282)
		(5,543,816)	-	(5,543,816)

The effect of the restatements on net loss per share (basic and diluted) is a decrease of \$0.01 to \$0.21.

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and nine-month periods ended September 30, 2014 and 2013

20. Restatement (cont'd)

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

Three months ended September 30, 2013	Reference	Previously Reported	Adjustments	As Restated
Operating activities				
Net Loss for the period		(2,667,138)	457,565	(2,209,573)
Adjustment for items not involving cash:				
Depreciation of property and equipment		44,882	-	44,882
Amortization of intangible assets	(b)	161,125	(62,000)	99,125
Stock-based payment expenses	(c)	549,975	(402,771)	147,204
Accretion expense on convertible notes		9,482	-	9,482
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	(*1)	(55,108)	55,108	-
Increase in inventory		59,785	-	59,785
Decrease in accounts receivable	(*1)	(23,148)	(55,108)	(78,256)
Increase in prepaids and deposits	(*1)	(72,842)	79,780	6,938
Decrease in accounts payable and accrued liabilities	(*1)	943,423	(312,000)	631,423
Increase in due to related parties	(*1)	148,904	(43,230)	105,674
Cash flow used in operating activities		(1,212,660)	29,344	(1,183,316)
Investing activities				
Purchase of property and equipment		(67,963)	-	(67,963)
Investment in EMV payment switch technology		(263,474)	(3,402)	(266,876)
Patent Costs		(3,402)	3,402	-
Increase in loan receivable	(*1)	79,780	(79,780)	-
Cash flows used in investing activities		(255,059)	(79,780)	(334,839)
Financing Activities				
Proceeds from issue of common shares		(4,163)	-	(4,163)
Proceeds from issue of warrants		(210)	-	(210)
Exercise of warrants		16,715	-	16,715
Exercise of stock options		3,250	-	3,250
Share issue costs		7,572	-	7,572
Increase in loans payable	(*1)	(43,230)	43,230	-
Cash flow provided by financing activities		(20,066)	43,230	23,164
Effect of exchange rate changes on cash	(a)	(8,633)	7,206	(1,427)
Net increase in cash		(1,496,418)	-	(1,496,418)
Cash – beginning of period		2,035,004	-	2,035,004
Cash – end of period		538,586	-	538,586

(*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 September 30, 2014.

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and nine-month periods ended September 30, 2014 and 2013

20. Restatement (cont'd)

- a) 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. This had an impact in 2013 whereby the cumulative changes were all reflected in the nine month September 30, 2013 interim consolidated financial statements and subsequently the March 31, 2013 and June 30, 2013 interim consolidated financial statements were adjusted to reflect the change to the respective quarter. As a result, the following adjustments were made to the interim consolidated financial statements for three months ended September 30, 2013 ;

Consolidated Statement of Statement of Net Loss

	Three month period \$
Increase in Foreign Exchange Loss	7,206

Consolidated Statement of Comprehensive Loss

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

- b) The Software technology and the Processor connections' estimated life was estimated at 10 years instead of being assets with an indefinite life. This had an impact in 2013 whereby the cumulative changes were all reflected in the nine month September 30, 2013 interim consolidated financial statements and subsequently the March 31, 2013 and June 30, 2013 interim consolidated financial statements were adjusted to reflect the change to the respective quarter. As a result, the following adjustments were made to the interim consolidated financial statements for three months ended September 30, 2013 ;

Consolidated Statement of Net Loss

	Three month period \$
Decrease in Amortization Expense	61,000

- c) The Company recalculated the estimate of the stock based compensation expense for the stock option granted during fiscal year 2012. This had an impact in 2013 whereby the cumulative changes were all reflected in the nine month September 30, 2013 interim consolidated financial statements and subsequently the March 31, 2013 and June 30, 2013 interim consolidated financial statements were adjusted to reflect the change to the respective quarter. As a result, the following adjustments were made to the interim consolidated financial statements for three months ended September 30, 2013 ;

Consolidated Statement of Net Loss

	Three month period \$
Decrease in share-based payment expense	402,771

Hybrid Paytech World Inc.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

For the three-month and nine-month periods ended September 30, 2014 and 2013

20. Restatement (cont'd)

- d) 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. This had an impact in 2013 whereby the cumulative changes were all reflected in the nine month September 30, 2013 interim consolidated financial statements and subsequently the March 31, 2013 and June 30, 2013 interim consolidated financial statements were adjusted to reflect the change to the respective quarter. As a result, the following adjustments were made to the interim consolidated financial statements for three months ended September 30, 2013 ;

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

- e) The Company performed certain reclassification on the Consolidated Statement of Net Loss to better reflect the nature of the account. The cumulative changes were all reflected in the three and nine month September 30, 2013 interim consolidated financial statements and are not reflected in the March 31, 2013 and June 30, 2013 interim consolidated financial statements. As a result, the following adjustment were made to the September 30, 2013 condensed interim consolidated financial statements;

Consolidated Statement of Net Loss		
	Three month period \$	Nine month period \$
Decrease in management fees	197,999	-
Increase in travel expenses	197,999	-
Increase in contract labor	529,463	572,544
Decrease in computer software development	18,600	61,681
Decrease in professional fees	510,863	510,863

21. Events after the Reporting Period

In October 2014, the Company completed the first tranche of the private placement of the \$3,000,000 authorized financing involving the issuance of unsecured convertible debentures totaling \$1,000,000.

In addition, the Company completed the acquisition of the remaining 49% of Vault Acquiring Systems LLC ("Vault"). With the acquisition, the Company now owns 100% of Vault.