ADVANTEX MARKETING INTERNATIONAL INC.
CONSOLIDATED FINANCIAL STATEMENTS
For the years ended June 30, 2015, and June 30, 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To our Shareholders:

The accompanying consolidated financial statements have been prepared by management and approved by the Board of Directors of the Company. Management is responsible for the information and representations contained in these consolidated financial statements and other sections of the Annual Report for year ended June 30, 2015.

The Company maintains appropriate processes to ensure that relevant and reliable financial information is produced. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) using the accounting policies described therein. The significant accounting policies which management believes are appropriate for the Company are described in note 4 to the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and overseeing management's performance of its financial reporting responsibilities. An Audit Committee, whose members are non-management Directors, is appointed by the Board. The Audit Committee reviews the consolidated financial statements, adequacy and internal controls, the audit process and financial reporting with management and the external auditors. The Audit Committee reports to the Directors prior to the approval of the audited consolidated financial statements for publication.

BDO Canada LLP, the Company's external auditors, audited the consolidated financial statements in accordance with Canadian generally accepted auditing standards to enable them to express their opinion on the consolidated financial statements.

(Signed) – "Kelly E. Ambrose"	(Signed) - "Mukesh Sabharwal"
Kelly E. Ambrose President and Chief Executive Officer	Mukesh Sabharwal V.P. and Chief Financial Officer

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BDO Canada LLP
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Independent Auditor's Report

To the Shareholders of
Advantex Marketing International Inc.

We have audited the accompanying consolidated financial statements of Advantex Marketing International Inc. and its subsidiaries, which comprise the statements of financial position as at June 30, 2015 and 2014, and the consolidated statements of Income (loss) and comprehensive income (loss), changes in shareholders' deficiency, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Advantex Marketing International Inc. and its subsidiaries as at June 30, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2b in the consolidated financial statements which indicates that there is uncertainty surrounding the Company's ability to meet its financial covenants. The Company has negative working capital of $244,590 and reported net losses of $3,070,603 for the year ended June 30, 2015. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
October 28, 2015

Advantex Marketing International Inc.
Consolidated Statements of Financial Position
(expressed in Canadian dollars)

	June 30, 2015	June 30, 2014
	$	$
Assets		
Current assets		
Cash and cash equivalents	1,162,609	1,815,805
Accounts receivable (note 13)	460,446	809,189
Transaction credits (note 13)	7,819,647	10,278,706
Inventory (note 5)	144,874	90,425
Prepaid expenses and sundry assets	173,777	179,412
	$9,761,353	**$13,173,537**
Non-current assets		
Property, plant and equipment (note 6a)	165,735	237,420
Intangible assets (note 6b)	477,992	529,892
	643,727	**767,312**
Total assets	**$10,405,080**	**$13,940,849**
Liabilities		
Current liabilities		
Loan payable (note 7)	5,711,525	6,454,174
Accounts payable and accrued liabilities	4,294,418	4,219,904
	$10,005,943	**$10,674,078**
Non-current liabilities		
12% Non-convertible debentures payable (note 9)	4,864,802	4,661,833
	$ 4,864,802	**$ 4,661,833**
Total Liabilities	**$14,870,745**	**$15,335,911**
Shareholders' deficiency		
Share capital (note 10)	24,530,555	24,530,555
Contributed surplus (note 11)	4,090,382	4,090,382
Accumulated other comprehensive income	(47,383)	(47,383)
Deficit	(33,039,219)	(29,968,616)
Total deficiency	**$(4,465,665)**	**$(1,395,062)**
Total liabilities and deficiency	**$10,405,080**	**$13,940,849**

Economic and Financial dependence (note 2a), Going concern (note 2b), Commitments and contingencies (note 15)

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

Approved by the Board:

Director: Signed: "William Polley"
William Polley

Director: Signed: "Kelly Ambrose"
Kelly E. Ambrose

Advantex Marketing International Inc.
Consolidated Statements of Income (loss) and Comprehensive Income (loss)
For the years ended June 30, 2015 and 2014
(expressed in Canadian dollars)

	2015	2014
	$	**$**
Consolidated Statements of Income (Loss)		
Revenues	13,297,892	16,535,124
Direct expenses	5,166,327	6,325,467
	8,131,565	10,209,657
Operating Expenses		
Selling and marketing	3,430,430	3,803,278
General and administrative	4,492,476	4,555,426
	208,659	1,850,953
Restructuring cost (note 20)	1,001,321	-
Earnings (loss) from operations before depreciation, amortization and interest	(792,662)	1,850,953
Interest expense:		
Stated interest expense – loan payable, debentures, and other	1,605,981	1,884,080
Non-cash interest expense on debentures	227,175	208,139
	(2,625,818)	(241,266)
Depreciation of property, plant and equipment, and amortization of intangible assets	444,785	473,979
Net loss for the year	**(3,070,603)**	**(715,245)**
Earnings (loss) per share:		
Basic and Diluted (note 17)	**(0.02)**	**0.00**
Consolidated Statements of Comprehensive Income		
Net loss for the year	(3,070,603)	(715,245)
Other comprehensive (loss)		
Translation adjustment	-	(47,383)
Comprehensive loss for the year	**(3,070,603)**	(762,628)

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

Advantex Marketing International Inc.
Consolidated Statements of Changes in Shareholders' Deficiency
For the years ended June 30, 2015 and June 30, 2014
(expressed in Canadian dollars)

	Class A preferenc e shares	Common shares	Contribute d surplus	Equity portion of debentures	Warrants	Deficit	Accumulated Other comprehensive income / (loss)	Total
	$	$	$	$	$	$	$	$
Balance – July 1, 2013	**3,815**	**24,106,281**	**808,167**	**2,114,341**	**1,167,874**	**(29,253,371)**	**-**	**(1,052,893)**
Net loss and comprehensive loss for the year						(715,245)	(47,383)	(762,628)
Transfer to contributed surplus (notes 8,9, and 11)			3,282,215	(2,114,341)	(1,167,874)			
Issue of common shares as part of refinancing of debentures		420,459						420,459
Balance – June 30, 2014	**3,815**	**24,526,740**	**4,090,382**	**-**	**-**	**(29,968,616)**	**(47,383)**	**(1,395,062)**
Balance – July 1, 2014	**3,815**	**24,526,740**	**4,090,382**	**-**	**-**	**(29,968,616)**	**(47,383)**	**(1,395,062)**
Net loss and comprehensive loss for the year						(3,070,603)		(3,070,603)
Balance – June 30, 2015	**3,815**	**24,526,740**	**4,090,382**	**-**	**-**	**(33,039,219)**	**(47,383)**	**(4,465,665)**

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

Advantex Marketing International Inc.
Consolidated Statements of Cash Flow
For the years ended June 30, 2015 and 2014
(expressed in Canadian dollars)

	2015	2014
	$	$
Cash flow provided by / (used in) Operating activities		
Net loss for the year	$(3,070,603)	$(715,245)
Adjustments for:		
Depreciation of property, plant and equipment, and amortization of intangible assets	444,785	473,979
Unrealized foreign exchange gain	-	(47,701)
Accretion charge for debentures	227,175	208,139
	(2,398,643)	(80,828)
Changes in items of working capital		
Accounts receivable	348,743	(209,529)
Transaction credits	2,459,059	3,353,948
Inventory	(54,449)	49,560
Prepaid expenses and sundry assets	5,635	94,107
Accounts payable and accrued liabilities	74,514	799,635
	2,833,502	4,087,721
Net cash provided by operating activities	**434,859**	**4,006,893**
Investing activities		
Purchase of property, plant and equipment, and intangible assets	(321,200)	(402,218,)
Net cash used in investing activities	**(321,200)**	**(402,218)**
Financing activities		
Repayment of loan payable	(742,649)	(645,197)
Payments on maturity / retirement of debentures (notes 8 and 9)	-	(7,895,967)
Proceeds from refinancing debentures (note 9)	-	5,159,000
Transaction costs, debenture: refinancing (note 9), partial early repayment	(24,206)	(180,514)
Net cash (used in) financing activities	**(766,855)**	**(3,562,678)**
Effect of exchange rate changes on cash and cash equivalents	**-**	**136**
Increase (decrease) in cash and cash equivalents during the year	$(653,196)	$42,133
- From continuing operations	(653,196)	184,787
- From discontinued operations	-	(142,654)
Increase (decrease) in cash and cash equivalents	$(653,196)	$42,133
Cash and cash equivalents – Beginning of year	1,815,805	1,773,672
Cash and cash equivalents – End of year	1,162,609	1,815,805

Additional Information

Interest paid	$1,897,427	$1,781,502
For purposes of the cash flow statement, cash comprises:		
Cash	$1,157,609	$1,810,805
Term deposits	$ 5,000	$ 5,000
	$1,162,609	$1,815,805

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

1 General information

Advantex Marketing International Inc. and its subsidiaries (together the company or Advantex) is a public company with common shares listed on the Canadian Securities Exchange (trading symbol ADX). Advantex operates in the marketing services industry. The company develops and manages loyalty programs for financial institutions and other major organizations through which their customers earn frequent flyer miles or points on purchases at participating merchants. Under the umbrella of each program, Advantex provides merchants with marketing and customer incentives. At its sole discretion the company pre-purchases merchants' future sales through its Advance Purchase Marketing (APM) program. Advantex is incorporated and domiciled in Canada, and the address of its registered office is Suite 606, 600 Alden Road, Markham, Ontario, L3R 0E7.

2 a. Economic and Financial Dependence

Economic Dependence

During year ended June 30, 2015 about 82% (2014 85%) of the company's revenues were generated by a merchant based loyalty program operated in partnership with financial institutions, Canadian Imperial Bank of Commerce ("CIBC") and Toronto Dominion Bank ("TD") during 2015 and entirely CIBC during 2014. The agreements with CIBC and TD enable the company to develop and manage merchant based loyalty program ("CIBC/TD program") (note 20) under which the company markets participating merchants to the entire portfolio of designated CIBC and TD aeroplan credit cards. On behalf of participating merchants the company awards incremental rewards - over and above those issued by CIBC and TD – to holders of designated credit cards when they complete purchases at their establishments. The company earns its revenue when CIBC and TD aeroplan credit cards holders complete purchases at participating merchants.

The company has a two decade relationship with CIBC. In September, 2013 the company renewed its existing arrangement with CIBC, and signed a new agreement ("new agreement") for an initial term through September 30, 2016. CIBC may, at its option, renew, on the same terms and conditions for up to two additional one year periods. The new agreement can be terminated by CIBC under certain conditions during the initial and renewal terms.

The agreement with TD has an initial term of two years and expires in June 2016. The agreement renews automatically for additional one year terms unless TD provides notice not to renew. The agreement can be terminated by TD under certain conditions during the initial and renewal terms.

The company's revenue from the CIBC/TD program is dependent on the number of merchants participating in the program, dollar spending by holders of CIBC and TD aeroplan credit cards at participating merchants and the economic environment. Since the dollar spending by holders of CIBC and TD aeroplan credit cards is dependent upon the banks credit card portfolio, the company believes that the agreements with two banks mitigate the risk of dependence on one partner.

During year ended June 30, 2015 the company earned 18% (2014 – 15%) of its revenues from the Aeroplan program (note 19). This segment is dependent on the company's agreement with Aimia Canada Inc. ("Aimia"). The company operates Aimia's Aeroplan loyalty program in the independent merchant business segment, primarily as a re-seller of aeroplan miles. In November 2014 the company renewed its agreement ("renewed agreement") with Aimia for a five year term ending April 30, 2019. The agreement can be extended for one additional period of five years by mutual consent. Per the renewed agreement the company has an annual commitment to purchase minimum aeroplan miles (note 15). The renewed agreement can be terminated by Aimia under certain conditions during the term of the agreement.

The company successfully completed, during fiscal year ended June 30, 2014, a pilot merchant based loyalty program, in a test market in the USA, for Caesars Entertainment Corporation ("Caesars"). The company and Caesars signed a multi-year agreement to launch a full program ("program") on a graduated basis across the US. The agreement expires December 31, 2017. The program expansion was first launched in February 2015 in Philadelphia market.

The company's segment reporting is provided in note 19.

Financial Dependence

The company is funded by debt. The sources of debt are a line of credit facility, and non-convertible debentures.

The company has access to a line of credit facility under its loan payable (note 7). The loan payable is used exclusively to expand the company's APM program ("transaction credits" on consolidated statements of financial position). In October 2015 the term of the loan payable was renewed for a one year term expiring in December 2016. The relationship was established in 2007.

On December 30, 2013, the company re-financed its two debentures – 14% non-convertible debentures payable (note 8) and 12% non-convertible debentures payable (note 9) – totalling $7.9 million into a single 12% non-convertible debentures payable ("new 12% debentures") (note 9) for $5.2 million. The new 12% debentures mature September 30, 2016. The company has a decade old relationship with the primary holder of the new 12% debentures; – a Toronto based firm investing on behalf of its managed accounts. Related parties holdings at June 30, 2015 of the new 12% debentures were about $1.3 million. At March 31, 2015 the Company was in breach of all its financial covenants and the Company secured a waiver of the breach at March 31, 2015. The debenture holders amended and re-set all financial covenants effective quarter ended June 30, 2015 until quarter ending June 30, 2016. The Company met the amended financial covenants at June 30, 2015.

2 b. Going concern

As described in Note 9, new 12% debentures issued in December 2013 and maturing September 30, 2016, are secured by a general security interest over the assets of the company and carry financial covenants that the company has to meet on monthly and quarterly basis. If the company were to breach a financial covenant or were unable to pay its debts as they came due, it would be in default under the new 12% debentures agreement and, as a result, the new 12% debentures holders would have the right to waive the event of default, demand immediate payment of the new 12% debentures in full or modify the terms and conditions of the new 12% debentures including key terms such as repayment terms, interest rates and security. If the company is unable to secure alternative financing to repay the new 12% debentures, the new 12% debentures holders would have the right to realize upon a part or all of the security held by them. The company met the financial covenants until the quarter ended December 31, 2014. At March 31, 2015 the company was in breach of all its financial covenants and the company secured a waiver of the breach at March 31, 2015. On June 30, 2015 the new 12% debenture holders amended and re-set all financial covenants effective quarter ended June 30, 2015 until quarter ending June 30, 2016. The company met the amended financial covenants at June 30, 2015. The re-set levels were derived from the company's financial forecasts. The company has a decade old relationship with the primary holder – controlling over 50% - of the new 12% debentures. The primary holder of the new 12% debentures is also the principal shareholder of the company and as at September 30, 2015 beneficially owns or exercises control and direction over 21,872,690 common shares of the company representing just under 16% of the issued and outstanding common shares of the company. In addition, directors and officers of the company hold another 25% of the new 12% debentures.

These audited consolidated financial statements have been prepared in accordance with accounting principles applicable to a going concern which contemplates that the company will be able to realize its assets and settle its liabilities in the normal course as they come due during the normal course of operations for the foreseeable future. When a company is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity is required to disclose those uncertainties. There is uncertainty surrounding the new 12% debentures as the company may not meet its financial covenants subsequent to year end and the company has not generated significant positive cash flows from operations during year ended June 30, 2015. As a result, this may cast significant doubt on the validity of going concern assumption and the company's ability to continue as a going concern after June 30, 2015 and hence the ultimate use of accounting principles applicable to a going concern.

The company's future success is dependent on new financing, ensuring profitability and generating positive cash flows from operations. The company's business plan includes refinancing of its current loans, the re-setting of its covenants and the receipt of waivers or agreement amendments where breaches occur. In October 2015, the company renewed until December 2016 its agreement with Accord Financial Inc. (Note 7) respecting the $8.5 million credit facility. While the company has been successful in obtaining additional financing, new 12% debentures waivers and amendments to date, there can be no assurance these initiatives will continue to be successful.

These consolidated financial statements do not include any adjustments or disclosures that may result from the company's ability to continue as a going concern. If the going concern assumption were not appropriate for these consolidated financial statements, adjustments may be necessary in the carrying values of assets and liabilities and the reported expenses and balance sheet classifications; and such adjustments could be material.

3 Basis of preparation

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements and related notes have been reviewed by the company's audit committee and approved by the company's board of directors on October 28, 2015.

Accounting standards adopted during the year

The Company adopted the following new and amended standards in the current reporting period:

- Annual Improvements (2010-2012 Cycle)
    - IFRS 2 — Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'

- IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only)
- IAS 24 — Clarify how payments to entities providing management services are to be disclosed

Applicable to annual periods beginning on or after 1 July 2014

- Amendments to IAS 36 – *Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets*

In May 2013, the IASB clarified that the scope of the disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal. The amendments to IAS 36 are to be applied retrospectively and are effective for annual periods beginning on or after January 1, 2014.

There was no significant impact to the consolidated financial statements as a result of the adoption of the standards.

Accounting standards issued but not yet applied

The IASB has issued the following applicable standards which have not yet been adopted by the company. The company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated interim financial statements or whether to early adopt any of the new requirements.

The following is a description of the new standards:

IFRS 9 Financial Instruments

In July 2014, the IASB completed IFRS 9 Financial Instruments as the first step in its project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 15, Revenue from Contracts with Customers

In May 2014, IASB issued IFRS 15, Revenue from Contracts with Customers, which supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions Involving Advertising Services. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to receive in exchange for those goods and services. IFRS 15 will require enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (particularly, service revenue and contract modifications) and improve guidance for multiple –element arrangements. IFRS 15 will be effective for the Corporations fiscal year beginning on July 1, 2018 with earlier adoption permitted. The company has not yet assessed the impacts of adopting this standard on its consolidated financial statements.

4 Summary of significant accounting policies

The significant policies used in the preparation of these consolidated financial statements are described below.

Basis of measurement
The consolidated financial statements have been prepared under the historical cost convention.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing the performance of the operating segments and has been identified as the Chief Executive Officer of the company. The company has three operating segments (note 19).

Significant estimation uncertainties
The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. These significant estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

Significant estimates used in the preparation of these consolidated financial statements include, but are not limited to going concern, the recoverability of transaction credits, and the disclosure of contingent liabilities at the date of the consolidated financial statements, which are described hereunder.

Going concern
The company tests the going concern assumption on a quarterly basis. The company determines this from its financial forecasts that are prepared on its expectation regarding continuation of its agreement with CIBC and TD, continued access to existing sources of debt, ability to access additional sources of debt, growth of its existing business, and development of new lines of business.

Transaction credits
The company reviews transaction credits quarterly for indication of the amounts that might be impaired. A significant amount of estimation is applied in determining allowance for doubtful accounts, which is established based on the specific credit risk associated with the customer and other relevant information.

The trigger for an account to be classified as impaired is rejection of the company’s attempt to debit the customer’s bank account for payments due to the company, and the underlying reason for the rejections.

The allowance is determined on specifically identified transaction credit balances that are impaired and the amount of the specific provision is determined based on whether a) customer is (i) bankrupt, (ii) ceased operations, (iii) is in business, b) the account has been referred for either collection or legal action, and c) the company’s historical experience on recoveries.

The net realizable amount of transaction credits is disclosed in note 13.

Contingent liabilities
A significant amount of estimation is applied in evaluating the company's uncertain tax provision with the Canada Revenue Agency (CRA) as described in note 16, and whether a tax provision is required.

Basis of consolidation
The financial statements of the company consolidate the accounts of Advantex and its wholly owned subsidiaries including Advantex Dining Corporation, Advantex Marketing Corporation, Advantex Marketing International Inc. (US), Advantex Marketing (Maryland) Inc., 1600011 Ontario Limited, Advantex Systems Limited Partnership, Advantex GP Inc. and Advantex Smartadvance Inc.
All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Foreign currency translation
(i) Functional and presentation currency

Items included in the financial statements of each consolidated entity in the Advantex group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is Advantex's functional currency. The foreign currency loss for year ended June 30, 2015 is $4,376 (June 30, 2014 gain of $38,587).

(ii) Translation of transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the consolidated statements of financial position date. Non-monetary assets and liabilities, expenses and other income arising from foreign currency transactions are translated at the approximate exchange rate in effect at the date of the transaction. Exchange gains or losses arising from the translation are included in the determination of income in the current year.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of ninety days or less.

Financial instruments
Financial assets and liabilities are recognized when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The company's loans and receivables are comprised of transaction credits, accounts receivable and cash and cash equivalents, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method less a provision for impairment.

(ii) Financial liabilities at amortized cost: Financial liabilities at amortized cost include accounts payable and accrued liabilities, loan payable, new 12% debentures, 14% non-convertible debentures payable and 12% non-convertible debentures payable. Financial liabilities at amortized cost are initially recognized at fair value net of any transaction costs incurred, and subsequently measured at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

Impairment of financial assets

At each reporting date, the company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the company recognizes an impairment loss as follows:

Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Transaction credits

The company purchases the rights to receive future cash flows associated with designated credit card purchases at a discount from participating establishments. The company continuously reviews its transaction credits and records an estimated allowance for amounts deemed uncollectible.

Inventory

Inventory is stated at the lower of cost and net realizable value. Cost is determined using the first in, first out (FIFO) method. Net realizable value is the estimated selling price less applicable selling expenses.

Inventory includes the following assets:

a) Digital display units. Cost is the purchase price paid by the company.
b) Processing terminals. Cost is the purchase price paid by the company.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of income during the period in which they are incurred.

The major categories of property, plant and equipment are depreciated as follows:

Computer equipment	30% using declining balance method
Furniture and equipment	20% using declining balance method
Leasehold Improvements	Over the life of the lease

Residual values, methods of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of income (loss).

Stock option plan
The company has a stock option plan which is described in note 11. The company uses the Black-Scholes option pricing model to determine the fair value of stock options and expenses the fair value over the estimated vesting periods. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Compensation expense is recognized over the tranche's vesting period based on the number of awards expected to vest. Any consideration paid by employees [or directors] on the exercise of stock options is credited to share capital together with any previously recognized compensation expense in contributed surplus.

Identifiable intangible assets
The company's intangible assets consist of:

(i) computer software with finite useful lives. These assets include those purchased from external vendors in which case they are capitalized and amortized on a straight-line basis in the statement of income over 3-5 years, and those developed in-house to support the company's loyalty programs in which case they are capitalized and amortized over their useful life or the term of the affinity partner agreement, whichever is shorter;

(ii) other assets which represents cost of an acquisition the company completed in January 2013. The company acquired all of Futura Loyalty Group Inc.'s ("Futura") Aeroplan Channel Marketing assets ("assets") as per Futura's restructuring under the Companies' Creditors Arrangement Act. Other assets consisted of Futura's (i) channel program agreement with Aeroplan; (ii) agreements with merchants covering about 700 locations, and (iii) inventory of point of purchase and marketing material. The assets are amortized on a straight-line basis over the expected useful life covering 47 months through December 2016.

Impairment of non-financial assets

Property, plant and equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generated units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The impairment loss, if any, is charged to the statements of income and comprehensive income in the year it arises. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Non-convertible debentures

The non-convertible debentures were issued as units which included debt and common shares. The proceeds received upon issue of the non-convertible debt are allocated into their liability and equity components on initial recognition in accordance with IAS 32, Financial Instruments: Presentation. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include common shares. Subsequently, the debt component is accounted for as a financial liability measured at amortized cost until extinguished on maturity. The remainder of the proceeds is allocated to the common shares within shareholders' deficiency.

To the extent there are changes to the terms of the outstanding non-convertible debentures these changes may be recorded as a modification or an exchange of debt instruments. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

Warrants

Valuation of warrants requires management to make estimates regarding the inputs for option pricing models, such as expected share price volatility. The company uses the Black-Scholes option pricing model to determine the fair value of warrants. Actual results could differ from those estimates. The estimates are considered for each new grant of warrants.

For warrants issued for services, the company records the warrants based upon the fair value of the services received, unless the fair value of services received cannot be determined, in which case the warrants are valued using the Black-Scholes option pricing model.

Provisions

Provisions for legal claims, where applicable, are recognized in other liabilities when the company has a present legal or constructive obligation as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material. The company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts.

Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity, in which case the income tax is also recognized directly in other comprehensive income or equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realized or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred income tax assets and liabilities are presented as non-current.

Revenue

Under all its programs, Advantex provides marketing services to participating establishments and provides awards to designated customers who make purchases at participating establishments.

There are three types of agreements with participating establishments:

(i) Under its APM program the company provides marketing and loyalty services, and also pre-purchases an establishment's future designated credit card sales. In this program the company acquires the rights to future designated credit card transactions at a discount from the face value from participating establishments. The spread between the future credit card transactions and the costs to acquire the rights (cost of transaction credits) represents the revenue that Advantex will ultimately earn. The revenue is recognized, on a pro-rata basis, at the time a consumer makes a designated credit card purchase from a participating establishment enrolled in this program.

(ii) Under its Marketing Only program, the company provides marketing and loyalty services to participating establishments and records as revenue the fee charged for services. The fee is a percentage of designated credit card consumer purchases made at participating establishments enrolled in this program, and is recognized as revenue at the time of consumer purchase.

(iii) Re-seller of Loyalty Rewards. The company sells aeroplan miles to small and mid-size retailers and service providers. Revenue is recognized when the participating merchant issues aeroplan miles to an Aeroplan member completing a qualifying transaction at the merchant.

(expressed in Canadian dollars)

Share capital
Common shares, and preference shares are classified as equity. Incremental costs directly attributable to the issuance of common shares or preference shares are recognized as a deduction from equity. Share capital is described in note 10 to these consolidated financial statements.

Earnings per share
Basic earnings per share (“EPS”) is calculated by dividing the net income for the period attributable to equity owners of Advantex by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. As at June 30, 2015 the company’s potentially dilutive common shares comprise stock options granted to employees.

5 Inventory

Inventory comprises

	June 30, 2015	June 30, 2014
Digital display units	79,440	88,300
Processing terminals	65,434	2,125
Total	**$144,874**	**$90,425**

Digital display units
The company sells these units to merchants participating in its merchant based loyalty programs.

For the year ended June 30, 2015 $8,860 of inventory was recognized as an expense (2014 $4,360).

Processing terminals
The processing terminals are issued to merchants participating in the company’s Aeroplan and Caesar programs. These units facilitate issuance of bonus rewards to Aeroplan and Caesar’s Total Rewards on completing qualifying purchases at participating merchants.

(expressed in Canadian dollars)

6 Property, plant and equipment and intangible assets

(a) Property, plant and equipment

	Computer equipment	Furniture and equipment	Leasehold Improvements	Total
	$	$	$	$
Year ended June 30, 2014				
Opening net book value	206,674	75,855	16,999	299,528
Additions	54,637	7,868	-	62,505
Depreciation for the year	97,958	20,280	6,375	124,613
Closing net book value	163,353	63,443	10,624	237,420
At June 30, 2014				
Cost	**394,959**	**160,089**	**31,874**	**586,922**
Accumulated depreciation	**231,606**	**96,646**	**21,250**	**349,502**
Year ended June 30, 2015				
Opening net book value	163,353	63,443	10,624	237,420
Additions	17,340	-	-	17,340
Depreciation for the year	67,331	15,320	6,374	89,025
Closing net book value	113,362	48,123	4,250	165,735
At June 30, 2015				
Cost	**412,299**	**160,089**	**31,874**	**604,262**
Accumulated depreciation	**298,937**	**111,966**	**27,624**	**438,527**

(expressed in Canadian dollars)

(b) Intangible assets

	Computer Software	Other Assets	Total
	$	$	$
Year ended June 30, 2014			
Opening net book value	430,683	108,862	539,545
Additions	339,713	-	339,713
Amortization for the year	318,262	31,104	349,366
Closing net book value	452,134	77,758	529,892
At June 30, 2014			
Cost	**2,350,545**	**121,822**	**2,472,367**
Accumulated amortization	**1,898,411**	**44,064**	**1,942,475**
Year ended June 30, 2015			
Opening net book value	452,134	77,758	529,892
Additions	303,860	-	303,860
Amortization for the year	324,644	31,116	355,760
Closing net book value	431,350	46,642	477,992
At June 30, 2015			
Cost	**2,654,405**	**121,822**	**2,776,227**
Accumulated amortization	**2,223,055**	**75,180**	**2,298,235**

7 Loan payable

	June 30, 2015	June 30, 2014
Opening balance	**$6,454,174**	**$7,099,371**
(Decline) in borrowing	(742,649)	(645,197)
Closing balance	**$5,711,525**	**$6,454,174**

This line of credit facility (“facility”) is provided by Accord Financial Inc. (“Accord”), and was established in December, 2007. The facility limit is $8.5 million. The company is paying interest rate on the entire facility equivalent to prime rate of a certain Canadian bank plus 11.5% per annum.

The facility is used by the company exclusively to acquire transaction credits, under its APM program, from establishments that are in business segments available to the company under its agreements with CIBC, TD and Aimia.

In certain circumstances the loan payable amount is repayable on demand to Accord.

In October 2014 the company and Accord extended the term of the facility for an additional one year period ending in December 2015.

(expressed in Canadian dollars)

The interest cost during the year ended June 30, 2015 was $928,401 (2014 $1,073,903).

8 14% Non-convertible debentures payable

The 14% non-convertible debentures payable (“14% debentures”), issued in May 2011 and partially repaid in July 2012 pursuant to a debt repayment agreement, in the principal amount of $1,744,000 had an initial maturity date of September 30, 2013. The 3,444,400 common share purchase warrants of the company (each a “warrant”) issued with the 14% debentures had an initial expiration date of September 30, 2013.

During period ended December 31, 2013 the company and the holders of the 14% debentures agreed to extend the term of the 14% debentures and warrants to December 31, 2013.

On December 30, 2013, the company completed a refinancing by way of a private placement of 12% non-convertible debentures (“new 12% debentures”) – note 9 - in the principal amount of $5,159,000.

As of December 31, 2013 the company used the proceeds of the new 12% debentures plus cash on hand to repay the 14% debentures and the old 12% debentures (note 9). The company repaid $1,744,000 in aggregate principal amount of the 14% debentures plus accrued interest thereon. The 3,444,400 warrants were not exercised and expired as of December 31, 2013.

Movement on the 14% debentures:

	Debt Portion	Warrant portion
Balance at June 30, 2013	**$ 1,736,298**	**$ 30,140**
Accretion charge for the period	7,702	-
Principal amount repaid	$ (1,744,000)	-
Transfer to contributed surplus (note 11)	-	$ (30,140)
Balance at June 30, 2014	**$ nil**	**$ nil**

Stated interest charges and accretion charges with respect to the 14% debentures are as follows:

Year ended June 30, 2015		**Year ended June 30, 2014**	
Stated Interest	Accretion charges	Stated Interest	Accretion charges
$ -	$ -	$123,084	$7,702

9 12% Non-convertible debentures payable

The 12% non-convertible debentures payable (“old 12% debentures”), issued in May 2011 and partially repaid in July 2012 pursuant to a debt repayment agreement, in the principal amount of $6,151,967 had an initial maturity date of September 30, 2013. The 87,056,491 common share purchase warrants of the company (each a “warrant”) issued with the old 12% debentures had an initial expiration date of September 30, 2013.

During period ended December 31, 2013 the company and the holders of the old 12% debentures agreed to extend the term of the old 12% debentures and warrants to December 31, 2013.

On December 30, 2013, the company completed a refinancing by way of a private placement of 12% non-convertible debentures (“new 12% debentures”) in the principal amount of $5,159,000.

As of December 31, 2013 the company used the proceeds of the new 12% debentures plus cash on hand to repay the old 12% debentures and 14% debentures (note 8). The company repaid $6,151,967 in aggregate principal amount of the old 12% debentures plus accrued interest thereon. The 87,056,491 warrants were not exercised and expired as of December 31, 2013.

The new 12% debentures are issued as units. Each unit comprises (i) $1,000 face value secured non-convertible debentures of the company bearing interest at 12% per annum, payable semi-annually, and maturing September 30, 2016, and (ii) 8,150 common shares in the capital of the company. The company issued 5,159 units and 42,045,850 common shares.

Under the agreement, the proceeds of the new 12% debentures are to be used for working capital purposes. The new 12% debentures are secured by a general security interest over the assets of the company and its subsidiaries. The significant financial covenants of the new 12% debentures require the company to meet (i) commencing the quarter ended December 31, 2013, on a quarterly basis a defined level of designated current assets, and interest coverage, and (ii) commencing January 31, 2014, on a monthly basis a defined level of credit card spend, on which the company earns its revenue, at merchants participating in its loyalty programs. In June 2014, the debenture holders agreed to a) re-set the financial covenants and b) defer the semi-annual interest due June 15, 2014 and is now payable in two equal instalments due October 15, 2014 and November 14, 2014. The company agreed to pay a fee of $65,000 to the debenture holders for the above changes to the new 12% debentures and $6,500 is expensed in year ended June 30, 2014.

The company met the revised financial covenants as at June 30, 2014, September 30, 2014 and December 31, 2014.

At March 31, 2015 the Company was in breach of all its financial covenants and the Company secured a waiver of the breach at March 31, 2015. The debenture holders amended and re-set all financial covenants effective quarter ended June 30, 2015 until quarter ending June 30, 2016. The Company met the amended financial covenants at June 30, 2015.

In accordance with IAS 32, the fair value of the new 12% debentures has been bifurcated into a debt and equity portion using the residual value method. The initial fair value attributed to the debt component equals the discounted value of principle and interest payments using a market interest rate that would be payable on a similar debt instrument without the equity component. Subsequently, the debt component is accounted for as a financial liability measure at amortized cost until extinguished on conversion or maturity of the debenture. The remainder of the proceeds is allocated to the equity component and recognized in share capital.

(expressed in Canadian dollars)

Movement on the old 12% debentures

	Debt portion	Equity portion	Warrant portion
Balance at June 30, 2013	**$6,055,336**	**$2,114,341**	**$952,990**
Accretion charge for the period	96,631	-	-
Principal amount repaid	(6,151,967)	-	-
Transfer to contributed surplus (note 11)	-	$(2,114,341)	$(952,990)
Balance at June 30, 2014	**$ nil**	**$ nil**	**$ nil**

Movement on the new 12% debentures

	Debt portion	Share capital (note 10 (d))
At issuance	**$4,738,541**	**$420,459**
Transaction costs	(180,514)	-
Accretion charge for the period	103,806	-
Balance at June 30, 2014	**$4,661,833**	**$420,459**
Transaction costs	(24,206)	-
Accretion charge for the year	227,175	-
Balance at June 30, 2015	**$4,864,802**	**$420,459**

Stated interest charges and accretion charges with respect to the debentures are as follows:

	Year ended June 30, 2015		**Year ended June 30, 2014**	
	Stated Interest	Accretion charges	Stated Interest	Accretion charges
old 12% debentures	$ -	$ -	$370,205	$ 96,631
new 12% debentures	$619,080	$227,175	$310,388	$103,806
new 12% debentures fees	$ 58,500	$ -	$ 6,500	$ -
	$677,580	$227,175	$687,093	$200,437

(expressed in Canadian dollars)

10 Share capital

(a) Authorized

Class A preference – 500,000 shares without par value, non-voting, non-participating, redeemable at the company's option (at an amount not exceeding the per-share stated capital amount and any dividends declared but not paid), 8% (of stated capital amount) non-cumulative dividend rate.

Class B preference – Unlimited number of shares, without par value, issuable in series with rights, privileges, restrictions and conditions determined by the Board of Directors at time of issue.

Class C preference - 125,000 shares without par value, non-voting, non-participating, redeemable at the option of either the holder or the company (at an amount not exceeding the per-share stated capital amount and any dividends declared but not paid), 8% (of stated capital amount) non-cumulative dividend rate.

Common – Unlimited number of shares without par value.

(b) Issued Class A preference shares

	Number of shares	$
No par value. At June 30, 2015 and June 30, 2014	459,781	$ 3,815

(c) Issued common shares

	Number of shares	$
No par value. At June 30, 2015 and June 30, 2014	139,071,218	$ 24,526,740

The number of issued class A preference shares and common shares is provided by the company's transfer agent, CST Trust Company.

(d) Movement during years ended June 30, 2015 and June 30, 2014 of issued share capital

Class A preference shares

No movement during years ended June 30, 2014 and June 30, 2015

Common shares

Balance as at June 30, 2013	**97,025,368**	**$24,106,281**
Issued as part of the debenture refinancing (note 9)	42,045,850	420,459
Balance as at June 30, 2014	**139,071,218**	**$24,526,740**
Balance as at June 30, 2015		**$24,526,740**

(expressed in Canadian dollars)

11 Share-based payments

Employee stock options

The company has a stock option plan for directors, officers, employees and consultants. The stock options are non-assignable, the stock option price is to be fixed by the Board of Directors (but may not be less than the Canadian Securities Exchange regulations), the term of the stock options may not exceed five years and payment for the optioned shares is required to be made in full on the exercise of the stock options. All stock options are equity settled. The stock options are subject to various vesting provisions, determined by the Board of Directors, ranging from immediately to four years.

At the Annual and Special Meeting of the Shareholders held on December 22, 2009 the company received approval from the shareholders to implement a stock option plan ("2009 stock option plan") which is a fixed maximum number of common shares issuable based on 12% of issued and outstanding common shares (calculated on a non-diluted basis). With the increase in the issued and outstanding common shares of the company consequent to the private placement of the new 12% debentures (note 9 and note 10), the directors approved a resolution on March 9, 2014 increasing the number of employee stock options issuable per the company's stock option plan from 11,643,044 to 16,688,546.

The Board has approved the continuation of the 2009 stock option plan to the date of the next Annual meeting of the Shareholders in 2015.

	Number of employee stock options	Weighted average exercise price $
Outstanding at July 1, 2013	**10,441,430**	**0.03**
Granted	-	0.00
Forfeited	(90,000)	0.04
Expired	(161,430)	0.01
Outstanding at June 30, 2014	**10,190,000**	**0.03**
Granted	-	0.00
Forfeited	(1,600,000)	0.03
Expired	-	0.00
Outstanding at June 30, 2015	**8,590,000**	**0.03**
Exercisable at June 30, 2014	**10,190,000**	**0.03**
Exercisable at June 30, 2015	**8,590,000**	**0.03**

The outstanding and exercisable employee stock options at June 30, 2015 were issued at exercise prices ranging between $0.02 and $0.05, and have a weighted average remaining contractual life of 1 year and 3 months.

(expressed in Canadian dollars)

The number of employee stock options available for future issuance as at June 30 is as follows:

	2015	**2014**
Maximum number reserved for issuance	16,688,546	16,688,546
Less: Outstanding at end of period	(8,590,000)	(10,190,000)
Number of options available for future issuance	**8,098,546**	**6,498,546**

The company has recorded $ nil of stock-based compensation expense during year ended June 30, 2015 (2014 - $nil).

Shareholders' rights plan

At the Annual and Special Meeting of the Shareholders held on December 22, 2010 the company received approval to renew the Shareholders' rights plan ("Plan"). The Plan expired the earliest of the (i) termination time as defined in the Plan; and (ii) the termination of the Annual General Meeting of the company for the year ended 2013. The Plan was not renewed.

Potentially Dilutive Securities

The potentially dilutive securities as at June 30, 2015 feature in computation of Diluted EPS (note 17).

As at June 30, 2015, the company was committed to issuing 8,590,000 additional common shares:

Employee stock options Maximum number issuable under the existing employee stock option plan is 16,688,546	8,590,000	Ranging between $0.02 and $0.05. Weighted average exercise price $0.03	Ranging between March, 2016 and March, 2018

(i) 3,444,400 common share purchase warrants attached to 14% debentures were not exercised and expired as of December 31, 2013 (note 8).

(ii) 87,056,491 common share purchase warrants attached to old 12% debentures were not exercised and expired as of December 31, 2013 (note 9).

Contributed surplus

The company refinanced the new 12% debentures and repaid the old 12% debentures and 14% debentures (notes 8 and 9), and following these transactions the amounts held on account of the old 12% debentures and 14% debentures as equity portion of debentures, and warrants were transferred to contribute surplus.

Amounts attributed to contributed surplus, equity portion of debentures, and warrants are disclosed as part of shareholders' deficit on the statements of financial position.

(expressed in Canadian dollars)

	Contributed surplus	Equity portion of debentures	Warrants
Balance at June 30, 2013	**$ 808,167**	**$2,114,341**	**$1,167,874**
Transfer	3,282,215	(2,114,341)	(1,167,874)
Balance at June 30, 2014 and 2015	**$4,090,382**	**$nil**	**$nil**

12 Related party transactions

Directors and Officers

In May 2011 these related parties purchased 14% debentures (note 8), old 12% debentures (note 9), and in December 2013 purchased new 12% debentures (note 9), on terms and conditions applicable to the other subscribers.

The holdings of debentures are tabulated:

	June 30, 2015 and June 30, 2014
	new 12% debentures (note 9)
Director and Chief Executive officer – Kelly Ambrose	$500,000
Director and Chairman of the Board of Directors – Stephen Burns	$ 50,000
Director - Marc Lavine (first term; elected director December 18, 2013)	$500,000
Director – Rob von der Porten (first term; elected director December 18, 2013)	$ 50,000
Director – William Polley	$ 50,000
Director – Barry Wainstein (first term – appointed director March 17, 2014)	$ 25,000
Chief Financial Officer – Mukesh Sabharwal	$115,000

Key management includes the company's directors and members of the Executive Committee. The members of the Executive Committee are the Chief Executive Officer and Chief Financial Officer.

(expressed in Canadian dollars)

Compensation awarded to key management included:

	Year ended June 30, 2015	Year ended June 30, 2014
	$	$
Salaries, management bonuses and directors fees	$694,429	$688,848
Share based compensation	nil	$nil
	$694,429	**$688,848**

13 Financial instruments

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer fails to meet its contractual obligations. The company, in the normal course of business, is exposed to credit risk on its accounts receivable and transaction credits from customers. The company generally acquires the rights to receive future cash flows associated with designated credit card purchases ("future sales") at a discount from participating establishments ("transaction credits"). These transaction credits are estimated to be fully extinguishable within 30-210 days. Accounts receivable and transaction credits are net of applicable allowance for doubtful accounts, which is established based on the specific credit risk associated with the customer and other relevant information.

The allowance is determined on specifically identified transaction credit balances that are delinquent and amount of the specific provision is determined based on whether the account has been referred for either collection or legal action, whether the company's attempt to debit the merchant's bank account for payments due to the company has been rejected, the underlying reason for the rejections, and the company's historical experience on recoveries.

The maximum exposure to credit risk is the net balance of the transaction credits and accounts receivable.

The accounts receivable, transaction credits, and the allowance for delinquent accounts is as follows:

	June 30, 2015	June 30, 2014
	$	$
Transaction credits	8, 606,883	11,361,349
Accounts receivable	475,339	809,189
Allowance	(802,129)	(1,082,643)
Per statement of financial position	8,280,093	11,087,895
Maximum exposure to credit risk	8,280,093	11,087,895

The transaction credits that are considered impaired and the related allowance is as follows:

	June 30, 2015	June 30, 2014
	$	$
Impaired transaction credits	1,136,791	2,167,222
Allowance	(787,236)	(1,082,643)
Impaired transaction credits not allowed for	349,555	1,084,579

Movement on allowance for impaired transaction credits

	June 30, 2015	June 30, 2014
	$	$
Balance brought forward at start of fiscal year	1,082,643	807,491
Allowance created during the year	1,474,994	1,398,118
Impaired accounts written off against allowance	(1,770,401)	(1,122,966)
Balance carried forward at end of fiscal year	787,236	1,082,643

(b) Currency risk

The company operates the Caesars program in the US through its subsidiary Advantex Marketing International Inc. (Maryland), note 2. The subsidiary carries accounts receivables and accounts payable that are denominated in US dollars. The operation is in early stages and the accounts receivable and accounts payable are a natural hedge. Therefore, the currency risk is minimal.

Currency risk arises due to fluctuations in foreign currency rates, which could affect the company's financial results.

Included in the undernoted accounts are the following amounts (in USD):

	June 30, 2015	June 30, 2014
	$	$
Cash and cash equivalents	9,660	2,034
Accounts receivable	19,713	nil
Accounts payable and accrued liabilities	29,255	nil

As at June 30, 2015 the liabilities are fully hedged against liabilities.

(expressed in Canadian dollars)

(c) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity when operational obligations, comprising payroll; accounts payable; interest payable; and capital expenditures, are due.

The company deploys available funds to merchants under its APM program, which are disclosed as transaction credits on the consolidated statements of financial position.

The contractual maturities of the company's financial liabilities at June 30, 2015 are as follows:

	Total $	Payable within 1 year $	Payable after 1 year – 3 years $
Loan payable – payable on demand	5,711,525	5,711,525	-
Accounts payable and accrued liabilities	4,294,418	4,294,418	-
New 12% debentures – face amount – maturing September 30, 2016	5,159,000	-	5,159,000
New 12% debentures interest	619,080	619,080	-
Total	$15,784,023	$10,625,023	$5,159,000

The contractual maturities of the company's financial liabilities at June 30, 2014 are as follows:

	Total $	Payable within 1 year $	Payable after 1 year – 3 years $
Loan payable – payable on demand	6,454,174	6,454,174	-
Accounts payable and accrued liabilities	4,219,904	4,219,904	-
New 12% debentures – face amount – maturing September 30, 2016	5,159,000	-	5,159,000
New 12% debentures interest	619,080	619,080	-
Total	$16,452,158	$11,293,158	$5,159,000

Note 15 carries details of the company's commitments and contingencies.

(d) Fair value

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

(expressed in Canadian dollars)

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The new 12% debentures are non-current at June 30, 2015 and June 30, 2014. The principal amount of the new 12% debentures is $5,159,000, represents the fair value at the end of June 30, 2015 and June 30, 2014. The new 12% debentures are level 2 fair value.

The carrying value of cash and cash equivalents, accounts receivable, transaction credits and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these instruments.

The stated value of the loans payable, and non-convertible debentures payable approximate their fair values, as the interest rates are representative of current market rates for loans with similar terms, conditions and maturities.

(e) Interest rate risk

The company's activities are funded by two sources of debt; the non-convertible debenture (note 9) which has fixed interest rates, and loan payable (note 7) which carries a floating interest rate. While the company is not exposed to interest rate risk on account of its non-convertible debenture, its future cash flows are exposed to interest rate risk from the floating interest rate payable, calculated as prime rate of a certain Canadian bank plus 11.5%, on its loan payable. While the Company does not use derivative instruments to reduce its exposure to interest rate risk, it believes it can pass on, to merchants participating in its programs, a portion of a significant adverse interest rate movement on its loan payable.

As disclosed in note 7, during year ended June 30, 2015, the company paid annual interest of $928,401 on an average (based on month end balance) loan payable balance of $6,145,758. For the year ended June 30, 2015, a 10% increase in interest rates would lead to an additional annual interest cost of $92,840.

14 Capital management

The company's objective is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The company manages Loan Payable, Debentures, and Capital Stock which is explained in detail in these financial statements. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year over year sustainable growth in revenues and net income.

Tabulation of capital base

	At June 30, 2015	At June 30, 2014
	$	$
Loan payable - note 7	5,711,525	6,454,174
New 12% debentures – Principal – note 9	5,159,000	5,159,000
Share capital – note 10b and 10c	24,530,555	24,530,555
Contributed surplus and deficit	(28,996,220)	(25,925,617)
	$ 6,404,860	$10,218,112

At March 31, 2015 the Company was in breach of all its financial covenants and the Company secured a waiver of the breach at March 31, 2015. The debenture holders amended and re-set all financial covenants effective quarter ended June 30, 2015 until quarter ending June 30, 2016. The Company met the amended financial covenants at June 30, 2015.

(expressed in Canadian dollars)

15 Commitments and contingencies

Commitments

As at June 30, 2015, the company is committed to minimum payments with respect to existing leases for equipment and premises:

	Equipment	Premises	Total
Not later than one year	$38,056	$ 95,381	$133,437
Later than one year and not later than five years	$45,177	$111,277	$156,454
Later than five years	$nil	$nil	$nil
Total	**$83,233**	**$206,658**	**$289,891**

The expense related to above leases is expensed in selling and marketing, and general and administrative expenses in the consolidated statements of income.

A significant portion of the commitments for premises is for the company's head office (note 1). The lease expires in September, 2017.

Additional commitments

In November 2014 the company renewed its agreement ("renewed agreement") with Aimia for a five year term ending April 30, 2019. The renewed agreement enables the company to operate Aimia's Aeroplan loyalty program in the independent merchant business segment, primarily as a re-seller of aeroplan miles. Per the renewed agreement the company has an annual commitment to purchase minimum aeroplan miles. The annual commitment is tabulated.

The company met the calendar 2014 purchase commitment of $1,700,000. It sold the aeroplan miles and this is reflected as revenue of the Aeroplan program.

The company will not meet its calendar 2015 purchase commitment. Per the renewed agreement, the shortfall will be carried forward and added to the company's commitment for calendar 2016. The company with Aimia's support is working to open independent grocery, a high frequency and issuance business segment and provides an opportunity to the company to meet its calendar 2016 commitment.

Calendar year	Annual commitment
2015	$1,870,000
2016	$2,057,000
2017	$2,262,700
2018	$2,488,970

(expressed in Canadian dollars)

After June 30, 2015 the company signed two leases for IT equipment. The company is committed to minimum payments of $119,681.

Taxation

After an audit in 1998, the Canada Revenue Agency (“CRA”) determined that the company was providing marketing services. Since 1998, the company has continued in the same business activities.

After completion of an audit in early 2009, the CRA reversed its 1998 position. In April 2009, the company received a notice of reassessment for Goods and Services Tax owed related to the company’s CIBC Advantex program and the ability to claim certain input tax credits during fiscal years 2005-2007. The re-assessment was in the amount of $755,000. The company paid the re-assessment in 24 instalments totalling $800,108.

The company contested the CRA position, and filed a notice of objection.

The company did not record a provision based on the company’s assessment that it was probable that the company would recover the amount of the reassessment in full.

In January 2013 the company was advised by CRA that the objection was allowed and the reassessment was reversed, and a notice of re-assessment in the amount of $824,430 was issued. The company received the amount in February, 2013.

The notice of re-assessment issued in January 2013 did not formally acknowledge the CRA’s concurrence with the company’s treatment of GST for periods subsequent to fiscal 2007. As a result, the company has filed a notice with CRA to confirm the appropriateness of the company’s treatment of GST for the periods subsequent to fiscal 2007. There is no decision as of date of these audited consolidated financial statements.

16 Income taxes

	2015 $	2014 $
Current income taxes	-	-
Deferred income taxes	-	-
	$-	$-

In assessing the ability to realize deferred income tax assets, management considers whether it is more likely or not that some portion or all of the deferred income tax assets will be utilized in the foreseeable future. The ultimate realization of deferred income tax assets is dependent on the generation of future taxable income during the years in which those temporary differences become deductible. As at June 30, 2015, there is no certainty that such deferred income tax assets will be utilized and, therefore, such assets have not been recognized on the statements of financial position. The majority of unrecognized deferred income tax assets of $2,895,000 (2014 $2,598,000) relate to non-capital losses of $2,744,000.

(expressed in Canadian dollars)

As at June 30, 2015, the company has gross non-capital income tax losses of approximately $10,349,000 (2014 $9,541,000), which may be carried forward to reduce future income for income tax purposes. The benefit of these losses has not been recognized in these consolidated financial statements. These losses expire between 2018 and 2035.

	$
2018	418,000
2020	119,000
2021	271,000
2022	512,000
2023	182,000
2024	1,641,000
2025	325,000
2026	1,494,000
2027	668,000
2028	1,191,000
2029	1,081,000
2031	4,000
2032	266,000
2033	276,000
2035	1,901,000
Total	**10,349,000**

17 Earnings per share

Basic EPS is calculated by dividing the net income for the year attributable to equity owners of the company by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method.

Basic and Diluted EPS are tabulated.

	2015	**2014**
Net loss / earnings	$(3,070,603)	$(715,245)
Basic and Diluted EPS		
Average number of issued common shares during the year	139,071,218	117,990,696
Basic EPS	$(0.02)	$0.00

The company's potentially dilutive common shares comprise stock options granted to employees, (position as at June 30, 2015 and June 30, 2014 tabulated under note 11).

The computation for Diluted EPS for 12 months ended June 30, 2015 and 2014 is not provided because the effect of potential exercise of the dilutive common shares would be anti-dilutive.

(expressed in Canadian dollars)

18 Nature of Expenses

	Year ended June 30, 2015	Year ended June 30, 2014
	$	**$**
Direct Expenses		
➢ Covering costs of a) cardholders awards, and marketing and advertising in connection with the company's merchant based loyalty programs; b) cost of sales related to sale of aeronotes; c) cost of sales of digital marketing services; and d) provision against accounts receivable and transaction credits	**$5,166,327**	**$6,325,467**
Selling and Marketing, and General & Administrative		
➢ Salaries and wages including travel	6,304,760	6,548,421
➢ Professional fees	456,442	704,389
➢ Facilities, processing, and office expenses	1,095,443	1,065,515
➢ Other	66,261	40,379
	$7,922,906	**$8,358,704**
Restructuring cost	**$1,001,321**	**$ -**

19 Segment reporting

The company's reportable segments include: (1) CIBC/TD program, (2) Aeroplan program and (3) Caesars program. Where applicable, corporate and other activities are reported separately as Corporate.

During year ended June 30, 2015 and 2014 the CIBC/TD program relates to the merchant-based loyalty program the company developed and managed respectively for CIBC and TD, and CIBC.

The company operates Aimia's Aeroplan loyalty program in the independent merchant business segment, primarily as a re-seller of aeroplan miles. The company's Aeroplan program relates to merchant based loyalty program the company developed and managed for Aimia.

Financial information by reportable segment for period ended June 30, 2015 and 2014 is tabulated.

The Chief Operating Decision Maker reviews the segment income statement. The segment assets and liabilities are not reviewed.

(expressed in Canadian dollars)

For the year ended June 30, 2015

	CIBC/TD program	Aeroplan program	Caesars program	Corporate	Total
Revenues	$ 10,916,883	$ 2,313,518	$ 67,446	$ 45	$ 13,297,892
Direct expenses	$ 3,800,461	$ 1,350,336	$ 15,530	-	$ 5,166,327
	$ 7,116,422	$ 963,182	$ 51,916	$ 45	$ 8,131,565
Selling and marketing	$ 2,629,400	$ 404,341	$ 396,689	$ -	$ 3,430,430
General and administrative	$ 3,672,639	$ 774,291	$ 45,546	$ -	$ 4,492,476
Restructuring cost	$ -	$ -	$ -	$ 1,001,321	$ 1,001,321
Earnings from operations before depreciation, amortization and interest	$ 814,383	$ (215,450)	$ (390,319)	$ (1,001,276)	$ (792,662)
Interest – Loan payable (note 7)	$ 928,401	$ -	$ -	$ -	$ 928,401
Interest – Non-convertible debentures (notes 8 and 9)	$ 741,899	$ 153,808	$ 9,048	$ -	$ 904,755
Depreciation and amortization	$ 364,723	$ 75,613	$ 4,449	$ -	$ 444,785
Segment profit / (loss)	$ (1,220,640)	$ (444,871)	$ (403,816)	$ (1,001,276)	$ (3,070,603)

For the year ended June 30, 2014

	CIBC/TD program	Aeroplan program	Caesars program	Corporate	Total
Revenues	$ 14,025,317	$ 2,504,637	-	$ 5,170	$ 16,535,124
Direct expenses	$ 4,896,481	$ 1,426,845	-	$ 2,141	$ 6,325,467
	$ 9,128,836	$ 1,077,792	-	$ 3,029	$ 10,209,657
Selling and marketing	$ 3,233,938	$ 499,787	-	$ 69,553	$ 3,803,278
General and administrative	$ 3,863,974	$ 690,028	-	$ 1,424	$ 4,555,426
Earnings from operations before depreciation, amortization and interest	$ 2,030,924	$ (112,023)	-	$ (67,948)	$ 1,850,953
Interest – Loan payable (note 7)	$ 1,073,903	$ -	-	$ -	$ 1,073,903
Interest – Non-convertible debentures (notes 8 and 9)	$ 863,750	$ 154,248	-	$ 318	$ 1,018,316
Depreciation and amortization	$ 402,035	$ 71,795	-	$ 149	$ 473,979
Segment profit / (loss)	$ (308,764)	$ (338,066)	-	$ (68,415)	$ (715,245)

20 Restructuring cost

The company announced in January 2015 its plan to adjust the headcount to prevailing and expected medium term activity level. The plan primarily effected management positions. The plan was implemented in two phases. Phase one, restructuring the Canadian operations was completed by March 31, 2015. Phase two, which was the smaller of the two phases, was connected primarily to the US operations and was completed by June 30, 2015. The restructuring cost of $1,001,321 reflects the severances of staff and is fully provided in year ended June 30, 2015 and $374,288 of the provision was utilized by June 30, 2015. The balance provision is expected to be fully utilized by June 30, 2016.

21 Comparatives

Certain of the comparative figures have been re-classified to conform to consolidated financial presentation adopted in the current year.