IN-TOUCH SURVEY SYSTEMS

2013 Annual Report

About In-Touch Survey Systems Ltd. ("In-Touch"):

In-Touch's corporate roots go back to 1978 when Tenox Appraisal Systems was founded. Tenox was acquired by In-Touch in 2005. Tenox has a deep history in retail loss prevention, merchandising and retail audit and performance measurements, and mystery shopping. The wealth of knowledge brought by Tenox has been invaluable in informing the design and development of our mobile software technology and services solutions for major retailers.

In 1992, In-Touch was the first market research company to develop and use kiosks for data collection. In fact, for many years, In-Touch was known as 'the kiosk company'. Like Tenox history, the market research roots and 1990's kiosk experiences of In-Touch provided a strong base of experience and knowledge that enabled the development path of our mobile software and services solutions.

In 2004, In-Touch began a technology journey, with a new management team, and a new business strategy. The In-Touch vision of '**Perfect Information. Instantly.'**, as the key benefit to our customers, is now being realized with our mobile software technology and services solutions.

In 2009, In-Touch launched 'In-Touch Apps' for internal use. This software technology greatly improved scalability, robustness and security for our customers.

In 2011, In-Touch acquired Service Intelligence adding a wealth of experience as well as a respected customer base to its mystery shopping and audit business. The experience gained through this customer integration is helping to shape the future.

Late in 2012 In-Touch launched EventMatrix as a superior technical product offering in the event marketing industry. This has been a very successful endeavor for the company.

In 2013, In-Touch acquired GCS Field Research. GCS Field Research has over a decade of experience providing compliance audit solutions to a number of industries including pharmaceutical, education, credit reporting and food services.

We are very proud of our customers and the benefits they derive from our products and services.

2013 Highlights:

- Revenues of $10,657,475
- Net earnings of $131,675
- Net earnings per share of $0.01

Dear Shareholders,

I am pleased to announce that we have made significant progress in operational improvements and new product development in the past year while maintaining profitability for the 4th consecutive year. Over the course of the last year it also became apparent that the market is shifting for several of our product lines. The shifts are occurring due to changes in available technologies and solutions as well as changes in the way the end users view their business processes.

Change creates opportunity and we are staying on top of the market adjustments and future product needs. Product development ramped up in 2013 and in 2014 we have embarked on the largest product development effort in the recent history of the company. The expected outcome will be cutting edge product offerings that will allow us to not only grow our traditional technology enabled services, but also put us in the Software-as-a-Service (SaaS) business.

We will maintain our strategic focus around three pillars:

Growth
Focus on long term sustainable growth with future revenue and profit potential to come through software product sales being added to our historical technology enabled services business model

New Product Development
Remain a leader in event marketing automation solutions & mobile CRM. Design leading mobile solutions to aid organizations in measuring and improving operational execution

Operations
Efficiency will continue to be a focus with Gross Margins targeted to be maintained at 55%. Additional efficiency measures to be put in place to minimize G&A spending

Growth

In-Touch's growth strategy is to develop new and innovative products targeting the industry sectors in which we have equity & insight. Execution will include enhancements to our existing products, new stand-alone SaaS product launches, and monetizing existing technological assets or ideas that reside within the company today.

While acquisitions have not been ruled out, they will only be pursued on an opportunistic basis as focus will be on organic growth through the new products strategy.

Existing Brand Review

Our annual sales churn is expected to be 10% although as previously announced we experienced the loss of 25% of our contracts in the fall of 2013. Our sales and marketing teams have been challenged to replace this volume in 2014.

We are currently involved in four major product lines: Event Matrix – eventmatrix.com; Service Intelligence – serviceintelligence.com; GCS Field Research – a branch of Service Intelligence; and IPSG 'In-Touch Public Sector Group' – intouchpsg.com

EventMatrix provides mobile data capture, data integration and mobile device management for organizations. Clients of EventMatrix are typically those whose customers have a high lifetime value such as in the automotive, machinery, resource and insurance markets. As previously announced we have successfully signed agreements with existing and new clients worth more than $7M over the next 3 years and expect growth to continue.

Service Intelligence is made up of compliance and operational performance monitoring and improvement systems, tools and services. The operational improvement side of the product line is sold under the brand "Service Intelligence" while the compliance side of the product line is sold under the brand "GCS Field Research". The Service Intelligence brand top 3 industry verticals are Foodservice & Hospitality, Gas & Convenience, and Retail. The GCS Field Research brand top 3 industry verticals are Pharmaceutical (PDMA), Educational Testing, and Financial (FCRA). We are very pleased with the future potential that these industries bring.

IPSG, an industry leading web management services provider, is at the forefront of the digital evolution. IPSG is focused on transforming the delivery of digital and interactive web solutions by modernizing technology, enhancing operations, and securing technology infrastructure. IPSG helps public and private sector organizations build their brands, extend their reach, and boost recognition by developing and supporting digital, web, and social strategies.

Additional Growth

As previously announced we are looking for opportunities to monetize technical assets and/or ideas that reside within the corporation. One such opportunity has currently been identified and we are in the final stages of negotiations. It is anticipated that an announcement will be made by the end of April, 2014.

Product Development

We are very excited to have not only a strong product vision, but initial market scan validation that provides us with confidence that the vision can be monetized. We have spent the last 6 months building a top development team in anticipation of the need to capture new business opportunities. Some of the specific development initiatives are:

EventMatrix – Product enhancements were completed and launched in the first part of 2014. Improvements include additional self-serve functionality for our clients as well as better browser based product offerings. Additional features and enhancements will continue to be added as the year progresses.

Service Intelligence – A market has been identified within our existing channels for mobile tools to assist companies in monitoring and improving their ongoing operations. When someone must keep track of the operational execution in more than one location there are processes that must be put in place. We will be launching a SaaS product targeting the Foodservice & Hospitality, Gas & Convenience and Retail industries.

GCS Field Research – A technological gap has been identified in this product channel. We will be launching a new audit & reporting solution before the end of the year that is expected to put us in front of any competition in this space. The solution is being designed to parallel the Service Intelligence SaaS product providing us with economies of scale.

Operations

Technology enabled services continues to be the cornerstone of our business. We must maintain our ability to execute on our brand promise to deliver not only the required revenue and margins but also to provide the channel inroads we will be utilizing to launch our new SaaS offerings.

Our improvement in Gross Margin of 6% in 2013 with the completion of the Service Intelligence acquisition and the integration of GCS Field Research is a testament to the strength of our integration and execution abilities. We are continuing to deploy best practices and technology to ensure that we can maintain not only our brand promise, but our cost effectiveness.

We will continue to look for ways to use/develop additional technologies to assist us in providing low cost high quality operations. In 2014 we will be continuing to develop our own operations technology and will also be looking at potential supplier partnerships where practical.

Conclusion

Over the past several years In-Touch has laid a solid foundation of clients & knowledge across promising vertical markets. The need to adjust to a changing marketplace has been identified and 2014 will be used to continue repositioning the company allowing it to emerge with an even stronger path to growth in its existing channels. Specifically, we are expecting to add Software-as-a-Service (Saas) offerings to the existing Technology enabled services. By evolving to become a products and services company with consistent recurring revenue we believe that we can best release the value that is inherent in the organization today.

Cameron Watt
President and CEO

In-Touch Survey Systems Ltd.

Dated: March 27, 2014

Management's Discussion and Analysis of Financial Conditions & Results of Operations

The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of In-Touch Survey Systems Ltd. ("In-Touch" or the "Company") and the notes to those statements as at and for the year ending December 31, 2013.

The accompanying audited consolidated financial statements have been prepared by and are the responsibility of In-Touch's management. The audited consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Dollar amounts are expressed in Canadian dollars unless otherwise noted.

Forward-looking statements

The following MD&A contains forward-looking statements. Except for statements of historical fact that addresses activities, events or developments that the Company believes, expects or anticipates will or may occur in the future constitutes forward-looking statements. The Company cautions that the forward-looking statements contained in this MD&A may contain forward-looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for the Company's business and results of operations. Forward-looking statements include those identified by the expressions "anticipate", "believe", "plan", "estimate", "project", "expect", "intend" and similar expressions to the extent that they relate to the Company or its management. By nature, these risks and uncertainties could cause actual results to differ materially from those indicated. Such factors include, without limitation, the various factors set forth in the MD&A and as discussed in public disclosure documents filed with Canadian regulatory authorities. In-Touch disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Readers should not place undue reliance in the Company's forward-looking statements.

Overview Of the Business

In-Touch Survey Systems Ltd. ("In-Touch") does business as In-Touch Insight Systems, Service Intelligence ("SI"), GCS Field Research ("FR") and In-Touch Public Sector Group ("IPSG").

In-Touch Insight Systems, Service Intelligence and GCS Field Research develop managed mobile software technology and services for private businesses, governments and regulators. These stakeholders need mobile, real-time information about customer leads, customer feedback, operational compliance, employee feedback and new product analysis. In-Touch has developed comprehensive software platforms including In-Touch Apps, EventMatrix and Unified Insights that provide for the rapid development of data collection programs including mystery shopping programs, audit verification programs, mobile forms creations and real-time online reporting for our customers. The Company's software technology is a hardware agnostic mobile web solution that operates on any device running a modern browser.

A second segment of the Company, the IPSG division provides enterprise software engineering services to the public sector. IPSG provides five service verticals for public sector customers, Mobile Strategy, Accounts Service, Web Presence Renewal, Client Scorecard and Consulting Services for business transformation. The Company expects significant growth in this division through 2014 as the Federal Government searches for service transformation economies using modern web services and mobile solutions that the Company is currently developing or has already developed.

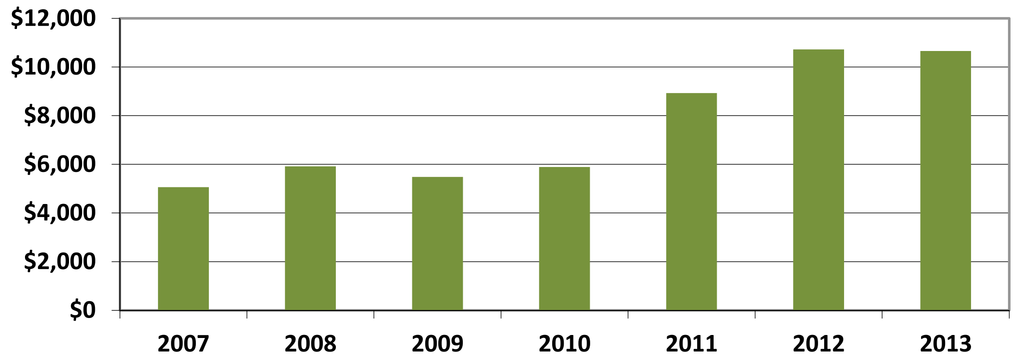
Revenues from data collected by In-Touch software platforms are defined in the In-Touch financial statements as EDC, and government services revenues are defined as IMS.

Highlights of 2013 Results

a) Revenue

The Company's 2013 revenues were $10,657,475, a decrease of 0.5% from 2012 revenues of $10,719,792. Electronic data collection (EDC) services sales increased 21% from $8,211,153 in 2012 to $9,964,800 in 2013. IMS revenues for 2013 were significantly lower, as expected with a decrease of 72% from $2,508,639 in 2012 to $692,675 in 2013.

Figure 1: Yearly revenue (,000s)



Revenue generated from Canadian clients in 2013 represented $3,179,625 or 30% ($5,498,909 or 51% in 2012), while U.S. sales accounted for $7,477,850 or 70% of total 2013 sales ($5,220,883 or 49% for 2012). The Company successfully secured new contracts from its largest Canadian client. Revenues from this client of $678,869 were realized during 2013 compared to $794,305 in 2012. For 2014, revenues from this client are expected to continue however at lower levels. The Company also continued with many programs for its largest U.S. based client, an automobile manufacturer that first signed in late 2006. Revenues from this client of $2,335,147 were realized in 2013 compared to $1,645,229 in 2012. Revenues from this client are expected to continue throughout 2014 at similar levels as 2013.

Included in 2013 revenues were approximately $2,006,904 from customers acquired through a business transfer agreement with NAVEX Global, Inc. in April of 2013. Of this revenue approximately $1,969,977 or 98% was generated from U.S. sales and $36,927 or 2% from Canadian sales. The Company has been successful in securing most of these clients for 2013 and expects revenues to increase in 2014 to reflect a full year. Also included in 2013 revenues were approximately $3,545,130 from customers acquired through an outsourcing and business transfer agreement with GCS in August of 2011 (2012 - $3,816,000). Of this revenue approximately $2,460,099 or 69% (2012 - $2,528,000 or 66%) was generated from U.S. sales and $1,085,031 or 31% from Canadian sales (2012 - $1,231,000 or 33%). The Company has been successful in securing many of these customers for 2013, however, one significant customer was lost while some other customers are looking for more cost effective information sources and are moving away from the traditional models that the Company provides. The Company expects significantly lower revenues from these clients in 2014.

The IMS revenues are expected to be higher in 2014 as the Company rebuilds this division. New small contracts have already been signed for this division for 2014 and more sizable contracts are expected.

Management expects fluctuations in quarter-over-quarter operating results as the 25% account loss in the fall of 2013 is realized. Overall, management expects 2014 revenues to be similar or slightly lower than 2013 revenues due to the timing of new product introduction.

Revenue recognition: The Company follows International Financial Reporting Standards (IFRS) in recognizing its revenue from operations. For further information on revenue recognition, refer to Note 2 in the audited consolidated financial statements dated December 31, 2013.

b) Cost of Services/Gross Margin

Consolidated cost of services sold decreased 12% from $5,510,707 in 2012 to $4,832,250 in 2013. For 2013, EDC cost of services increased by $484,078 or 13% (increase of $278,874 or 8% in 2012). IMS had cost of services of $519,694 for 2012 compared to $1,682,229 for 2012. EDC cost of services increased due to the increase in revenue. It is expected that 2014 EDC cost of services will again be at or similar to the same percentage of the 2013 EDC revenues. IMS cost of services decreased due to the significant decrease in revenue of this segment during 2013. The Company is expecting higher costs in 2014 to reflect the rebuilding of this segment.

Amortization associated to cost of services was $123,652 for 2013 compared to $201,769 for 2012, a 39% decrease due to the aging of the equipment used for data collection purposes and also the disposal of obsolete kiosk and tablet assets in 2012.

Figure 2: Yearly gross margin results as a percentage of sales

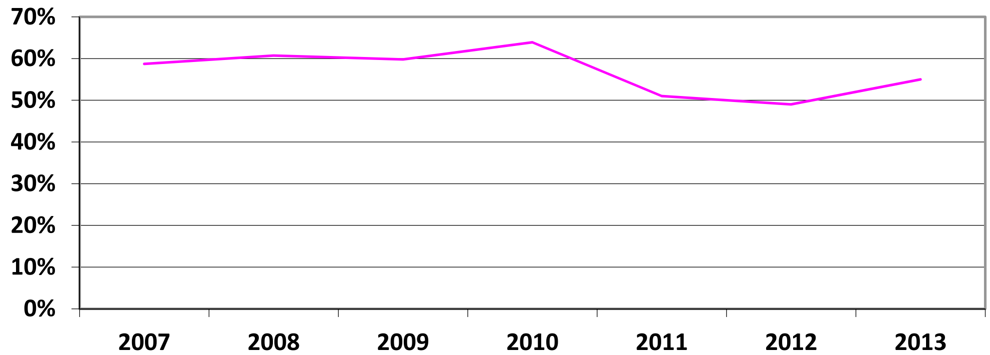
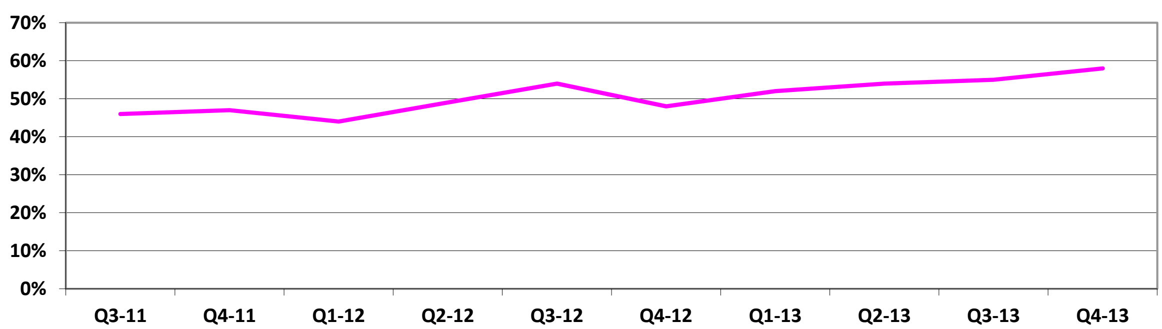


Figure 3: Quarterly gross margin as a percentage of sales

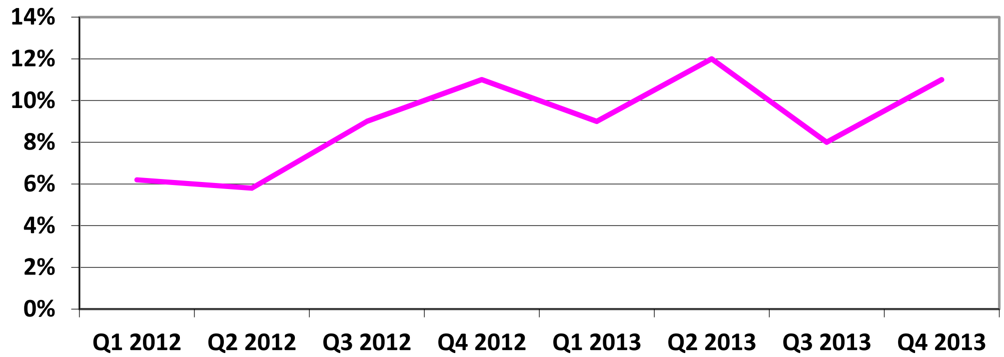


The consolidated gross margin increased by $616,140 or 12% to $5,825,225 in 2013 from $5,209,085 in 2012 and the margin percentage of 55% in 2013 is higher than that of 49% in 2012. The decreased costs were expected as much efficiency was realized during 2013 with the SI integration to the In-Touch systems. The gross margin percentage of 55% obtained during 2013 is within Management's expectations of 55 to 60%. Management expects gross margin percentage to meet expectations once again for 2014.

c) Selling

Selling expenses increased by 29% from $821,020 in 2012 to $1,054,740 in 2013. Marketing initiatives undertaken during the year resulted in expenses increasing by $21,191 or 11% from $193,835 in 2012 to $215,026 in 2013. Travel expenses during the year 2013 increased by $32,695 from $165,095 in 2012 to $197,790 in 2013. Salaries and benefits increased by $179,835 or 39% from $462,090 in 2012 to $641,924 in 2013. Selling salaries and benefits were higher as a result of new hires made in 2013. Selling expenses are expected to increase slightly from 2013 levels. Marketing and travel expenses are expected to increase from 2013 levels as more marketing for new product introductions is being planned starting in the second quarter of 2014. Management continues to watch the marketplace very closely and will aggressively seek new business opportunities.

Figure 4: Selling expenses as a percentage of sales



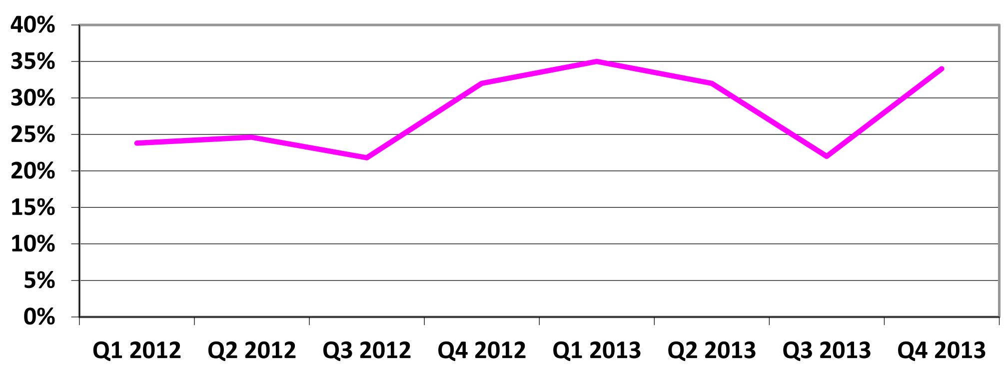
d) General and Administrative

General and administrative expenses increased by 16% or $445,179 from $2,707,385 in 2012 to $3,152,564 in 2013. The staffing levels increased General and Administrative expenses by $261,717 or 19% from $1,381,444 in 2012 to $1,643,161 in 2013. Included in salary expense are management bonuses that decreased by $7,323 from $108,588 in 2012 to $101,264 in 2013. Additional client service staff and new FR staff contributed to the overall increase in salary expense. Professional fees increased by $15,232 from $182,085 in 2012 to $197,317 in 2013. A higher expense was incurred due to the Company acquiring GCS Field Research. Listing expenses, those expenses related to operating a public company, decreased by $11,152 or 19% from $57,891 in 2012 to $46,739 in 2013. Corporate administration expenses increased $169,813 or 25% from $679,715 in 2012 to $849,528 in 2013. The Company recorded a loss on disposal of property and equipment of $30,834 in 2013 compared to a loss of $1,061 in 2012. Management expects General and Administrative expenses to increase stable for the next year as the full year of the acquisition will be realized. Share-based compensation added $141,275 in non-cash salary expense to the 2013 General and Administrative expense compared to $90,510 for 2012. Management anticipates that share-based compensation will decrease slightly for 2014.

The Company recorded a gain on U.S. exchange of $44,840 in 2013 compared to a loss of $42,097 in 2012. Any future gains or losses will be dependent on the fluctuation of the Canadian dollar.

Amortization associated with general and administrative expenses was $254,707 for 2013 compared to $150,291 for 2012. Amortization of intangible assets of $207,961 was included in the $254,707 for 2013 as a result of the business acquisition of SI in 2011 and GSC Field Research in 2013.

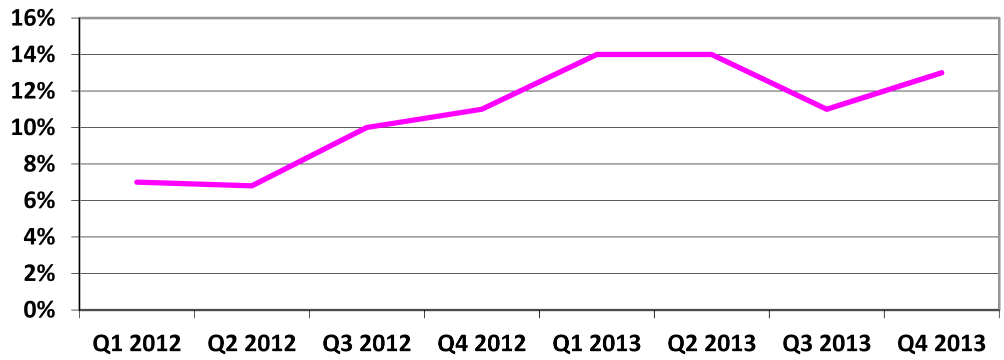
Figure 5: General and Administrative expenses as a percentage of sales



e) **Product Development**

Product development activities increased significantly from $919,318 in 2012 to $1,375,252 in 2013. Salaries increased 50% in 2013 and accounted for the full increase in product development (increased 52% in 2012). The Company continues to invest heavily in product development as it intends on bringing new products into the marketplace in 2014.

Figure 6: Product Development expenses as a percentage of sales



f) **Earnings from operating activities**

Earnings from operating activities in 2013 were $242,669 a decrease of $518,693 or 68% compared to earnings of $761,362 for 2012. The decrease was expected and the Company continues its focus on marketing and product development into 2014.

g) **Non-operating earnings (expenses)**

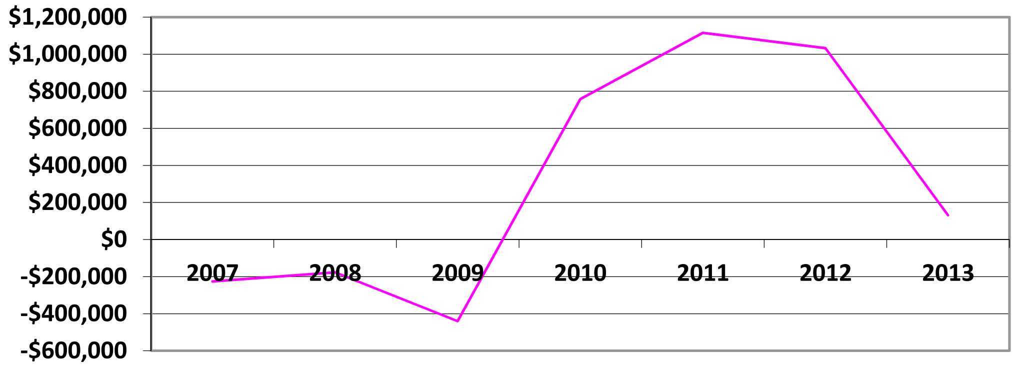
Finance costs for 2013 were $44,601. In 2012, finance costs were $112,835. Finance costs decreased 61% compared to 2012 as a result of the repayment of loans. The Company expects finance costs to increase slightly in 2014 as a new loan has been approved for the purchase of data collection equipment but not yet disbursed.

As part of the outsourcing and business transfer agreement with GCS, the Company agreed to pay a royalty for revenues from SI transferred customers. As part of the business combination formula the royalties were recorded as contingent payments and recorded at fair value. The fair value of contingent payments was calculated at the acquisition date, at December 31, 2012 and again at September 30, 2013, the end of the agreement. As a result the Company recorded a gain on fair value of contingent payments of $27,257 for 2013 (2012 – loss of $16,179). The contingent payments ended in 2013 and no further gain or loss will be recognized.

h) **Income taxes**

In 2013 the Company recorded a deferred tax expense of $93,650 (2012 – recovery of $407,950) against its deferred tax assets. In-Touch Insight Systems Corp., a subsidiary of the Company, recorded income tax expense of $Nil for 2013 (2012 - $8,080).

Figure 7: Net earnings and other comprehensive earnings (in '000s)



i) Cash Flows

Operating, investing and financing activities in 2013 resulted in a net inflow of $221,685 compared to an inflow of $293,438 in 2012. General operations and results thereof generated cash of $1,394,872. Last year, in 2012, general operations generated cash of $1,372,056. There were no shareholder loans issued in 2013 (2012 - $368,179). The shareholder loans plus all accrued interest were paid on or before December 10, 2013. In 2013 the Company invested $1,018,700 through the FR business combination discussed earlier. There was investment in property and equipment in 2013 of $222,675 compared to an investment for 2012 of $201,168. Proceeds from the sale of property and equipment in 2013 were $8,388 compared to proceeds of $21,857 in 2012. The Company issued 681,666 common shares for $68,500 in 2013 compared to $Nil in 2012. The common shares were issued as a result of the exercise of stock options. The Company did not issue long-term debt in 2013 (2012 - $250,000). The outflow of cash from the repayment of long-term debt was $240,126 in 2013 compared to $540,899 in 2012. Finance costs paid during 2013 amounted to $44,601 compared to $101,305 in 2012. Payment of the contingent consideration amounted to $92,152 during 2013 (2012 - $138,924). No further payments are due on the contingent consideration.

j) Liquidity and Capital Resources

Working capital was $1,193,083 as at December 31, 2013 compared to $1,685,114 as at December 31, 2012. The bank operating line of credit was $Nil at December 31, 2013 and 2012. Long-term debt decreased from $557,636 at December 31, 2012 to $317,510 at December 31, 2013 of which $152,867 is the current portion ($290,126 at December 31, 2012). Deferred revenue increased from $21,830 at December 31, 2012 to $399,220 at December 31, 2013. Trade and other liabilities decreased $94,378 from $433,023 at year-end 2012 to $338,645 as at December 31, 2013. Income tax payable amounted to $Nil at December 2013 compared to $8,080 for 2012. The current portion of contingent consideration from the SI business combination was $Nil at year-end 2013 compared to $120,273 at year-end 2012.

Debt to equity decreased from 0.23 as at December 31, 2012 to 0.20 at December 31, 2013. The Company includes the BDC loan as equity in calculating this ratio.

Risks and uncertainties to the Company include a possible decline in revenue from our largest customers, who operate in the automotive and retail industries. Continuing indications thus far in 2014 suggest that revenues from the automotive industry will be similar to those in 2013, however, revenues from the retail industries are expected to decrease in total for 2014. IMS government services segment revenues are expected to be higher in 2014 compared to 2013 levels. Overall, for 2014, management expects revenues to remain similar to those of 2013 as the Company focuses on the release of its new innovative products into the marketplace.

Any financial weakening could create uncertainty associated with the Company's debt lenders. Our ability to secure further working capital through the marketplace is not certain. We remain dependent upon our ability to produce cash flows through revenues in order to meet our obligations and the continued support from our debt lenders.

Review of quarterly operating results (,000s)

	In accordance with IFRS							
	2013				2012			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	**$ 2,236**	**$ 3,323**	**$ 2,816**	**$ 2,282**	**$ 2,220**	**$ 2,763**	**$ 2,947**	**$ 2,790**
Cost of services	936	1,504	1,306	1,086	1,166	1,285	1,490	1,570
Gross profit	1,300	1,819	1,510	1,196	1,054	1,478	1,457	1,220
Total operating expensis	1,288	1,327	1,642	1,326	1,174	1,140	1,078	1,056
Earnings (loss) from operating activities	**$ 13**	**$ 492**	**$ (132)**	**$ (130)**	**$ (120)**	**$ 338**	**$ 379**	**$ 164**
Finance costs	(8)	(18)	(3)	(16)	(33)	(18)	(28)	(34)
Change in fair value of contingent payments	-	31	(5)	1	(16)	(1)	1	-
Net earnings (loss) before taxes	**$ 5**	**$ 505**	**$ (140)**	**$ (145)**	**$ (169)**	**$ 319**	**$ 352**	**$ 130**
Calculation of EBITDA earnings from operations	**Non-IFRS financial measurement**							
To net earnings (loss) add:								
Finance costs	8	18	3	16	33	18	28	34
Amortization	38	48	45	39	37	77	73	74
Amortization of intangible assets	65	74	53	16	16	20	27	28
Change in fair value of contingent payments	-	31	5	(1)	16	1	(1)	-
Share-based compensation	44	39	35	23	32	33	13	13
Adjusted EBITDA[1]	**$ 160**	**$ 715**	**$ 1**	**$ (52)**	**$ (35)**	**$ 468**	**$ 492**	**$ 279**

[1]*Adjusted EBITDA*

Adjusted EBITDA is a non-IFRS financial measure, which is defined as earnings before income tax expense, financing costs, depreciation and amortization, and impairment charges.

Management believes that Adjusted EBITDA is an important indicator of the Company's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures and uses the metric for this purpose. We calculate Adjusted EBITDA by adding back to net earnings (loss) before taxes the finance costs, amortization expense, change in the fair value of contingent payments and stock-based compensation expenses. Adjusted EBITDA is also used by investors and analysts for the purpose of valuing an issuer. The intent of Adjusted EBITDA is to provide additional useful information to investors and analysts and the measure does not have any standardized meaning under IFRS. Adjusted EBITDA should therefore not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate Adjusted EBITDA differently.

Outlook

Based on the prospective client pipeline and new product delivery, management anticipates FY 2014 revenues to be similar or slightly lower than those of FY 2013. The Company has an aggressive sales growth target from organic growth and expects additional growth from product introductions. As of the first week of April 2014 the Company has replaced some of the account losses from the fall of 2013 and has visibility to prospects which would close a significant portion of the remaining gap. Final sales growth numbers will depend on macroeconomic forces as well as the everyday commercial challenges facing markets in general and the Company specifically. The Company continues to diversify its revenue base by adding more customers and additional products. We have seen a significant reduction in the percentage of our overall business that the top ten clients represent and expect this trend to continue.

Management believes that the investment being made in product development throughout 2014 will establish a foundation for strong future growth of the organization. Management has identified product improvements and new products that will make the Company's offerings yet more compelling as marketing, research and operational management tools for its clients. It is also expected that the Company's offerings will become increasingly price competitive. However, balancing the need to secure and deliver work profitably with the existing offering while carefully managing the development of the Company's new technology remains a challenge.

The Company continues to improve the scalability of its existing technologies and its ability to manage multiple, concurrent, and geographically disperse data collection programs. The Company's software platforms are a cornerstone core competency of the firm and are a continuing focus. Development efforts on new products are being directed against products which fit into a Software as a Service ("SaaS") model to enable faster growth.

In line with the stated strategy of better utilizing unleveraged assets a carve-out is currently being finalized that will see a new company formed to develop and launch an innovative web-based product late in 2014. In-Touch will be a major shareholder in the formation of the new company but will not be involved in its day to day operations. It is anticipated to create additional shareholder value if there is a successful product launch.

Margins increased to 55% in 2013 mainly due to the completed integration of the Service Intelligence ("SI") customers and the successful integration of the Field Research clients. Margins are expected to remain at similar levels in 2014. The company significantly increased expenses in Sales, Marketing and Product Development in 2013 and anticipates continuing this strategy throughout 2014 to ensure that a strong foundation is built from which to expand profitable sales.

ACCOUNTING POLICIES

a) Critical Accounting Estimates and judgments

The Company's consolidated financial statements are prepared in accordance with IFRS recognition and measurement principles that often require Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts presented and disclosed in the consolidated financial statements. Management reviews these estimates and assumptions on an ongoing basis based on historical experience, changes in business conditions and other relevant factors as it believes to be reasonable under the circumstances. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Estimates

Contingent consideration

The fair value initially recognized for contingent consideration has been estimated by management based on the Company's projected revenues from existing SI customers. The actual contingent consideration may vary due to timing of contingent consideration and actual revenue earned from existing SI customers.

Useful lives of intangible assets

The useful lives of intangible assets have been determined based on management estimated attrition rates related to the associated asset. Any subsequent change in these estimates would affect the amount of amortization recorded over future periods.

Share-based compensation

The estimation of share-based compensation requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own share, the probable life of share options granted and the time of exercise of those share options. The model used by the Company is the Black-Scholes valuation model.

Business combinations

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated statement of financial position at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates.

Judgments

Assessing the stage of completion of revenue

The stage of completion of revenue is assessed by Management by taking into consideration all information available at the reporting date. In this process, management estimates for each project's milestones, actual work performed, the costs to complete the work and the value of the work completed. Further information on the Company's accounting policy for revenue recognition is provided in in the consolidated financial statements Note 2.

Assessing the probability of utilizing deferred tax assets and investment tax credits

Deferred tax assets and investment tax credits are recognized for unused tax losses and credits to the extent that it is probable that taxable income will be available against which the losses can be utilized. These estimates are reviewed at every reporting date. Information about assumptions and estimation based upon the likely timing and the level of the reversal of existing timing differences, future taxable income and future tax planning strategies, is included in the consolidated financial statements Note 25. The tax rules in the numerous jurisdictions in which the Company operates are also taken into consideration.

Impairment

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

b) Statement of compliance

The consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). On March 27, 2014 the Company's Board of Directors approved these consolidated financial statements and authorized them for issue.

c) Management's Conclusion on the design of Internal Controls over Financial Reporting

The Chief Executive Officer and the Controller have evaluated the effectiveness of the Company's disclosure and internal controls and procedures as at December 31, 2013 and have concluded that the Company's controls and procedures provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, was made known to them and reported as required, particularly during the period in which this report was being prepared.

e) Management's Conclusion on the effectiveness of Disclosure Controls

The Chief Executive Officer and the Controller have evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2013 and have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries would have been known to them.

CORPORATE GOVERNANCE

The three-person Board of Directors of In-Touch is composed of two independent directors who are not related to the Company. The other director has been appointed as the Executive Chairman of the Board of Directors. The entire Board fulfils the Audit Committee and Compensation Committee mandates. The Board and Management will continue to ensure compliance with regulatory requirements.

RISK FACTORS AND UNCERTAINTIES

The Company is focused on expanding its business internally as well as through strategic partnerships and acquisitions to achieve continued growth and profitability. Nevertheless the Company's future results will depend on its ability to find financing and to continuously introduce new products and enhancements to its customers. There are other additional risks and uncertainties described below.

a) Lengthy and Complex Sales Cycle

In-Touch's sales efforts target large companies requiring In-Touch to expend significant resources educating prospective customers about the uses and benefits of In-Touch's product. Because the purchase of In-Touch's solution is a significant decision for these companies, prospective customers generally take a long time to evaluate the product. The sales cycle may range from four to six months for larger accounts, although these cycles can be longer due to significant delays over which In-Touch has little or no control.

b) Increasing Competition

The markets in which In-Touch operates and intends to operate are extremely competitive and can be significantly influenced by the marketing and pricing decisions of larger industry participants including large companies that have substantially greater market presence and financial, technical, operational, marketing and other resources and experience than In-Touch.

c) Evolving Business Model

In-Touch's business model continues to evolve. In-Touch seeks to develop and promote new or complementary solutions and products to expand the breadth and depth of its service offerings. There can be no assurance that In-Touch will be able to expand its operations in a cost-effective or timely manner or that any such efforts will create, maintain or increase overall market acceptance.

d) Need to Manage Growth

The growth of In-Touch's business and its products and services causes significant demands on In-Touch's managerial, operational and financial resources. Demands on In-Touch's financial resources will grow rapidly with In-Touch's expanding customer base. Additional working capital may be required and there are no assurances that access to the capital required for the future growth and expansion plans will be available.

e) Dependency on Key Personnel

In-Touch's success will depend upon the continued service of its senior management team. In-Touch employees may voluntarily terminate their employment with In-Touch at any time. The loss of services of key personnel could have a material adverse effect upon In-Touch's business, financial condition and results of operation.

f) Future Capital Needs

In-Touch may need to raise funds through public or private financing in the event that In-Touch incurs operating losses or requires substantial capital investment or in order for In-Touch to respond to unanticipated competitive pressures or to take advantage of unanticipated opportunities. There can be no assurances that additional financing will be available on terms favourable to In-Touch or at all.

g) Foreign Exchange Exposure

In-Touch continues to seek expanding its operations into the US market. Fluctuations in the currency exchange rate may affect the revenue and operations of the company. The potential effect of the currency exchange rate fluctuations will be magnified as the percentage of sales to the US market grows.

CAPITAL MANAGEMENT

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, purchase and cancel shares previously issued, return capital to shareholders or sell assets to reduce debt. The Company considers the items included in the consolidated statement of shareholders' equity, long-term debt (including current portion), net of cash and cash equivalents as its capital.

The Company also has certain positive covenants that it must meet with a Schedule 1 chartered Canadian bank in regards to its bank indebtedness, namely, a tangible net worth of at least $1,000,000. Throughout 2013 and as at December 31, 2013 the Company is compliant with all its covenants.

		As at December 31, 2013		As at December 31, 2012
Long-term debt, including current portion	$	317,510	$	557,636
Less cash and cash equivalents	$	716,227	$	494,542
Net debt	$	(398,717)	$	63,094
Shareholders' equity	$	3,576,480	$	3,235,030
Total capital, net	$	3,177,763	$	3,298,124
Net debt (surplus) as a percentage of total capital		-13%		2%

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company targets year over year revenue increases with positive increases in earnings before interest, tax and amortization. These objectives are met through operational changes to enhance cash flow performance, the evaluation of acquisitions as they relate to the Company's market share and performance, and risk mitigation.

The Company is not subject to any statutory capital requirements and has no commitments, other than options, to sell or otherwise issue common shares.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2013 compared to the year ended December 31, 2012. The Company was successful in meeting its objectives.

FINANCIAL INSTRUMENTS

The table below summarizes the carrying values of the Company's financial assets and financial liabilities:

		As at December 31, 2013		As at December 31, 2012
Financial assets:				
Loans and receivables				
Cash and cash equivalents	$	716,227	$	494,542
Trade accounts receivables	$	1,152,845	$	1,520,805
Shareholder loans receivable	$	-	$	368,179
Total financial assets	$	1,869,072	$	2,383,526
Financial liabilities:				
Financial liabilities at amortized cost				
Trade and other liabilities	$	294,090	$	433,023
Long-term debt	$	317,510	$	557,636
	$	611,600	$	990,659
Liabilities at fair value through profit or loss				
Contingent consideration	$	-	$	120,273
	$	-	$	120,273
Total financial liabilities	$	611,600	$	1,110,932

The carrying values of cash and cash equivalents, trade accounts receivables, shareholder loan receivables and trade and other liabilities approximate their fair values due to their relatively short periods to maturity. The contingent consideration is presented at fair value. The fair value of the long-term debt approximates the carrying value as the risk profile of the Company has not changed significantly since those loans were negotiated and the borrowing terms and conditions continue to reflect current market conditions.

The fair value of the contingent consideration was determined based on the estimated revenues to be earned from the acquired customers, using a probability-weighting method. The resulting contingent consideration has been present value based on the resulting cash flows. This reflects management's estimate of the royalty payment which has been discounted using an interest rate of 18%.

The following table presents the Company's financial instruments measured at fair value in the statement of financial position in accordance with the fair value hierarchy:

	December 31, 2013			December 31, 2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Contingent consideration	$ -	$ -	$ -	$ -	$ -	$ 120,273

There has been no change to classification during the years presented.

Level 3 fair value measurements

Contingent consideration classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instrument within this level can be reconciled from the beginning to ending balances as follows:

	December 31, 2013	December 31, 2012
Opening balance	**$ 120,273**	$ 247,390
Payments made	**$ (92,152)**	$ (138,924)
Loss (gain) and gain on foreign exchange recognized in net earnings	**$ (28,121)**	$ 11,807
Closing balance	**$ -**	$ 120,273

Changing inputs to the Level 3 valuations to reasonably consider possible alternative assumptions would not change significantly amounts recognized in net earnings or total liabilities.

Financial instruments measured at amortized cost for which the fair value is disclosed

The fair value of the long-term debt, classified in level 2, is estimated using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market interest rates of similar loans with similar risks.

SHARES

The share capital of the Company consists of an unlimited number of common shares, without par value. All shares are equally eligible to receive dividends, the repayment of capital and represent one vote at the shareholders' meetings.

During the year ended December 31, 2013 there were 681,666 common shares issued resulting from the exercise of stock options (2012 – 73,825). At December 31, 2013 there were 14,907,978 common shares outstanding. As of the date of this Management Discussion and Analysis, there were 15,067,978 common shares outstanding as 160,000 common shares were issued as a result from the exercise of stock options in January 2014.

RELATED PARTY TRANSACTIONS

During fiscal 2013, the Company obtained legal and consulting services at a cost of $21,556 (2012 - $4,250) from a law firm in which one of the Company's former directors, Mr. Neil Milton, is a principal. At December 31, 2013 and December 31, 2012, all services had been paid in full and no amounts remained outstanding.

On December 11, 2012, the Company made a loan in the amount of $193,725 to its Chief Executive Officer and a director, Mr. Michael Gaffney, and a loan in the amount of $173,800 to a director, Mr. Neil Milton, to assist them to purchase all of the common shares of the Company held by their respective RRSPs due to recently enacted changes to the Income Tax Act (Canada). The shareholder loans bore interest at the rate of 3% per annum and were secured by a pledge of the shares purchased from their RRSPs. The loans along with interest of $8,685 were paid back to the Company in full during 2013.

The above related party transactions are measured at their exchange amount, which is the amount agreed to by the parties.

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The accompanying consolidated financial statements of In-Touch Survey Systems Ltd. and all information contained herein are the responsibility of management and have been approved by the Board of Directors. The financial statements include some amounts that are based on management's best estimates that have been made using careful judgement.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards. Financial and operating data elsewhere in the report are consistent with the information contained in the financial statements.

Although no cost-effective system of internal controls will prevent or detect all errors and irregularities, these systems are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly recorded and the financial records are reliable for preparing the financial statements.

The Board of Directors carries out its responsibility for the financial statements. The Board of Directors meets periodically with management and with the external auditors to discuss the results of audit examinations with respect to the adequacy of internal controls and to review and discuss the financial statements and financial reporting matters.

Additional information about the Company such as the 2013 audited consolidated financial statements can be found on SEDAR at www.sedar.com.

Consolidated Financial Statements

In-Touch Survey Systems Ltd.

Years ended December 31, 2013 and 2012

(Expressed in Canadian Dollars)

In-Touch Survey Systems Ltd.
Consolidated Financial Statements
December 31, 2013 and 2012

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The information and representations in these consolidated financial statements are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements were prepared by management in accordance with International Financial Reporting Standards ("IFRS") and, where necessary, reflect management's best estimates and judgments at this time. It is reasonably possible that circumstances may arise which cause actual results to differ. Management does not believe it is likely that any differences will be material.

In-Touch Survey Systems Ltd. maintains systems of internal accounting controls, policies and procedures to provide reasonable assurance as to the reliability of the financial records and the safeguarding of its assets.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out these activities primarily through its Audit Committee.

The Audit Committee is comprised of two Directors who are not employees of the Company. The Committee meets periodically throughout the year with management and external auditors to review their respective responsibilities, results of the reviews of internal accounting controls, policies and procedures and financial reporting matters. The external auditors meet separately with the Audit Committee.

The consolidated financial statements have been reviewed by the Audit Committee and approved by the Board of Directors. The consolidated financial statements have been audited by Raymond Chabot Grant Thornton LLP, the external auditors, whose report follows.

March 27, 2014

Cameron Watt
Chief Executive Officer

George Pretli
acting Chief Financial Officer

Independent Auditor's Report

Raymond Chabot Grant Thornton LLP
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To the Shareholders of
In-Touch Survey Systems Ltd.

We have audited the accompanying consolidated financial statements of In-Touch Survey Systems Ltd., which comprise the consolidated statements of financial position as at December 31, 2013 and 2012 and the consolidated statements of earnings and comprehensive income, the consolidated statements of changes in equity and the consolidated statements of 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 (IFRS) 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 In-Touch Survey Systems Ltd. as at December 31, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Raymond Chabot Grant Thornton LLP

Chartered Accountants,
Licensed Public Accountants

Ottawa, Canada
March 27, 2014

In-Touch Survey Systems Ltd.

Consolidated Statements of Earnings and Comprehensive Income

years ended December 31, 2013 and 2012
(in Canadian Dollars)

	Note	2013	2012
Revenue		$ 10,657,475	$ 10,719,792
Cost of services	7	4,832,250	5,510,707
		5,825,225	5,209,085
Expenses			
Selling	8	1,054,740	821,020
General and administrative	9	3,152,564	2,707,385
Product development	10	1,375,252	919,318
		5,582,556	4,447,723
Earnings from operating activities		242,669	761,362
Non-operating earnings (expense)			
Finance costs	24	(44,601)	(112,835)
Gain (loss) on fair value of contingent consideration	5	27,257	(16,179)
Net earnings before income taxes		225,325	632,348
Income taxes	25		
Deferred tax recovery (expense)		(93,650)	407,950
Current income tax		-	(8,080)
Net earnings and comprehensive income		$ 131,675	$ 1,032,218
Net earnings per share	11		
Basic		$ 0.01	$ 0.07
Diluted		$ 0.01	$ 0.07

The accompanying notes are an integral part of the consolidated financial statements

In-Touch Survey Systems Ltd.
Consolidated Statements of Financial Position
As at December 31, 2013 and 2012
(in Canadian Dollars)

	Note	December 31, 2013	December 31, 2012
Assets			
Current Assets			
Cash and cash equivalents	13	$ 716,227	$ 494,542
Trade and other receivables	14	1,239,418	1,636,736
Shareholder loans receivable	27	-	368,179
Prepaid expenses and deposits		128,170	58,989
		2,083,815	2,558,446
Property and equipment	15	534,134	515,515
Deferred tax assets	25	637,446	806,480
Investment tax credit recoverable	25	176,139	176,139
Intangible assets	16	1,200,321	319,292
		$ 4,631,855	$ 4,375,872
Liabilities and Shareholders' Equity			
Current Liabilities			
Trade and other liabilities	18	$ 338,645	$ 433,023
Income taxes payable	25	-	8,080
Deferred revenue	14	399,220	21,830
Current portion of long-term debt	19	152,867	290,126
Current portion of contingent consideration	5	-	120,273
		890,732	873,332
Long-term debt	19	164,643	267,510
		1,055,375	1,140,842
Shareholders' Equity			
Share capital	21	2,926,326	8,395,401
Contributed surplus		288,044	152,094
Retained earnings (deficit)		362,110	(5,312,465)
		3,576,480	3,235,030
		$ 4,631,855	$ 4,375,872

ON BEHALF OF THE BOARD

Original signed by: Eric Beutel, Director

Original signed by: Michael Gaffney, Director

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

In-Touch Survey Systems Ltd.
Consolidated Statements of Changes in Equity
years ended December 31, 2013 and 2012
(in Canadian Dollars)

	Note	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Total Equity
Balance as at January 1, 2012	21	14,226,312	8,395,401	61,584	(6,344,683)	2,112,302
Share-based compensation	22			90,510		90,510
Transactions with owners		-	-	90,510	-	90,510
Net earnings and comprehensive income					1,032,218	1,032,218
Balance as at December 31, 2012		14,226,312	8,395,401	152,094	(5,312,465)	3,235,030
Issuance of share capital related to the exercise of share options	21	681,666	73,825	(5,325)		68,500
Share-based compensation	22			141,275		141,275
Transactions with owners		14,907,978	8,469,226	288,044	(5,312,465)	3,444,805
Net earnings and comprehensive income					131,675	131,675
Stated capital reduction	21		(5,542,900)		5,542,900	-
Balance as at December 31, 2013		14,907,978	2,926,326	288,044	362,110	3,576,480

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

In-Touch Survey Systems Ltd.

Consolidated Statements of Cash Flows

years ended December 31, 2013 and 2012
(in Canadian Dollars)

	Note	2013	2012
CASH PROVIDED BY (USED IN):			
Operating activities			
Net earnings		$ 131,675	$ 1,032,218
Adjustments to net earnings:			
Amortization of property and equipment	15	170,398	261,401
Amortization of intangible asset	16	207,961	90,659
Finance costs	4	44,601	112,835
Change in fair value of contingent consideration	5	(27,257)	16,179
Gain on foreign exchange related to contingent consideration and deferred cash payment		(864)	(4,372)
Share-based compensation	22	141,275	90,510
Loss on disposal of property and equipment		30,365	63,225
Deferred tax recovery	25	93,650	(407,950)
Net change in non-cash operating working capital	23	603,068	117,351
Cash flows from operating activities		1,394,872	1,372,056
Financing activities			
Issuance of long-term debt	17	-	250,000
Issuance of share capital	21	68,500	-
Repayment of long-term debt	19	(240,126)	(540,899)
Finance costs paid	24	(44,601)	(101,305)
Payment of contingent consideration	5	(92,152)	(138,924)
Cash flows from financing activities		(308,379)	(531,128)
Investing activities			
Business combination	4	(1,018,700)	-
Shareholder loans repayment (receivable)	27	368,179	(368,179)
Proceeds on disposal of property and equipment		8,388	21,857
Purchase of property and equipment	15	(222,675)	(201,168)
Cash flows from investing activities		(864,808)	(547,490)
NET CASH INFLOW		221,685	293,438
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		494,542	201,104
CASH AND CASH EQUIVALENTS, END OF YEAR		$ 716,227	$ 494,542
Additional Information			
Interest received included in operating activities		8,781	1,389
Income tax paid included in operating activities		1,606	12,446

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

1. CORPORATE INFORMATION

In-Touch Survey Systems Ltd. ("In-Touch") is a publicly listed company and is incorporated under the Canada Business Corporations Act. The Company's shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol INX. The address of In-Touch's registered office and its principal place of business is 400 March Road, Ottawa, Ontario, Canada K2K 3H4.

In-Touch and its subsidiaries ("Company") primary business activity is the design, development and implementation of data capture technologies and services for business to consumer ("B2C") companies. The technology enables B2C companies to capture lead and customer feedback information onsite at the point of experience, i.e. while shopping, or at a trade show or offsite marketing event.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used throughout all periods presented in the financial statements.

(a) Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). On March 27, 2014 the Company's Board of Directors approved these consolidated financial statements and authorized them for issue.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies set out in Note 2(t).

(c) Basis of consolidation

The consolidated financial statements include the accounts of In-Touch Survey Systems Ltd., the ultimate parent, and its wholly-owned subsidiaries which include In-Touch Insight Systems Inc., MarketLine Research Corp. and In-Touch Insight Systems Corp. In-Touch Insight Systems Inc. is a Canadian company while MarketLine Research Corp. and In-Touch Insight Systems Corp. are incorporated in the U.S. All intercompany transactions and balances have been eliminated. All subsidiaries have a reporting date of December 31st.

(d) Functional currency and foreign currency translation

These consolidated financial statements are presented in Canadian Dollars, which is also the Company's (and its subsidiaries) functional currency.

Transactions in foreign currency are translated into the functional currency using the exchange rate in effect on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at the reporting date exchange rate are recognized in net earnings. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction (not retranslated). The functional currency of the Company's subsidiaries remained unchanged during the reporting period.

(e) Business combinations

Business combinations are accounted for using the acquisition method under IFRS 3, Business Combinations (IFRS 3). The consideration transferred by the Company to obtain control of an entity is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Company recognizes identifiable assets acquired and liabilities assumed, including contingent liabilities, in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at the acquisition-date fair values. Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognized amount of any non-controlling interest in the acquiree and (c) acquisition-date fair value of any existing equity interest that the Company has in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognized in net earnings immediately.

(f) Intangible assets

Intangible assets are comprised of customer relationships, shopper/auditor databases, software and trademarks which qualified for recognition as intangible assets in a business combination (Note 4). They are recognized at historical cost (which corresponds to their fair value at the acquisition date) less accumulated amortization and accumulated impairment losses.

The Company amortizes the SI International business combination customer relationships on a straight-line basis over a six and one half year period, and the shopper database over a one and a quarter year period. The NAVEX Global customer relationships are amortized on a straight-line bases over a seven and two thirds year period, the auditor database and software over a three year period and the trademark over a ten year period.

The useful lives and residual values are reviewed at each reporting date, taking the nature of the asset and its expected use into account.

(g) Impairment testing of intangible assets and property and equipment

Intangible assets and property and equipment are reviewed at each reporting date to determine whether events or changes in circumstances indicate that the carrying amount of the asset or related cash generating unit ("CGU") may not be recoverable. If any such indication exists, then the assets or CGU's recoverable amount is estimated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. The discount factors are determined individually for each CGU and reflect their respective risk profiles as assessed by management. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net earnings. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of assets in the CGU on a pro rata basis.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

There has been no impairment losses recognized in any of the periods presented.

(h) Segmented information

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of its other components, whose operating results are reviewed regularly by the Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company's Chief Executive Officer evaluates performance based on two segments, which are the service lines of the Company: electronic data collection ("EDC"), and information management services ("IMS"). .

The measurement policies used by the Company for segment reporting are the same as those used in its financial statements, except for income taxes, which are not included in the operating profit of the operating segments. Expenses which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

(i) Revenue recognition

The Company receives revenue from various service offerings.

Revenue is measured by reference to the fair value of consideration received or receivable by the Company for services provided, excluding sales tax, and discounts.

Revenue is recognized when the amount of revenue can be measured reliably, collection is probable, the costs incurred or to be incurred can be measured reliably, and when the criteria for the different activities have been met. These activity-specific recognition criteria are based on the service provided to the customer and the contract conditions in each case, and are described below.

When two or more revenue generating activities or deliverables are sold under a single arrangement, revenue criteria are applied to each deliverable that is considered to be a separately identifiable component of the revenue transaction. The allocation of consideration from these transactions is allocated to the separately identifiable components based on the relative fair values of each component.

Revenue related to EDC customers is recognized using the stage of completion of the contract, taking into consideration the cost completed to date in relation to the total expected cost to complete the deliverable. If the estimated cost to complete a contract increases over the life of the contract resulting in a loss on the contract, the loss is recognized immediately into profit and loss.

(in Canadian Dollars)

Revenue from government consulting services is recognized when evidence of an arrangement exists and the services have been rendered. This policy is applicable to IMS revenue streams.

Unbilled receivables arise where consulting services are performed prior to the Company's ability to invoice in accordance with the contract terms. These amounts are included in trade and other receivables on the statement of financial position.

Deferred revenue is recorded when a customer is invoiced in advance of performance.

(j) Provisions

Provisions are recognized when the following criteria are met:

a) the Company has a current obligation as a result of a past event;
b) it is probable that an outflow of economic resources will be required from the Company; and
c) the amounts can be estimated reliably.

The timing or amount of the outflow may still be uncertain.

Provisions are established at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

The Company has no provisions as at December 31, 2013 and 2012.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(l) Investment tax credit

The Company is entitled to certain Canadian investment tax credits for qualifying research and development activities performed in Canada. These credits can be applied against future income taxes payable and are subject to a 20 year carry forward period. An estimate of the refundable investment tax credit on scientific research and development expenditures is recorded in the year the expenditures are incurred provided there is reasonable assurance that the credits will be received. The expenditures are reduced by the amount of the estimated investment tax credit.

(m) Property and equipment

Property and equipment are stated at cost less accumulated amortization and impairment losses. Amortization is provided over the estimated useful lives of the assets using the following annual rates and term:

Computer equipment	5 years	Straight-line
Kiosks	20%	Declining balance
Kiosk tablets	3 – 5 years	Straight-line
Furniture and equipment	10 years	Straight-line

In-Touch Survey Systems Ltd. reviewed the estimated lives of certain assets as at December 31, 2012. As a result, the Company revised the estimated remaining useful life of certain assets to more accurately reflect the period over which they provide economic benefits. The Company adjusted its amortization rates for computer equipment from 30% declining balance to 5 years straight-line and for furniture and equipment from 20% declining balance to 10 years straight-line. The Company accounted for these changes in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, which requires a change in accounting estimate to be applied prospectively from the date of the change based on timing of completion of the review.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the general and administrative expenses. The asset residual values, useful lives and methods of amortization are reviewed at each reporting period, and adjusted prospectively if appropriate.

(n) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments on operating lease agreements are recognized as an expense on a straight-line basis in accordance with the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(o) Equity

Share capital represents the amount received for shares that have been issued less transaction costs directly attributable to the issuance of common shares net of any related income tax benefits.

Contributed surplus within equity, includes amounts in connection with stock-based compensation.

Retained earnings (deficit) includes all current and prior period earnings (losses).

(p) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data. Basic EPS is calculated by dividing the net earnings attributable to the shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the net earnings attributable to shareholders and the weighted average number of shares outstanding, for the effects of all potential dilutive shares.

(q) Share-based compensation

The Company accounts for share-based compensation arrangements using the fair value method of accounting. When employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is measured at the grant date.

The share-based compensation cost is recorded as an expense in net earnings and credited to contributed surplus.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of awards expected to vest. Estimates are subsequently revised if there is any indication that the number expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if awards ultimately exercised are different to that estimated on vesting.

An award with different vesting dates is considered a separate grant for the calculation of fair value and the resulting fair value is amortized over the vesting period of the respective grants.

When share options are exercised any consideration paid by employees is credited to share capital in addition to the amount previously recorded in contributed surplus.

The Company’s plan does not feature any options for cash settlement.

(r) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net earnings except for items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future and provided that the Company can control the reversal of those differences. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the expected tax rates applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any tax loss or credit. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable income will be available.

Changes in deferred tax assets or liabilities are recognized as a component of tax recovery or expense in net earnings, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

(s) Critical accounting estimates and judgments

The Company's consolidated financial statements are prepared in accordance with IFRS recognition and measurement principles that often require Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts presented and disclosed in the consolidated financial statements. Management reviews these estimates and assumptions on an ongoing basis based on historical experience, changes in business conditions and other relevant factors as it believes to be reasonable under the circumstances. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

<u>Estimates</u>

Contingent consideration

The fair value initially recognized for contingent consideration has been estimated by management based on the Company's projected revenues from existing SI customers (see Notes 4 & 5). The actual contingent consideration may vary due to timing of contingent consideration and actual revenue earned from existing SI customers.

Useful lives of intangible assets

The useful lives of intangible assets have been determined based on management estimated attrition rates related to the associated asset. Any subsequent change in these estimates would affect the amount of amortization recorded over future periods.

Share-based compensation

The estimation of share-based compensation requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own share, the probable life of share options granted and the time of exercise of those share options. The model used by the Company is the Black-Scholes valuation model.

Business combinations

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated statement of financial position at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Details of the assets and liabilities acquired are given in Note 4.

<u>Judgments</u>

Assessing the stage of completion of revenue

The stage of completion of revenue is assessed by Management by taking into consideration all information available at the reporting date. In this process, management estimates for each project's milestones, actual work performed, the costs to complete the work and the value of the work completed. Further information on the Company's accounting policy for revenue recognition is provided in Note 2(i).

Assessing the probability of utilizing deferred tax assets and investment tax credits

Deferred tax assets and investment tax credits are recognized for unused tax losses and credits to the extent that it is probable that taxable income will be available against which the losses can be utilized. These estimates are reviewed at every reporting date. Information about assumptions and estimation based upon the likely timing and the level of the reversal of existing timing differences, future taxable income and future tax planning strategies, is included in Note 25. The tax rules in the numerous jurisdictions in which the Company operates are also taken into consideration.

Impairment

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2(g)).

(t) Financial instruments

When the Company becomes a party to contractual provisions of the financial instruments, these are initially recorded on the statements of financial position at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. After initial recognition, the financial instruments are measured according to their classification or designation as described below.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expire.

The Company has made the following classifications and designations:

Classification	
Cash and cash equivalents	Loans and receivables
Trade accounts receivables	Loans and receivables
Shareholder loans receivable	Loans and receivables
Trade and other liabilities	Financial liabilities at amortized cost
Long-term debt	Financial liabilities at amortized cost
Contingent consideration	Fair value through profit or loss

All financial assets except for those at fair value through profit or loss (FVTPL) are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs except for impairment of trade receivables which is presented within general and administrative expenses.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at FVTPL include financial assets and liabilities that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets and liabilities in this category are measured at fair value with gains or losses recognised in non-operating earnings. The fair values of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any allowance for doubtful accounts.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial liabilities

Financial liabilities not at fair value through profit or loss are subsequently measured at amortized cost using the effective interest method.

Fair Value Hierarchy

The Company categorizes its financial instruments, measured at fair value in the consolidated statement of financial position, including its financial assets and financial liabilities, into a three-level fair value measurement hierarchy as follows:

Level 1: The fair value is determined directly by reference to unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: The fair value is estimated using a valuation technique based on observable market data, either directly or indirectly.

Level 3: The fair value is estimated using a valuation technique based on unobservable data. The contingent consideration is included in this level.

3. CHANGES IN ACCOUNTING POLICIES

a) New and revised standards that are effective.

A number of new and revised standards are effective for annual periods beginning on or after January 1, 2013. Information on these new standards is presented below.

IFRS 13 Fair Value Measurement

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect the items that are required to be fair-valued.

The scope of IFRS 13 is broad and applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

IFRS 13 applies prospectively for annual periods beginning on or after January 1, 2013. Its disclosure requirements need not be applied to comparative information in the first year of application.

Management reviewed its valuation methodologies and the application of the new standard did not have any effect on the fair value measurement.

IFRS 10 Consolidated Financial Statements

IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements (IAS 27) and SIC 12 Consolidation – Special Purpose Entities. IFRS 10 revises the definition of control and provides extensive new guidance on its application.

These new requirements have the potential to affect which of the Company's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with IFRS 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Company's investees held during the period or comparative periods covered by these consolidated financial statements.

b) Standards, Amendments and Interpretations to existing Standards that are not yet Effective

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board (“IASB”) but are not yet effective, and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company’s financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

IFRS 9 ‘Financial Instruments’ (IFRS 9):

The IASB aims to replace IAS 39 ‘Financial Instruments: Recognition and Measurement’ (IAS 39) in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and de-recognition of financial assets and liabilities as well as the chapter dealing with hedge accounting have been issued. The chapter dealing with impairment methodology is still being developed. In November 2011, the IASB decided to consider making limited modifications to IFRS 9 financial asset classification model to address application issues. In addition, in November 2013, the IASB decided to defer to a date to be announced the implementation of IFRS 9. The Company's management have yet to assess the impact of this new standard on the Company's consolidated financial statements. However, Management does not expect to implement IFRS 9 until all of its chapters have been published and they can comprehensively assess the impact of all changes.

(in Canadian Dollars)

4. BUSINESS COMBINATION

NAVEX Global, Inc.

On April 1, 2013, as part of its continuing strategy of growth through acquisitions, the Company entered into a business transfer agreement with NAVEX Global, Inc. ("NAVEX") based in the United States. The transaction resulted in the transfer of assets from NAVEX (the acquiree) and the Company taking on certain employees, which would enable In-Touch to service NAVEX existing customers. NAVEX is a company operating in the field audit services industry, in both Canada and the United States.

The Company has accounted for this transaction as a business combination under IFRS 3 as the group of assets acquired met the definition of a business.

The following table summarizes the fair value of the net assets acquired. The valuation was performed by the Company based on internal appraisals of the fair value of the property and equipment and intangible assets acquired.

Value recognized on the acquisition date		
Property and equipment	$	5,094
Software assets	$	175,216
Trademarks	$	89,646
Customer related intangible asset	$	729,389
Auditor database intangible asset	$	94,739
Deferred tax liability	$	(75,384)
Total net assets acquired	$	1,018,700
Cash payment	$	1,018,700

Cash outlays for the acquisition were $1,018,700 ($1,000,000 USD) upon signing of the agreement. Acquisition-related costs amounting to $8,334 are not included as part of the consideration transferred and have been recognized as general and administrative expenses. For the nine months ended December 31, 2013, the acquired business added revenues of $2,006,904 and $372,114 to net earnings. It is not possible to provide the revenue and earnings of the combined entity for the year-to-date 2013 as if the acquisition had occurred on January 1, 2013, because of the lack of details in NAVEX's management system prior to the acquisition.

SI International, ULC

On August 1, 2011 as part of its strategy of growth through acquisitions, the Company entered into an outsourcing and business transfer agreement with SI International, ULC ("Service Intelligence" or "SI") and Global Compliance Services, Inc. ("GCS"), the parent of SI, companies both based in the United States. The transaction resulted in the transfer of assets from SI (the acquiree) and the Company taking on certain employees, which would enable In-Touch to service SI existing customers through the outsourcing agreement. Service Intelligence is a company providing data collection, in both Canada and the United States.

The Company has accounted for this transaction as a business combination under IFRS 3 as the group of assets acquired met the definition of a business.

The following table summarizes net assets acquired. The valuation was performed by the Company based on internal appraisals of the fair value of the intangible assets acquired.

(in Canadian Dollars)

Value recognized on the acquisition date		
Customer related intangible asset	$	409,837
Shopper database intangible asset	$	41,460
Deferred tax liability	$	(20,574)
Total net assets acquired	$	430,723
Contingent consideration	$	341,376
Cash payment	$	47,900
Deferred cash payments	$	41,447
Total consideration transferred	$	430,723

The current and deferred cash outflows related to the acquisition will be a maximum of $502,950 ($525,000 USD), which consists of cash payments of $47,900 ($50,000 USD) upon signing of the agreement with another $41,447 ($43,267 USD) of deferred cash payments paid over the first two quarters of 2012. The Company made payments related to contingent consideration of ten percent royalty during the first year, based on the aggregate gross revenues earned for the existing SI customers to a maximum of $239,500 ($250,000 USD) and a five percent royalty paid during the second year, based on the aggregate gross revenues earned for the existing SI customers to a maximum of $167,650 ($175,000 USD). On the date of the acquisition the Company recorded the fair value of the contingent consideration at $341,376. The initially recognized contingent consideration represents the present value of the Company's estimate of the probability-weighted cash outflows. It reflects management's estimate of the maximum royalty payments which have been discounted using an interest rate of 18%. For the year ended December 31, 2013, the acquired business added revenues of $3,545,130 (2012 - $3,815,770). Acquisition-related costs amounting to $4,850 are not included as part of the consideration transferred and have been recognized as general and administrative expenses.

5. CONTINGENT CONSIDERATION

The following table summarizes information about contingent consideration (See Note 4):

		As at December 31, 2013		As at December 31, 2012
Contingent consideration due to GCS in the form of royalty payments based on future revenue (see Note 4), opening	$	120,273	$	247,390
Paid during the year	$	(92,152)	$	(138,924)
Loss (gain) on fair value	$	(27,257)	$	16,179
Gain on foreign exchange	$	(864)	$	(4,372)
Contingent consideration	$	-	$	120,273
Less current portion	$	-	$	(120,273)
Long-term portion	$	-	$	-

6. SEGMENTED INFORMATION

The Company provides services to its customers in a market referred to as data collection and reporting services. The Company evaluates performance and allocates resources on the same basis as the statement of operations. The CEO is the chief operation decision maker of the Company.

Revenues and expenses from various data collection methodologies are defined in the In-Touch financial statements as electronic data collection ("EDC") and government services revenues and expenses are defined as information management systems ("IMS").

The following is an analysis of the reported segment revenues and expenses reconciled to the Company's consolidated financial statements. The analysis also provides the additions to non-current assets allocated to the segments

The unallocated corporate expenses are mainly costs associated to running the public Company and include Board of Director fees, shareholder reporting fees and public company listing fees.

(in Canadian Dollars)

For the year ending December 31, 2013	**EDC**	**IMS**	**Total Segments**	**Unallocated corporate expenses**	**Total**
Revenue from external customers	$ 9,964,800	$ 692,675	$ 10,657,475	$ -	$ 10,657,475
Cost of services	$ 4,312,556	$ 519,694	$ 4,832,250	$ -	$ 4,832,250
Gross margin	$ 5,652,244	$ 172,981	$ 5,825,225	$ -	$ 5,825,225
Expenses	$ (5,118,846)	$ (354,341)	$ (5,473,187)	$ (109,369)	$ (5,582,556)
Finance costs	$ (35,434)	$ -	$ (35,434)	$ (9,167)	$ (44,601)
Gain on fair value of contingent consideration	$ 27,257	$ -	$ 27,257	$ -	$ 27,257
Net earnings (loss) before income taxes	$ 525,221	$ (181,360)	$ 343,861	$ (118,536)	$ 225,325
Property and equipment additions	$ 222,675	$ -	$ 222,675	$ -	$ 222,675

For the year ending December 31, 2012	**EDC**	**IMS**	**Total Segments**	**Unallocated corporate expenses**	**Total**
Revenue from external customers	$ 8,211,153	$ 2,508,639	$ 10,719,792	$ -	$ 10,719,792
Cost of services	$ 3,828,478	$ 1,682,229	$ 5,510,707	$ -	$ 5,510,707
Gross margin	$ 4,382,675	$ 826,410	$ 5,209,085	$ -	$ 5,209,085
Expenses	$ (4,015,161)	$ (255,219)	$ (4,270,380)	$ (177,343)	$ (4,447,723)
Finance costs	$ (103,668)	$ -	$ (103,668)	$ (9,167)	$ (112,835)
Loss on fair value of contingent consideration	$ (16,179)	$ -	$ (16,179)	$ -	$ (16,179)
Net earnings (loss) before income taxes	$ 247,667	$ 571,191	$ 818,858	$ (186,510)	$ 632,348
Property and equipment additions	$ 201,168	$ -	$ 201,168	$ -	$ 201,168

Geographical

The Company reports its revenue by geographical location of its customers. No significant property and equipment are maintained outside of Canada.

	2013	2012
Canada	$ 3,179,625	$ 5,498,909
US	$ 7,477,850	$ 5,220,883
Total revenue	$ 10,657,475	$ 10,719,792

Major customers

Revenues from specific clients, each with 10% or more of total Company revenues, are summarized as following:

	Reporting segment	2013	2012
Customer 1	EDC	$ 2,335,197	$ 1,645,229
Customer 2	IMS	$ -	$ 2,505,139
Total dollars		$ 2,335,197	$ 4,150,368

(in Canadian Dollars)

Major trade receivables

Trade receivables from specific clients, each with 10% or more of total Company trade receivables, are summarized as follows:

	Reporting segment	2013	2012
Customer 1	EDC	$ 157,110	$ 260,558
Customer 2	IMS	$ -	$ 300,185
Customer 3	EDC	$ -	$ 218,122
Total dollars		$ 157,110	$ 778,865

7. COST OF SERVICES

During the year ended December 31, 2013 the Company recorded amortization expense of $123,652 (December 31, 2012 - $201,769) within cost of services. Salaries and benefits charged to cost of services was $1,185,242 in 2013 compared to $1,220,554 in 2012. Gain on disposal of kiosks and kiosk tablets charged to cost of services was $1,675 compared to a loss of $62,165 in 2012.

8. SELLING EXPENSES

Selling expenses for the Company are broken down as follows:

	2013	2012
Marketing expenses	$ 215,026	$ 193,835
Travel expenses	$ 197,790	$ 165,095
Salaries and benefits	$ 641,924	$ 462,090
Selling expenses	$ 1,054,740	$ 821,020

9. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the Company are broken down as follows:

	2013	2012
Corporate administration	$ 849,528	$ 679,715
Consultant fees	$ 175,118	$ 212,801
Professional fees	$ 197,317	$ 182,085
Listing fees	$ 46,739	$ 57,891
Salaries and benefits(1)	$ 1,643,161	$ 1,381,444
Loss on disposal of property and equipment	$ 30,365	$ 1,061
Loss (gain) on foreign exchange	$ (44,371)	$ 42,097
Amortization expense	$ 254,707	$ 150,291
General and administrative expenses	$ 3,152,564	$ 2,707,385

(1) Share-based compensation (a non-cash item) of $141,275 (2012 - $90,510) has been included in Salaries and benefits

10. PRODUCT DEVELOPMENT EXPENSES

Product development expenses for the Company are broken down as follows:

	2013	2012
Salaries and benefits	$ 1,375,252	$ 919,318
Product development expenses	$ 1,375,252	$ 919,318

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the relevant periods is based on the following information:

(in Canadian Dollars)

	2013	2012
Weighted average number of common shares - basic	14,832,349	14,226,312
Additions to reflect the dilutive effect of employee stock options	590,003	828,327
Weighted average number of common shares - diluted	15,422,352	15,054,639

12. EMPLOYEE REMUNERATION

Employee remuneration expenses for the Company are broken down as follows:

	2013	2012
Salaries and benefits	$ 4,704,304	$ 3,892,896
Share-based compensation	$ 141,275	$ 90,510
Total salaries, benefits and share-based compensation	$ 4,845,579	$ 3,983,406

13. CASH AND CASH EQUIVALENTS

	As at December 31, 2013	As at December 31, 2012
Cash at bank	$ 716,227	$ 94,542
Short-term deposits	$ -	$ 400,000
Total cash and cash equivalents	$ 716,227	$ 494,542

14. TRADE AND OTHER RECEIVABLES

Trade and other receivables consists primarily of trade receivable from billings of consulting, custom development, system use and license fees and reports as well as other receivables.

	As at December 31, 2013	As at December 31, 2012
Trade accounts receivable, gross	$ 1,175,922	$ 1,520,805
Allowance for doubful accounts	$ -	$ -
Trade accounts receivable, net	$ 1,175,922	$ 1,520,805
Unbilled receivables	$ 63,496	$ 115,931
Trade and other receivables	$ 1,239,418	$ 1,636,736

Trade receivables past due but not impaired can be shown as follows:

	As at December 31, 2013	As at December 31, 2012
1 - 60 days past due	$ 641,122	$ 495,195
Greater than 60 days past due	$ 40,811	$ 123,148
	$ 681,933	$ 618,343

Management considers that the above-stated financial assets, including those 1-60 days and greater than 60 days, are of good credit quality. See Note 30 for a discussion of the Company's credit risk management activities.

The amounts recognized in the consolidated statements of financial position relating to contracts in progress at year-end are determined as follows:

(in Canadian Dollars)

	As at December 31, 2013	As at December 31, 2012
Aggregate amount of cost incurred and recognised in earnings for all contracts in progress	$ 9,964,800	$ 8,211,153
Less progress billings	$ 10,300,524	$ 8,117,052
	$ (335,724)	$ 94,101
Unbilled receivables	$ 63,496	$ 115,931
Deferred revenue	$ 399,220	$ 21,830

15. PROPERTY AND EQUIPMENT

The following tables summarize the changes in the carrying amount of property and equipment:

	Computer Equipment	Kiosks	Kiosk Tablets	Furniture and Equipment	Leasehold Improvements	Total
Cost:						
At December 31, 2011	$ 223,779	$ 980,245	$ 968,563	$ 92,795	$ -	$ 2,265,382
Additions	$ 73,170	$ -	$ 96,899	$ 31,099	$ -	$ 201,168
Disposals	$ (9,836)	$ (596,448)	$ (13,322)	$ -	$ -	$ (619,606)
At December 31, 2012	$ 287,113	$ 383,797	$ 1,052,140	$ 123,894	$ -	$ 1,846,944
Additions	$ 29,007	$ -	$ 70,659	$ 91,059	$ 31,950	$ 222,675
Disposals	$ (150,408)	$ -	$ (788,578)	$ (53,238)	$ -	$ (992,224)
At December 31, 2013	$ 165,712	$ 383,797	$ 334,221	$ 161,715	$ 31,950	$ 1,077,395

	Computer Equipment	Kiosks	Kiosk Tablets	Furniture and Equipment	Leasehold Improvements	Total
Accumulated Amortization:						
At December 31, 2011	$ 147,535	$ 679,006	$ 728,801	$ 49,210	$ -	$ 1,604,552
Amortization	$ 45,619	$ 72,054	$ 129,715	$ 14,013	$ -	$ 261,401
Disposals	$ (8,433)	$ (522,689)	$ (3,402)	$ -	$ -	$ (534,524)
At December 31, 2012	$ 184,721	$ 228,371	$ 855,114	$ 63,223	$ -	$ 1,331,429
Amortization	$ 32,028	$ 31,085	$ 92,567	$ 9,280	$ 5,438	$ 170,398
Disposals	$ (135,778)	$ -	$ (787,196)	$ (35,592)		$ (958,566)
At December 31, 2013	$ 80,971	$ 259,456	$ 160,485	$ 36,911	$ 5,438	$ 543,261

	Computer Equipment	Kiosks	Kiosk Tablets	Furniture and Equipment	Leasehold Improvements	Total
Carrying amounts:						
At December 31, 2012	$ 102,392	$ 155,426	$ 197,026	$ 60,671	$ -	$ 515,515
At December 31, 2013	$ 84,741	$ 124,341	$ 173,736	$ 124,804	$ 26,512	$ 534,134

All of the above assets are pledged as security for debt obligations as identified in Note 19. There were no impairment indicators as at the end of December 2013 and 2012. Amortization of $123,652 is included in cost of services while an amount of $46,746 is included in general and administrative expenses.

(in Canadian Dollars)

16. INTANGIBLE ASSETS

Cost:	Acquired Trademarks	Acquired customer relationships	Acquired Shopper/ Auditor database	Software	Total
At December 31, 2011 and 2012	$ -	$ 409,837	$ 41,460	$ -	$ 451,297
Additions: Business combination (Note 4)	89,646	729,389	94,739	175,216	1,088,990
At December 31, 2013	$ 89,646	$ 1,139,226	$ 136,199	$ 175,216	$ 1,540,287
Accumulated Amortization:					
At December 31, 2011	$ -	$ 26,631	$ 14,715		$ 41,346
Amortization	-	63,914	26,745	-	90,659
At December 31, 2012	$ -	$ 90,545	$ 41,460	$ -	$ 132,005
Amortization	6,723	133,749	23,685	43,804	207,961
At December 31, 2013	$ 6,723	$ 224,294	$ 65,145	$ 43,804	$ 339,966
Carrying Amounts:					
At December 31, 2012	$ -	$ 319,292	$ -		$ 319,292
At December 31, 2013	$ 82,923	$ 914,932	$ 71,054	$ 131,412	$ 1,200,321

The additions to the above assets are the result of a business combination as presented in Note 4.

The remaining amortization period is nine years for the trademarks, seven years for the customer relationships and two years for the auditor database. Amortization expense is recorded in general and administrative expenses (Note 9).

17. CREDIT FACILITIES

At the year ended December 31, 2013, bank indebtedness was $Nil ($Nil at December 31, 2012). The Company has credit facilities with a chartered bank that will provide credit facilities up to $1,250,000 which is composed of a $1,000,000 demand operating loan at prime plus 1.5% (2012 – prime plus 1.5%) and a $250,000 committed term facility at prime plus 2% (2012 – prime plus 2%), and they are repayable upon demand and secured by a general security agreement. The Company is on-side with all financial covenant ratios. The carrying amounts of any borrowings are considered to be a reasonable approximation of fair value. On January 22, 2014, the Company renewed its banking agreement that will provide credit facilities up to $2,100,000 which is composed of a $1,600,000 demand operating loan at prime plus 1.5% and a $500,000 committed term loan facility at prime plus 1.8% specific to the purchase of kiosks and kiosk tablets. The loans are repayable upon demand and secured by a general security agreement.

18. TRADE AND OTHER LIABILITIES

	As at December 31, 2013	As at December 31, 2012
Trade payables	$ 285,286	$ 185,571
Accrued liabilities and interest payable	$ 53,359	$ 247,452
Total accounts payable and accrued liabilities	$ 338,645	$ 433,023

(in Canadian Dollars)

19. LONG TERM DEBT

	As at December 31, 2013	As at December 31, 2012
Installment loan, repayable in monthly installments of $10,417 plus interest at prime plus 2.0% at December 31, 2013 and 2012, secured by a general security agreement over underlying assets and maturing on April 26, 2014.	$ 41,667	$ 166,667
Installment loan,bearing interest at 13.5%, repayable in 47 monthly installments of $5,100 and a final payment of $158,543 subject to cash flow sweeps based on excess available funds, secured by a general security agreement over underlying assets, maturing December 23, 2015.	$ 275,843	$ 337,043
Promissory note related to MarketLine acquisition, bearing interest at 7%, repayable in blended principal and interest 60 monthly installments of $1,004 USD ($999 CDN)and a final payment of $50,721 USD ($50,462 CDN) on May 1, 2013, unsecured.	$ -	$ 53,926
	$ 317,510	$ 557,636
Current portion of long-term debt	$ 152,867	$ 290,126
Total long-term debt	$ 164,643	$ 267,510

20. OPERATING LEASES

The Company has non-cancellable operating lease agreements for office space with terms extending to the year 2017. The operating lease rentals payable under these agreements are as follows:

	As at December 31, 2013	As at December 31, 2012
Less than one year	$ 261,504	$ 223,505
Between one and five years	$ 379,700	$ 439,032
More than five years	$ -	$ -
Total operating lease rental payments payable	$ 641,204	$ 662,537

Operating lease expenses, which are charged to general and administrative expenses, were $242,201 for 2013 compared to $220,201 for 2012.

21. SHARE CAPITAL

Authorized:
The share capital of the Company consists of an unlimited number of common shares, without par value. All shares are equally eligible to receive dividends, the repayment of capital and represent one vote at the shareholders' meetings.

	Number of Common Shares issued and fully paid	Value
Balance at December 31, 2011 and 2012	14,226,312	$ 8,395,401
Issuance of common shares from exercise of options	681,666	73,825
Stated capital reduction		(5,542,900)
Balance at December 31, 2013	**14,907,978**	**$ 2,926,326**

(in Canadian Dollars)

On June 19, 2013, at the Annual and Special meeting of Shareholders, the Shareholders approved the special resolution reducing the stated capital account maintained in respect of the Common Shares of the Company by the amount of the consolidated accumulated accounting deficit as shown on the interim condensed consolidated financial statements for June 30, 2013. The condensed consolidated financial statements for June 30, 2013, showed an accumulated accounting deficit of $5,542,900.

22. STOCK OPTION PLAN

The stock option plan is applicable to directors, officers, employees and consultants of the Company. The options are granted at the Company's current fair market value of the common shares under terms and conditions determined by the Board of Directors. Under the terms of the plan, the options generally vest proportionately over a three-year period and expire five years from the date of the grant. Certain options issued have reduced vesting periods and expiry dates. The Board of Directors has the right to modify vesting periods at the time of option grant. There were 745,000 options issued in 2013 (640,000 in 2012). The employee compensation expense related to options vested in fiscal 2013 is $141,275 (2012 - $90,510). The Company may issue up to 2,159,596 (2012 – 2,841,262) options for common shares under its stock option plan. At December 31, 2013, 449,596 common shares (616,262 at December 31, 2012) are reserved for additional options under this plan.

Pursuant to a resolution at the 2011 Annual General and Special Meeting, the Company's stock option plan was renewed until the 2014 Annual General Meeting.

A summary of the status of the Company's issued and outstanding stock options as of December 31, 2013 and December 31, 2012, and changes during the years ended on those dates, is presented below:

	2013		2012	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Outstanding, beginning of year	**2,225,000**	**$ 0.24**	1,800,000	$ 0.19
Granted	**745,000**	**0.28**	640,000	0.36
Exercised	**(681,666)**	**0.10**	-	-
Forfeited	**(578,334)**	**0.32**	(215,000)	0.23
Expired	**-**	**-**	-	-
Outstanding, end of year	**1,710,000**	**$ 0.28**	2,225,000	$ 0.24

The weighted average share price at the date of exercise was $0.30 (N/A in 2012).

The following table summarizes information about stock options as at December 31, 2013:

	Options Outstanding		**Options Exercisable**
Exercise prices	Number outstanding at Dec 31, 2013	Weighted average remaining contractual life (years)	Number exercisable at Dec 31, 2013
$0.20	220,000	0.08	146,667
$0.22	185,000	4.92	-
$0.235	120,000	0.58	80,001
$0.28	390,000	0.75	260,001
$0.30	485,000	4.25	-
$0.32	10,000	3.50	3,333
$0.36	300,000	3.50	100,001
$ 0.20 to $ 0.36	1,710,000	1.76	590,003

The weighted average exercise price was $0.27 in 2013 (2012 - $0.18) for exercisable options.

(in Canadian Dollars)

The following table summarizes information about stock options as at December 31, 2012:

	Options Outstanding		Options Exercisable
Exercise prices	Number outstanding at Dec 31, 2012	Weighted average remaining contractual life (years)	Number exercisable at Dec 31, 2012
$0.10	690,000	0.14	459,999
$0.20	235,000	1.08	78,333
$0.235	150,000	1.58	49,998
$0.27	10,000	4.50	-
$0.28	410,000	1.75	136,664
$0.32	10,000	4.50	-
$0.33	100,000	1.96	33,333
$0.35	200,000	3.50	66,667
$0.36	400,000	4.50	-
$0.37	20,000	4.04	3,333
$ 0.10 to $ 0.37	2,225,000	2.76	828,327

The Company uses the Black-Scholes model to calculate option values. The assumptions using the Black-Scholes option pricing model for 2013 were: a weighted average share price of $0.27 and an exercise price of $0.28, risk free interest rate of 1.3% to 1.5%, volatility of 58% to 110% with no expected dividend yield, 25% assumed forfeiture and a five year estimated life. Assumptions for 2012 were: a weighted average share price and exercise price of $0.36, risk free interest rate of 1.2% to 1.3%, volatility of 110% to 112% with no expected dividend yield, 25% assumed forfeiture and a four to five year estimated life.

The underlying expected volatility was determined by reference to historical data of the Company's shares over the expected life of the option.

The fair value of stock options granted during fiscal 2013 was $0.27 (2012 - $0.32).

23. CASH FLOW INFORMATION

Net change in non-cash working capital items is comprised of:

	2013	2012
Trade and other receivables	$ 397,317	$ 744,365
Prepaid expenses and deposits	$ (69,181)	$ (15,179)
Trade and other liabilities	$ (94,378)	$ (486,076)
Income taxes payable	$ (8,080)	$ (5,820)
Deferred revenue	$ 377,390	$ (119,939)
Net change in non-cash working capital	$ 603,068	$ 117,351

24. FINANCE COSTS

Finance costs may be analyzed as follows for the fiscal year ending 2013 and 2012:

	2013	2012
Interest expense on loans	$ 52,294	$ 85,306
Interest expense (recovery) on contingent consideration	$ (7,693)	$ 27,529
Finance costs	$ 44,601	$ 112,835

25. INVESTMENT TAX CREDITS AND INCOME TAXES

Research and development expenses

As at December 31, 2013, the Company has research and development costs of approximately $365,000 (2012 - $371,000) which are available indefinitely to reduce future years' Canadian taxable income. The Company also has investment tax credit carry forwards of $176,000 (2012 - $176,000) which may be utilized to reduce future Canadian taxable income. These tax credits expire between 2022 and 2029. The future tax benefits associated with undeducted research and development costs and investment tax credit carry forwards has been recognized in the financial statements.

(in Canadian Dollars)

Tax loss carry forwards

As at December 31, 2013, the Company has non-capital losses in a foreign subsidiary, for which no deferred tax asset was recorded. These losses expire as follows:

	USA
2029	$ 234,809
2030	$ 34,723
2031	$ 829
2032	$ 47,482
2033	$ 18,578
	$ 336,421

The ability to realize the tax benefits from these losses, deductible temporary differences and investment tax credits is dependent upon a number of factors, including the future profitability of operations in the jurisdictions in which the tax losses, deductible temporary differences and investment tax credits arose. Deferred tax assets are recognized in respect of temporary differences giving rise to deferred tax assets only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recovered. This determination is based on the management's quantitative and qualitative assessments and the weighing of all available evidence, both positive and negative. Such evidence included, notably, historical performance over the past two years and the Company's projected future taxable income.

Accordingly, no deferred tax asset has been recognized on the following temporary differences:

	USA	
	December 31, 2013	December 31, 2012
Property and equipment	$ 114,401	$ 7,328
Deferred revenue	$ 53,917	$ -
Non-capital losses	$ 336,421	$ 297,313
	$ 504,739	$ 304,641

Deferred tax assets arising from temporary differences and unused tax losses that have been recorded and can be summarized as follows:

	As at December 31, 2012	Recognized in net earnings	Recognized in business acquisition	As at December 31, 2013
Property and equipment	$ 295,576	$ (112,001)		$ 183,575
Intangible assets	$ (12,665)	$ 35,798	$ (75,384)	$ (52,251)
Investment tax credits recoverable	$ (46,677)	$ -		$ (46,677)
Share issue costs	$ 10,900	$ (1,816)		$ 9,084
Non-capital losses	$ 464,348	$ (17,434)		$ 446,914
SR&ED expenditure pool	$ 98,203	$ (1,402)		$ 96,801
Other	$ (3,205)	$ 3,205		$ -
	$ 806,480	$ (93,650)	$ (75,384)	$ 637,446

The major components of deferred tax expense (recovery) can be summarized as follows:

	As at December 31, 2013	As at December 31, 2012
Origination and reversal of timing differences	$ 56,106	$ 184,071
Effect of change in tax rate	$ -	$ (40,931)
Adjustment of prior year deferred taxes	$ 2,007	$ (205,111)
Tax effect of temporary differences for which no deferred tax assets was recorded	$ 35,537	$ (345,979)
	$ 93,650	$ (407,950)

Tax rate reconciliation

The actual tax provision differs from the expected provision based on the combined federal and provincial income tax rates for the following reasons:

(in Canadian Dollars)

	As at December 31, 2013	As at December 31, 2012
Income before income taxes	$ 225,325	$ 632,348
Combined Canadian Statutory tax rate	26.5%	26.5%
Expected tax expense (recovery)	$ 59,711	$ 167,572
Permanent differences	$ 39,065	$ 25,582
Foreign tax rate differences	$ (18,996)	$ (157)
Effect of change in tax rates	$ -	$ (40,931)
Current tax relating to prior years	$ (7,505)	$ -
Deferred tax relating to prior years	$ 2,007	$ -
Effect of temporary differences not recognized as deferred tax assets	$ 35,537	$ (345,979)
Other	$ (16,169)	$ (29,818)
Investment tax credits not previously recognized	$ -	$ (176,139)
	$ 93,650	$ (399,870)
Income tax comprises:		
Current income tax	$ -	$ 8,080
Deferred income tax	$ 93,650	$ (407,950)
	$ 93,650	$ (399,870)

As at December 31, 2013, the Company had temporary differences of $98,107 associated with investment in subsidiaries for which no deferred tax liabilities have been recognized, as the Corporation is able to control the timing of the reversal of these temporary differences and it is not probable that these temporary differences will reverse in the foreseeable future.

26. KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation for key management personnel, including the Company's Officers and Board of Directors, was as follows for the year:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Salaries	**$ 1,013,085**	$ 1,165,577
Directors' fees	**$ 33,417**	$ 35,500
Share-based compensation	**$ 60,595**	$ 28,284
Total Key Management Compensation	**$ 1,107,097**	$ 1,229,361

Salaries include cash payments for base salaries and bonuses. Director's fees include meeting fees and retainers. Share-based compensation includes the compensation expense recognized during the year for key management personnel.

27. RELATED PARTY TRANSACTIONS

During fiscal 2013, the Company obtained legal and consulting services at a cost of $21,556 (2012 - $4,250) from a law firm in which one of the Company's former directors, Mr. Neil Milton, is a principal. At December 31, 2013 and December 31, 2012, all services had been paid in full and no amounts remained outstanding.

On December 11, 2012, the Company made a loan in the amount of $193,725 to its Chief Executive Officer and a director, Mr. Michael Gaffney, and a loan in the amount of $173,800 to a director, Mr. Neil Milton, to assist them to purchase all of the common shares of the Company held by their respective RRSPs due to recently enacted changes to the Income Tax Act (Canada). The shareholder loans bore interest at the rate of 3% per annum and were secured by a pledge of the shares purchased from their RRSPs. The loans along with interest of $8,685 were paid back to the Company in full during 2013.

The above related party transactions are measured at their exchange amount, which is the amount agreed to by the parties.

28. FINANCIAL INSTRUMENTS

The table below summarizes the carrying values of the Company's financial assets and financial liabilities:

(in Canadian Dollars)

Financial assets:	As at December 31, 2013	As at December 31, 2012
Loans and receivables		
Cash and cash equivalents	$ 716,227	$ 494,542
Trade accounts receivables	$ 1,152,845	$ 1,520,805
Shareholder loans receivable	$ -	$ 368,179
Total financial assets	$ 1,869,072	$ 2,383,526
Financial liabilities:		
Financial liabilities at amortized cost		
Trade and other liabilities	$ 294,090	$ 433,023
Long-term debt	$ 317,510	$ 557,636
	$ 611,600	$ 990,659
Liabilities at fair value through profit or loss		
Contingent consideration	$ -	$ 120,273
	$ -	$ 120,273
Total financial liabilities	$ 611,600	$ 1,110,932

The carrying values of cash and cash equivalents, trade accounts receivables, shareholder loan receivables and trade and other liabilities approximate their fair values due to their relatively short periods to maturity. The contingent consideration is presented at fair value. The fair value of the long-term debt approximates the carrying value as the risk profile of the Company has not changed significantly since those loans were negotiated and the borrowing terms and conditions continue to reflect current market conditions.

The fair value of the contingent consideration was determined based on the estimated revenues to be earned from the acquired customers, using a probability-weighting method. The resulting contingent consideration has been present value based on the resulting cash flows. This reflects management's estimate of the royalty payment which has been discounted using an interest rate of 18%.

The following table presents the Company's financial instruments measured at fair value in the statement of financial position in accordance with the fair value hierarchy:

	December 31, 2013			December 31, 2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Contingent consideration	$ -	$ -	$ -	$ -	$ -	$ 120,273

There has been no change to classification during the years presented.

Level 3 fair value measurements

Contingent consideration classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instrument within this level can be reconciled from the beginning to ending balances as follows:

	December 31, 2013	December 31, 2012
Opening balance	**$ 120,273**	$ 247,390
Payments made	**$ (92,152)**	$ (138,924)
Loss (gain) and gain on foreign exchange recognized in net earnings	**$ (28,121)**	$ 11,807
Closing balance	**$ -**	$ 120,273

Changing inputs to the Level 3 valuations to reasonably consider possible alternative assumptions would not change significantly amounts recognized in net earnings or total liabilities.

Financial instruments measured at amortized cost for which the fair value is disclosed

The fair value of the long-term debt, classified in level 2, is estimated using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market interest rates of similar loans with similar risks.

(in Canadian Dollars)

29. FINANCIAL RISK MANAGEMENT

The Company has exposure to counterparty credit risk, liquidity risk and market risk associated with its financial assets and liabilities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the Audit Committee which is responsible for developing and monitoring the Company's compliance with risk management policies and procedures. The Audit Committee regularly reports to the Board of Directors on its activities.

The Company's risk management program seeks to minimize potential adverse effects on the Company's financial performance and ultimately shareholder value. The Company manages its risks and risk exposures through a combination of insurance, a system of internal and disclosure controls, sound business practices and on occasion derivative financial instruments.

The Company's financial instruments and the nature of the risks which they may be subject to are set out in the following table.

	Risks			
			Market	
	Credit	Liquidity	Foreign Exchange	Interest Rate
Cash and cash equivalents	Yes		Yes	Yes
Trade and other receivables	Yes		Yes	
Shareholder loans receivables	Yes			
Trade and other liabilities		Yes	Yes	
Long-term debt		Yes	Yes	Yes
Contingent consideration		Yes	Yes	

Credit risk

Credit risk arises from cash held with banks, shareholder loans and trade accounts receivables. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Company minimizes the credit risk of cash and cash equivalents by depositing with only reputable financial institutions. The Company assesses the credit quality of counterparties, taking into account their financial position, past experience and other factors. The Company is not aware of any collection issue with any receivable not currently past due.

Cash

Cash consists of bank balances. Credit risk associated with cash is minimized substantially by ensuring that these financial assets are invested in Schedule 1 chartered Canadian banks.

Trade accounts receivables

Trade accounts receivables consists primarily of trade receivables (Note 14) from billings of services performed. The Company's credit risk arises from the possibility that a counterparty which owes the Company money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Company, which would result in a financial loss for the Company.

This risk is mitigated through established credit management techniques, including monitoring counterparty's creditworthiness, setting exposure limits and monitoring exposure against these customer credit limits. The carrying amount of trade accounts receivables are reduced through the use of an allowance for doubtful accounts and the amount of the loss is recognized in the consolidated statement of earnings in general and administrative expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for accounts receivable. Subsequent recoveries of amounts previously written off reduce general and administrative expenses in the statement of operations. Historically trade credit losses have been minimal.

A significant portion of the Company's sales were to a limited number of customers and consequently the Company is exposed to a concentration of credit risk. The Company defines concentration risk as customers whose outstanding receivable is 10% or greater than the total receivable balance or who represent 10% or greater of total revenue (Note 6). The Company's exposure with the one customer that falls into this category as at December 31, 2013, on aggregate, accounts for 13% of the Company's total accounts receivable balance (December 2012 – three customers representing 64%). The one customer is in the pharmaceutical industry. In 2012, of these three customers, one is in the automotive industry and makes up 21% of the total net receivables, one is in the gas and convenience industry and makes up 18% of the total net receivables and the other is in the government services industry making up 25% of the total net receivables. The receivable balances are monitored very closely and the pharmaceutical customer is a Fortune 500 company.

The Company does not have any allowance for doubtful accounts as at December 31, 2013 and 2012. For details of the aging of the Company's trade receivables see Note 14.

(in Canadian Dollars)

Shareholder loans receivable

Shareholder loans are considered current assets and are repayable in full including interest. Shareholder loans outstanding as at December 31, 2012 were secured by a pledge of common shares and repaid in full including interest during 2013 (see Note 27).

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 manages liquidity risk by continuously monitoring forecasts and actual cash flows for all of its business units and taking the necessary actions to maintain enough liquidity for operations and for growth objectives.

The following table details the Company's contractual maturities for its financial liabilities as at December 31, 2013 and 2012:

	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year and not later than five years	Total
As at December 31, 2013:					
Trade and other payables	$ 338,645	$ -	$ -	$ -	$ 338,645
Long term debt	$ 18,840	$ 42,575	$ 127,470	$ 181,400	$ 370,285
Contingent consideration	$ -	$ -	$ -	$ -	$ -
	$ 357,485	$ 42,575	$ 127,470	$ 181,400	$ 708,930
As at December 31, 2012:					
Trade and other payables	$ 433,023	$ -	$ -	$ -	$ 433,023
Long term debt	$ 21,128	$ 58,208	$ 310,395	$ 281,785	$ 671,516
Contingent consideration	$ 14,509	$ 43,527	$ 62,237	$ -	$ 120,273
	$ 468,660	$ 101,735	$ 372,632	$ 281,785	$ 1,224,812

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the fair value of a financial instrument or its future cash flows.

Foreign exchange

The Company operates in Canada and the United States.

As at December 31, 2013, the Canadian entities US-dollar net monetary assets totaled approximately US$1,628,032 (CDN$1,731,580)(December 31, 2012 US$582,294(CDN$579,324)) and the Company's United States subsidiaries US-dollar monetary net assets totaled approximately US$535,238 (CDN$569,281))(December 31, 2012 US$(21,874) CDN($21,762)). A 10% strengthening in the Canadian dollar against the United States dollar as at December 31, 2013 would have decreased net earnings and shareholders' equity by $230,086 (December 31, 2012 a decrease of $59,079) (a 10% weakening would have had the equal but opposite effect). This analysis assumes that all other variables remain constant.

Interest rate

The Company has cash and cash equivalents balances which are exposed to interest rate fluctuations. On December 31, 2013, cash and cash equivalents totaled $716,227 (December 31, 2012 - $494,542). An increase of 1% of the basis point in the market interest rate would have had a nominal effect on net earnings for the year ended December 31, 2013. The Company has debt obligations with fixed rates. Any future refinancing at higher rates would have an adverse effect on the Company's performance. The Company also has loans with variable rates which are exposed to interest rate fluctuations. A 1% variation would have an approximate $2,758 effect as at December 31, 2013 on net earnings and shareholders' equity (December 31, 2012 - $3,910).

30. CAPITAL MANAGEMENT

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, purchase and cancel shares previously issued, return capital to shareholders or sell assets to reduce debt. The Company considers the items included in the consolidated statement of shareholders' equity, long-term debt (including current portion), net of cash and cash equivalents as its capital.

(in Canadian Dollars)

The Company also has certain positive covenants that it must meet with a Schedule 1 chartered Canadian bank in regards to its bank indebtedness, namely, a tangible net worth of at least $1,000,000. Throughout 2013 and as at December 31, 2013 the Company is compliant with all its covenants.

	As at December 31, 2013	As at December 31, 2012
Long-term debt, including current portion	$ 317,510	$ 557,636
Less cash and cash equivalents	$ 716,227	$ 494,542
Net debt (surplus)	$ (398,717)	$ 63,094
Shareholders' equity	$ 3,576,480	$ 3,235,030
Total capital, net	$ 3,177,763	$ 3,298,124
Net debt (surplus) as a percentage of total capital	-13%	2%

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company targets year over year revenue increases with positive increases in earnings before interest, tax and amortization. These objectives are met through operational changes to enhance cash flow performance, the evaluation of acquisitions as they relate to the Company's market share and performance, and risk mitigation.

The Company is not subject to any statutory capital requirements and has no commitments, other than options, to sell or otherwise issue common shares.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2013 compared to the year ended December 31, 2012. The Company was successful in meeting its objectives.

31. SUBSEQUENT EVENTS

On January 24, 2014, 160,000 common shares were issued for the amount of $32,000 as a result from the exercise of stock options. The total number of common shares outstanding as of the date of these financial statements is 15,067,978.