Consolidated Financial Statements of

BSM TECHNOLOGIES INC.

Years ended September 30, 2013 and 2012

December 16, 2013

Independent Auditor's Report

To the Shareholders of
BSM Technologies Inc.

We have audited the accompanying consolidated financial statements of BSM Technologies Inc. and its subsidiaries, which comprise the consolidated balance sheets as at September 30, 2013 and September 30, 2012 and the consolidated statements of operations and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of BSM Technologies Inc. and its subsidiaries as at September 30, 2013 and September 30, 2012 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

BSM TECHNOLOGIES INC.

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Years ended September 30, 2013 and 2012

BSM TECHNOLOGIES INC.

Consolidated Balance Sheet

In Canadian Dollars

	Note	As at September 30, 2013	As at September 30, 2012
Assets			
Current assets:			
Cash and cash equivalents	4	**$ 10,251,340**	$ 3,024,963
Restricted cash related to contingent consideration	4	**2,500,000**	-
Accounts receivable	5	**3,444,932**	2,389,391
Current portion of investment in finance leases	7	**612,996**	520,286
Investment tax credits receivable		**192,519**	-
Inventories	6	**1,918,675**	585,304
Prepaid expenses and other assets		**268,420**	213,944
		19,188,882	6,733,888
Property and equipment	9	**638,598**	391,826
Long-term investment in finance leases	7	**647,267**	461,413
Intangible assets	10, 17	**7,772,183**	788,517
Deferred tax asset	19	**8,436,561**	-
Goodwill	3, 17	**7,724,608**	1,178,608
		$44,408,099	$ 9,554,252
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable		**$2,522,437**	$ 1,861,208
Accrued liabilities		**2,096,373**	1,415,659
Current portion of finance lease obligations		**-**	2,132
Current portion of long term debt	11	**1,400,000**	-
Current portion of contingent consideration	17	**2,251,829**	-
Provisions	12	**1,270,571**	648,109
Tax payable		**295,988**	-
Deferred revenue		**180,837**	31,520
		10,018,035	3,958,628
Long-term debt	11	**5,129,035**	-
Long-term Contingent consideration	17	**1,802,564**	-
Shareholders' equity:			
Share capital:	8		
Common shares		**29,996,041**	20,920,961
Contributed surplus		**5,885,286**	2,621,808
Deficit		**(8,422,862)**	(17,947,145)
		27,458,465	5,595,624
		$44,408,099	$ 9,554,252

See accompanying notes to consolidated financial statements.

‘Frank Maw’ Director *‘Aly Rahemtulla’* Director

BSM TECHNOLOGIES INC.

Consolidated Statements of Operations and Comprehensive Income

In Canadian Dollars

		Year ended September 30	
	Note	**2013**	2012
Revenue		**$ 19,206,824**	$ 13,811,616
Cost of revenue		**7,195,413**	4,600,119
Gross profit		**12,011,411**	9,211,497
Expenses:			
Marketing, advertising and promotion		**2,301,134**	1,961,709
Research and development, net of investment tax credits		**2,127,920**	1,650,446
General and administrative		**4,760,824**	4,149,479
Acquisition, integration and restructuring related costs	*17*	**1,799,075**	-
Share-based compensation	*8*	**815,492**	-
Interest income from finance leases		**(87,662)**	(79,989)
Income from operations		**294,628**	1,529,852
Interest expense		**(160,505)**	(4,417)
Interest received		**67,098**	15,476
Income before tax		**$ 201,221**	$ 1,540,911
Current tax expense		**346,665**	-
Deferred tax recovery	*19*	**(9,669,727)**	-
Net income and comprehensive income for the period		**$ 9,524,283**	$ 1,540,911
Earnings per share	*8*		
Basic		**$ 0.294**	$ 0.053
Diluted		**$0.290**	$ 0.053
Weighted average number of shares	*8*		
Basic		**32,394,262**	28,928,230
diluted		**32,864,529**	28,928,230

See accompanying notes to consolidated financial statements.

BSM TECHNOLOGIES INC.

Consolidated Statements of Changes in Shareholders' Equity

In Canadian Dollars

	Note	**Common shares**	**Contributed surplus**	**Deficit**	**Total Equity**
Balance September 30, 2011		$ 21,299,638	$ 2,621,808	$(19,488,056)	$ 4,433,390
Share repurchase		(378,677)	-	-	(378,677)
Comprehensive income for the period		-	-	1,540,911	1,540,911
Balance September 30, 2012		$ 20,920,961	$ 2,621,808	$(17,947,145)	$ 5,595,624
Balance September 30, 2012		$ 20,920,961	$ 2,621,808	$(17,947,145)	$ 5,595,624
Share-based compensation expense	*8*	-	815,492	-	815,492
Net proceeds from share issuance	*8*	7,598,142	164,861	-	7,763,003
Options exercised	*8*	476,938		-	476,938
Shares issued for acquisition	*8*	1,000,000		-	1,000,000
Contingent share consideration	*17*	-	2,283,125	-	2,283,125
Net income and comprehensive income for the period		-	-	9,524,283	9,524,283
Balance September 30, 2013		**$ 29,996,041**	**$ 5,885,286**	**$ (8,422,862)**	**$27,458,465**

See accompanying notes to consolidated financial statements.

BSM TECHNOLOGIES INC.

Consolidated Statements of Cash Flows

In Canadian Dollars

		Years ended September 30	
	Note	**2013**	2012
Cash provided by (used in):			
Operating activities:			
Net income and comprehensive income		**$ 9,524,283**	$ 1,540,911
Items not involving cash:			
Amortization of property and equipment	*9*	**128,008**	74,112
Amortization of intangible assets	*10*	**670,575**	235,075
Amortization of financing costs		**10,800**	-
Current and deferred tax expense		**(9,769,367)**	-
Revaluation of contingent consideration		**87,455**	-
Loss on sale of asset		**3,361**	1,000
Share-based compensation expense	*8*	**815,492**	-
Change in non-cash operating working capital	*14*	**491,489**	43,006
Net cash provided by operating activities		**1,962,096**	1,894,104
Financing activities:			
Share repurchase		**-**	(378,678)
Proceeds from long-term debt	*11*	**6,868,235**	-
Repayment of long-term debt		**(350,000)**	-
Issuance of common shares	*8*	**8,151,748**	-
Capital lease payments		**(2,132)**	(7,817)
Net cash provided by (used in) financing activities		**14,667,851**	(386,495)
Investing activities:			
Acquisition of AutoVision net of cash acquired	*17*	**(6,761,303)**	-
Restricted cash related to contingent consideration	*4*	**(2,500,000)**	-
Investment in intangibles	*10*	**(54,241)**	(285,830)
Acquisition of property and equipment	*9*	**(88,026)**	(155,032)
Net cash used in investing activities		**(9,403,570)**	(440,862)
Net increase in			
cash and cash equivalents during the period		**7,226,377**	1,066,747
Cash and cash equivalents, beginning of period		**3,024,963**	1,958,216
Cash and cash equivalents, end of period		**$10,251,340**	$ 3,024,963

See accompanying notes to consolidated financial statements.

1. General information

BSM Technologies Inc. and its subsidiaries (together "BSM" or the "Company") design and sell secure wireless applications to customers in Canada, the USA and around the world. The address of its registered office is 75 International Blvd, Toronto, Ontario, Canada. The Company is incorporated and domiciled in Canada. The Company is a public company and its shares trade under the symbol "GPS" on the Toronto Stock Exchange - Venture ("TSX-V").

2. Basis of presentation

These annual consolidated financial statements for the years ended September 30, 2013 and 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of annual financial statements.

The Board of Directors approved the annual consolidated financial statements on December 16, 2013.

The annual consolidated financial statements are presented in Canadian dollars.

3. Significant accounting policies

The most significant accounting policies are as follows:

(a) Basis of measurement

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

(b) Basis of consolidation:

These financial statements consolidate the accounts of the Company and its wholly owned subsidiaries. Subsidiaries are those entities which the Company controls by having the power to, directly or indirectly, govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases. Intercompany transactions, balances, income and expenses, and profits and losses are eliminated.

(c) Property and equipment:

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

Depreciation is calculated on a diminishing balance method to write off the cost of the assets to their residual values over their estimated useful lives. The depreciation rates applicable to each category of property and equipment are as follows:

Computer equipment	30% per annum
Leased computer equipment	30% per annum
Furniture and office equipment	20% per annum
Vehicles	30% per annum

Leasehold improvements are amortized on a straight-line basis over the term of the lease.

Residual values, method of depreciation and useful lives of the assets are reviewed at least annually and adjusted if appropriate.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying value of the asset and are included as part of other gains and losses in the consolidated statement of operations.

(d) Intangible assets:

The Company's identifiable intangible assets are stated at cost, less accumulated amortization and accumulated impairments. These assets are capitalized and amortized on a straight-line basis in the consolidated statement of operations over the period of their expected useful lives as follows:

Trademarks and patents	3 years
Customer contracts	5 - 10 years
Acquired technology	3 years
Computer software	2 years
Licenses	5 years
Internally generated intangible assets	3 - 5 years

The Company incurs costs associated with the design and development of new products. Expenditures during the research phase are expensed as incurred. Expenditures during the development phase are capitalized as internally generated intangible assets if the Company can demonstrate each of the following criteria: (i) the technical feasibility of completing the intangible asset so that it will be available-for-use or sale; (ii) its intention to complete the intangible asset and use or sell it; (iii) its ability to use or sell the intangible asset; (iv) how the intangible asset will generate probable future economic benefits; (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development; otherwise, they are expensed as incurred.

(e) Goodwill:

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses. Goodwill is allocated to each cash generating unit ("CGU") or group of CGUs that are expected to benefit from the synergies of the related business combination. The Company currently has two CGUs, Telematics and SecTrack.

(f) Impairment of non-financial assets:

Property and equipment and intangible assets (other than goodwill) are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (CGUs). The recoverable amount is the higher of an asset's or CGU's fair value, less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management).

Goodwill is reviewed for impairment annually or at any time if an indicator of impairment exists. Management monitors goodwill for internal purposes based on its CGUs, which are its operating segments.

The Company evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration.

(g) Foreign currency translation:

Items included in the financial statements of each consolidated entity in the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of BSM Technologies Inc. and each of its subsidiaries is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates in effect at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statement of operations.

(h) Cash and cash equivalents:

Cash and cash equivalents include highly liquid short-term investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and generally have original maturities of three months or less.

(i) Revenue recognition:

The Company derives revenue from the sale of vehicle and fixed asset tracking hardware and software as well as professional services associated with the installation and customization of its product. Subscription revenue is derived from location-based and telematics hardware and software.

The Company typically offers arrangements whereby a customer can purchase hardware together with installation and subscription services. Where such multiple-element arrangements exist, the Company determines the separately identifiable components of the arrangement and allocates revenue among the components on a relative fair value basis. The revenue related to each component is then recognised in accordance with the policies described below.

Revenue from sale of vehicle and fixed asset tracking hardware is recognized when the Company has transferred the significant risks and rewards of ownership to the customer, revenue can be measured reliably, it is probable that economic benefits will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. These criteria are generally met at the time the hardware is shipped to the customer.

Under the Company's return policy, product returns are accepted for repairs and replacements only and the Company does not provide for refunds to customers for returns.

The Company offers installation services for its hardware products. The Company also offers a suite of location-based services under a software as a service ("SaaS") model that results in revenue from the subscribed devices. Services revenue includes monthly fees for SaaS model services, monthly alarm monitoring fees and resale of cellular and satellite data. Revenue from installation and SaaS arrangements is recognized when the outcome of the transaction can be estimated reliably, it is probable that the economic benefits of the transaction will flow to the Company, the stage of completion of the transaction can be measured at the end of the reporting period and the costs incurred and the costs to complete the transaction can be measured reliably. Generally, the Company recognizes SaaS revenue on a straight-line basis over the term of the arrangement and revenue from installation services is recognized when installation is complete.

Certain customer contracts provide for up-front payments. These are deferred until such time revenue can be recognized.

The Company’s revenue from hardware sales in arrangements with certain customers relates to finance leases, as under these arrangements the Company transfers substantially all the risks and rewards incident to legal ownership of the property to the customer. Under these arrangements, the customer pays a fixed amount periodically over the term of the contract.

The Company recognizes revenue from finance leases in accordance with IAS 17, *Leases*. The present value of the minimum lease payments are recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as finance income over the term of the lease.

(j) Cost of revenue:

Cost of revenue includes the costs of purchasing and assembling finished goods inventory and the costs of providing services. These costs include depreciation and amortization, direct labour and shipping and handling.

(k) Inventories:

Raw materials and finished goods inventories are stated at the lower of cost and net realizable value. Cost is determined on a weighted average cost basis. Net realizable value is the expected selling price in the ordinary course of business, less any costs to complete and applicable selling expenses. If carrying value exceeds the net realizable amount, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

(l) Financial instruments:

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the financial asset and settle the liability simultaneously.

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

i. Financial assets and financial liabilities at fair value through profit or loss

A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of operations. Gains and losses arising from changes in fair value are presented in the consolidated statement of operations within other gains and losses in the period in which they arise. Financial assets and financial liabilities at fair value through profit or loss are classified as current, except for the portion expected to be realized or paid beyond 12 months of the consolidated balance sheet dates, which is classified as non-current. The Company does not carry financial assets or financial liabilities at fair value through profit or loss.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's receivables comprise trade receivables, cash and cash equivalents and net investment in finance leases. These financial assets are initially recognized at fair value. Subsequently, they are measured at amortized cost using the effective interest method less any impairment.

iii. Financial liabilities at amortized cost

Financial liabilities at amortized cost include accounts payable and accrued liabilities. These financial liabilities are initially recognized at fair value. Subsequently, accounts payable and accrued liabilities are measured at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

(m) Impairment of financial assets:

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss on the financial asset, which is carried at amortized cost. The loss is determined as the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the financial asset's original effective interest rate. The carrying value of the asset is reduced by this amount indirectly through the use of an allowance account. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

(n) Income taxes:

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period. Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit nor loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. Deferred income tax assets and liabilities are presented as non-current.

Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realized or liability is settled.

(o) Investment tax credits:

The Company is entitled to certain Canadian investment tax credits for qualifying research and development activities performed in Canada. The investment tax credits are accounted for as a reduction of the related expenditures for items expensed in the consolidated statement of operations or a reduction of the related asset's cost for items capitalized in the consolidated balance sheets provided that a reasonable assurance over collection of the tax credits exists and the Company will comply with any conditions attached.

(p) Provisions and product warranties:

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reasonably estimated. Provisions are measured based on management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

The Company provides limited warranties on certain products which may extend beyond the manufacturer's warranty; hence, it provides for the estimated cost of product warranties. In establishing the warranty provision, the Company estimates the likelihood that products sold will experience warranty claims and the estimated cost to resolve claims received, taking into account the past and projected experience with products.

(q) Guarantees:

In the normal course of business, the Company enters into agreements that may contain features which meet the definition of a guarantee under IFRS. As part of transactions involving sale of product and services, the Company may be required to pay counterparties for costs and losses incurred as a result of breaches of representations, changes in laws and regulations (including tax legislation) or litigation against the counterparties.

The Company indemnifies its directors, officers and employees against claims reasonably incurred and resulting from the performance of their services to the Company, and maintains liability insurance for its directors and officers, as well as those of its subsidiaries. The Company is unable to make a reasonable estimate of the maximum potential amount it would be required to pay counterparties. The amount also depends on the outcome of future events and conditions, which cannot be predicted. No amount has been accrued in the consolidated balance sheets relating to these types of indemnifications or guarantees at September 30, 2013 or September 30, 2012. Historically, the Company has not made any significant payments under these indemnifications or guarantees.

(r) Stock-based compensation:

The Company grants stock options to certain employees and directors of the Company. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black–Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. This number of options expected to vest is reviewed at least annually, with any change in estimate recognized immediately in compensation expense with a corresponding adjustment to contributed surplus.

(s) Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from shareholders' equity (deficiency). The company has classified all outstanding exchangeable shares of its subsidiaries as issued and outstanding of the parent company.

(t) Earnings per share:

Basic earnings per share is calculated by dividing the net income for the period attributable to shareholders of BSM by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options and similar instruments is computed using the treasury stock method. The Company's potentially dilutive common shares include stock options and common shares in escrow.

(u) Segment reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocation of resources and assessing performance of the operating segments and has been identified as the CEO and CFO of the Company.

(v) Significant accounting judgments and estimation uncertainties

The preparation of financial statements requires management to use judgement in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgements are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. Significant areas requiring the Company to make estimates about the future and other major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year include goodwill impairment testing and the warranty provision. These estimates and judgements are discussed further below:

i. Goodwill:

In accordance with IFRS 1, the Company performed tests for impairment of the Telematics CGU containing goodwill at September 30, 2012 and September 30, 2013. The Company's assumptions used in testing goodwill for impairment are impacted by current market conditions, which may affect expected revenue and costs. The recoverable amount of the CGU was estimated based on an assessment of value in use using a discounted cash flow approach. This approach uses one-year cash flow projections based on financial budgets approved by management and additional projections for the four following years based on management's best estimates. Cash flows beyond the budget period are extrapolated using the estimated annual growth rates and terminal growth rates listed below.

The following are key assumptions on which management based its determinations of the recoverable amount for goodwill:

	September 30, 2013	September 30, 2012
Gross margin	62 % - 65 %	62 % - 65 %
Average growth rate used to extrapolate cash flows beyond the budget period	9.5%	12%
Terminal growth rate	1%	1%
Discount rate	18%	18%

The Company determined the gross margin based on past performance. The terminal growth rates used are consistent with management's best estimates of expected long term growth at current capacity. The discount rates used reflect specific risks in relation to the CGU.

The Company has determined that reasonably possible changes in key assumptions would not cause the recoverable amount of the Telematics CGU to fall below its carrying value.

A summary of the Company's goodwill is presented below:

	September 30, 2013
Balance, beginning of period	**1,178,608**
Additions resulting from the acquisition of AutoVision	**6,546,000**
Balance, end of period	**7,724,608**

ii. Deferred taxes

The Company has deferred income tax assets that are subject to periodic recoverability assessments. Realization of the Company's deferred income tax assets is largely dependent upon its achievement of projected future taxable income and the continued applicability of ongoing tax planning strategies. The Company's judgments regarding future profitability may change due to future market conditions, changes in tax legislation and other factors that could adversely affect the ongoing value of the deferred income tax assets. These changes, if any, may require the material adjustment of these deferred income tax asset balances through an adjustment to the carrying value thereon in the future. This adjustment would reduce the deferred income tax asset to the amount that is considered to be more likely than not to be realized and would be recorded in the period such a determination was to be made.

iii. Recognition of contingent consideration

The Company recognizes the fair value of contingent consideration relating to the acquisition of AutoVision at the date the transaction closes. The contingent consideration classified as a liability is carried at amortized cost subsequently. The contingent consideration classified as equity is not remeasured subsequent to initial recognition.

Share-based contingent consideration consisting of the Company's shares to be released from escrow on the acquired businesses achieving certain service revenue targets is estimated at the date of acquisition taking into consideration the quoted market prices of the Company's common shares at the dates of acquisition discounted to reflect that the shares are not freely tradable until they are released from escrow and the probability of achieving the revenue targets. The current portion of contingent consideration is based on the Company's estimate of the value that will be payable within twelve months.

iv. Warranty:

The Company typically provides a warranty coverage for parts and labour for one year. Management considers historical field data in determining the value of this provision as well as recent trends that might suggest that past information may not be indicative of future claims. Factors that could impact the estimated claim information include the success of the Company's quality initiatives, as well as parts and labour costs. If the Company's assumption with respect to returns changes by five percentage points, the warranty accrual would change by approximately $164,592 (2012 - $126,100). The carrying amount of warranties accrued at September 30, 2013 was $406,439 (September 30, 2012 - $421,105).

4. Cash and cash equivalents

	September 30, 2013	September 30, 2012
Cash	**$ 10,198,709**	$ 1,819,036
Short-term investments	**52,631**	1,205,927
	$ 10,251,340	$ 3,024,963

The Company's loan agreement requires that $2,500,000 of cash be reserved for the current portion of the contingent consideration related to the acquisition of AutoVision. (see Note 17).

5. Accounts receivable

	September 30, 2013	September 30, 2012
Accounts receivable	**$ 3,692,767**	$ 2,596,718
Allowance for doubtful accounts	**(247,835)**	(207,327)
	$ 3,444,932	$ 2,389,391

For the year ended September 30, 2013, general and administrative expenses include bad debts of $350,643 (year ended September 30, 2012 - $126,486). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional payment.

6. Inventories

	September 30, 2013	September 30, 2012
Finished goods	**$ 1,039,794**	$ 297,543
Raw materials	**1,019,172**	369,649
Provision for obsolescence	**(140,291)**	(81,888)
	$ 1,918,675	$ 585,304

During the year ended September 30, 2013, the Company recorded product cost of revenue of $4,614,964 (year ended September 30, 2012 - $2,486,565) related to the sale of inventories. There were no reversals of prior period inventory write-downs during the year (year ended September 30, 2012 - $ nil).

7. Net investment in finance leases

The Company has hardware sales arrangements for finance leases with certain customers, who have options in their contracts to renew after the expiry of term. Net investment in finance leases includes the following:

	September 30, 2013		
	Total future payments	**Unearned finance income**	**Present Value**
Less than one year	**$ 687,038**	**$ 74,042**	**$ 612,996**
Between one and five years	**708,926**	**61,659**	**647,267**
Greater than five years	**-**	**-**	**-**
Total	**$ 1,395,964**	**$ 135,701**	**$ 1,260,263**

	September 30, 2012		
	Total future payments	Unearned finance income	Present Value
Less than one year	$ 592,449	$ 72,163	$ 520,286
Between one and five years	522,528	61,115	461,413
Greater than five years	-	-	-
Total	$ 1,114,977	$ 133,278	$ 981,699

8. Share capital

(a) Common shares:

Authorized:
Unlimited common shares (no par value)

Issued and outstanding:

	September 30, 2013		September 30, 2012	
	Number	**Amount**	Number	Amount
Balance, beginning of period excluding shares to be issued subject to future performance	**28,523,930**	**$20,920,961**	29,270,830	$ 21,299,638
Share repurchase	**-**	**-**	(746,900)	(378,677)
Shares issued – (ii)	**6,160,665**	**7,598,142**	-	-
Options exercised	**398,750**	**476,938**	-	-
Shares issued for acquisition - (iii)	**714,286**	**1,000,000**	-	-
Balance, excluding shares to be issued subject to future performance	**35,797,631**	**$29,996,041**	28,523,930	$ 20,920,961
Shares issued in escrow				
subject to Company's performance - (i)	**54,795**	**-**	54,782	-
subject to earn-out clause - (iii)	**2,142,858**	**-**	-	-
Balance, end of period	**37,995,284**	**$29,996,041**	28,578,712	$ 20,920,961

(i) During the year ended September 30, 1998, the Company entered into an agreement with the former President of the Company and certain other parties whereby 1,509,900 common shares (150,990 after share consolidation) were issued in escrow and would only be released if the Company attained certain cash flow levels.

During the years ended September 30, 2001, 2002 and 2003, the Company cancelled 962,085 (96,208 after share consolidation) of these shares pursuant to settlements reached with these parties. The remaining 547,815 (54,795 after share consolidation) common shares owned by other parties remain in escrow subject to these performance targets. The Company continues to monitor the targets on the escrow shares.

(ii) On February 28, 2013, the Company completed a prospectus offering (the “Offering”) of 6,160,665 common shares for gross proceeds of $8,624,931 at a price of $1.40 per common share. Net proceeds from the Offering were $7,763,003, after related costs, net of associated tax attributes. In addition, the agents received broker warrants to acquire up to an aggregate of 431,246 common shares exercisable at a price of $1.40 per common share until February 28, 2014. The fair value of the broker warrants was determined to be $164,861 and have been reflected in Contributed surplus. The net proceeds from the Offering are being used by the Company for acquisition, business expansion, research and development, sales and marketing, product expansion and general working capital purposes. As at September 30, 2013, 431,246 broker warrants are exercisable and outsanding.

(iii) Consideration paid for the acquisition of AutoVision (“AutoVision”) on closing included $7,389,360 in cash and 714,286 common shares in the Company issued at a price of $1.40 per share. A further $8,000,000 of consideration, comprised of up to $5,000,000 in cash and up to 2,142,858 common shares issued at a price of $1.40 per share, is subject to AutoVision attaining service revenue of $5,000,000 in year one and $5,500,000 in service revenue in each of years two and three following completion of the acquisition.

(b) Stock options:

A summary of the Company's stock options is presented below:

	September 30, 2013		September 30, 2012	
	Number of Options	**Weighted average exercise price**	Number of Options	Weighted average exercise price
Balance, beginning of period	**914,936**	**$ 1.14**	957,417	$ 1.14
Issued-(i)	**1,505,500**	**1.45**	-	-
Exercised	**(398,750)**	**1.20**	-	-
Forfeited	**(63,750)**	**1.45**	(42,481)	0.94
Balance, end of period	**1,957,936**	**$ 1.36**	914,936	$ 1.14

The following table summarizes information about stock options outstanding as at September 30, 2013:

Exercise price	Number Outstanding	Weighted average remaining contractual life (years)
$ 1.000	640,667	0.40
$ 1.450	1,268,000	4.34
$ 0.943	23,250	4.16
$ 1.768	9,333	3.73
$ 1.977	16,686	2.24
	1,957,936	3.03

As at September 30, 2013, 1,488,268 options were exercisable (September 30, 2012 - 914,936).

(i) In this fiscal year, the Company granted the following options for common shares (one option represents one common share):

- 235,000 options to non-executive directors
- 970,500 options to officers and executive directors
- 300,000 options to employees and consultants

These options were granted at an exercise price of $1.45, vest over 18 months and expire five years from their respective dates of grant. The aggregate fair value of share options granted during the year is $931,141 (2012 - $nil).

The value of each option granted is estimated on the date of the grant using the Black-Scholes option pricing model. The options issued during the fiscal year 2013 were valued using the following assumptions:

Risk-free rate	1%
Expected volatility	64%
Expected life in years	3 yrs
Expected dividend yield	-

For the year ended September 30, 2013 expected volatility is based on a review of historical volatilities for the company and similar publicly listed companies. The expected share option life is based on the employees' historical exercise and forfeiture behaviour. The risk-free interest rate used for each grant is equal to the Canadian treasury bill rates in effect at the date of grant for instruments with a term similar to the expected life of the related share option.

The company recorded share-based compensation expense of $815,492 for the following functional units:

Marketing, advertising and promotion	$ 135,004
Research and development	91,803
General and administrative	588,685
Total	$ 815,492

(c) Earnings per share:

The effects of any shares that are subject to performance conditions are not included in the calculation of the weighted average number of common shares outstanding. Stock options that are out of the money have been excluded from the calculation of the diluted weighted average number of common shares outstanding.

	Years ended September 30	
	2013	2012
Weighted average number of shares – basic	**32,394,262**	28,928,230
Effects of share options on issue	**470,267**	-
Weighted average number of shares – diluted	**32,864,529**	28,928,230

9. Property and equipment

	Computer equipment	Leased computer equipment	Furniture and office equipment	Leasehold improvements	Automobiles	Total
Balance September 30, 2012						
Cost	$ 1,517,916	$ 342,545	$ 606,519	$ 545,119	$ 5,945	$ 3,018,044
Accumulated depreciation	(1,337,287)	(280,657)	(516,880)	(489,083)	(2,311)	(2,626,218)
Net book value	$ 180,629	$ 61,888	$ 89,639	$ 56,036	$ 3,634	$ 391,826
Balance September 30, 2013						
Opening net book value	$ 180,629	$ 61,888	$ 89,639	$ 56,036	$ 3,634	$ 391,826
Additions	14,776	-	19,900	53,350	-	88,026
Additions on acquisition of AutoVision	207,786	-	44,495	-	37,834	290,115
Disposal/Write-offs	-	-	-	-	(3,361)	(3,361)
Depreciation charge for the period	(77,193)	(18,566)	(20,784)	(7,539)	(3,926)	(128,008)
Closing net book value	**$ 325,998**	**$ 43,322**	**$ 133,250**	**$ 101,847**	**34,181**	**$ 638,598**
Balance September 30, 2013						
Cost	**$ 1,740,478**	**$ 342,545**	**$ 670,914**	**$ 598,469**	**$ 38,107**	**$ 3,390,513**
Accumulated depreciation	**(1,414,480)**	**(299,223)**	**(537,664)**	**(496,622)**	**(3,926)**	**(2,751,915)**
Net book value	**$ 325,998**	**$ 43,322**	**$ 133,250**	**$ 101,847**	**$ 34,181**	**$ 638,598**

10. Intangible assets

	Trademarks and patents	Customer contracts	Acquired technology	Computer software	Licenses	Internally generated	Total
Balance September 30, 2012							
Cost	$ 110,840	$ 1,159,045	$ 751,220	$ 872,106	$ 115,000	$ 150,316	$ 3,158,527
Accumulated depreciation	(110,840)	(784,243)	(751,220)	(693,191)	(23,000)	(7,516)	(2,370,010)
Net book value	$ -	$ 374,802	$ -	$ 178,915	$ 92,000	$ 142,800	$ 788,517
Balance September 30, 2013							
Opening net book value	$ -	$ 374,802	$ -	$ 178,915	$ 92,000	$ 142,800	$ 788,517
Additions	-	-	-	-	-	54,241	54,241
Additions on acquisition of AutoVision	-	7,300,000	300,000	-	-	-	7,600,000
Depreciation charge for the period	-	(492,867)	(20,000)	(90,050)	(23,000)	(44,658)	(670,575)
Closing net book value	**$ -**	**$ 7,181,935**	**$ 280,000**	**$ 88,865**	**$ 69,000**	**$ 152,383**	**$ 7,772,183**
Balance September 30, 2013							
Cost	$ 110,840	$ 8,459,045	$ 1,051,220	$ 872,106	$ 115,000	$ 204,557	$ 10,812,768
Accumulated depreciation	(110,840)	(1,277,110)	(771,220)	(783,241)	(46,000)	(52,174)	(3,040,585)
Net book value	**$ -**	**$ 7,181,935**	**$ 280,000**	**$ 88,865**	**$ 69,000**	**$ 152,383**	**$ 7,772,183**

Management estimates the useful life of customer contracts, customer relationships and acquired technology related to the Autovision acquisition as described in Note 17 to be ten, five, and five years, respectively

11. Long-term debt and line of credit

On June 30, 2013, the Company secured a three year term loan with a five year amortization from the Toronto-Dominion Bank ("TD") in the amount of $7,000,000, subject to certain conditions. The term loan currently bears interest at the rate of bank prime plus 0.75%. The interest rate is determined by the ratio of total debt to adjusted EBITDA. The loan is repayable in quarterly instalments of $350,000 plus applicable interest. Financing costs of $131,765 were netted against the proceeds of the loan. Interest expense on this facility of $73,050 has been included in the consolidated statement of comprehensive income for the year ended September 30, 2013 (2012 - $nil).

On June 30, 2013, the Company also secured a revolving credit facility with TD, which allows for a borrowing limit of up to $3,000,000, subject to certain conditions. The facility bears interest at the rate of bank prime plus 0.75%. The interest rate is determined by the ratio of total debt to adjusted EBITDA and could range from bank prime plus 0.25% to bank prime plus 1.75%. The Company has no borrowings outstanding with respect to this facility.

Both the term loan and revolving credit facilities are secured by a first ranking security interest over all personal property of the Company. In addition, the term loan and revolving credit facilities contain certain financial and other covenants that the Company is required to comply with. The Company is in compliance of these covenants.

The Company also has a $250,000 demand operating facility with TD. This facility bears interest rate bank prime plus 0.85%. The Company has no borrowings outstanding with respect to this facility.

12. Provisions

All of the Company's provisions are current in nature.

	Warranty	Restructuring	Legal	Total
At September 30, 2011	$ 529,617	$ -	$ 188,754	$ 718,371
Provisions created during the period	320,123	-	95,000	415,123
Provisions adjusted during the period	43,288	-	-	43,288
Provisions utilized during the period	(471,923)	-	(56,750)	(528,673)
At September 30, 2012	**$ 421,105**	**$ -**	**$ 227,004**	**$ 648,109**
Provisions created during the period	340,796	468,712	335,730	1,145,238
Provisions on acquisition of AutoVision	70,907			70,907
Provisions adjusted during the period	(60,650)	-	-	(60,650)
Provisions utilized during the period	(365,719)	(167,314)	-	(533,033)
At September 30, 2013	**$ 406,439**	**$ 301,398**	**$ 562,734**	**$ 1,270,571**

(a) Warranty provision

Assumptions used to calculate the provision for warranties are based on current sales levels and current information available about returns. The Company typically provides a warranty for its products for up to one year. Warranty provisions are based on the product return rate. The carrying amount of the warranty accrual is expected to be used over the next 12 months. Warranty expense is recorded as a component of cost of revenues.

(b) Legal provision

Legal claims represent various legal claims brought against the Company in the normal course of its operations. The company provides for legal claims that are considered material and based on management's best estimate. These provisions are expected to be used within the next twelve months.

(c) Restructuring costs

The Company is undergoing a restructuring following the acquisition of AutoVision. The provisions represent management's best estimates of the various costs associated with this restructuring. These provisions are expected to be used within the next twelve months.

13. Financial instruments and capital disclosures

Under IFRS, financial instruments are classified into one of the following categories: held-for-trading, held-to-maturity, available-for-sale, loans and receivables, and other financial liabilities. The following table summarizes information regarding the carrying values of the Company's financial instruments:

	September 30, 2013	September 30, 2012
Other financial liabilities (i)	**$ 15,202,238**	$ 3,278,998
Loans and receivables (ii)	**$ 17,649,054**	$ 6,396,053

(i) Includes accounts payable, accrued liabilities, long-term debt, and contingent consideration classified as a liability and finance lease obligations.
(ii) Includes accounts receivable, investment in finance lease, investment tax credits receivable, cash and cash equivalent, and restricted cash.

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

Fair value

The carrying values of cash and cash equivalents, restricted cash, accounts receivable, investment tax credits receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. The difference in fair value and carrying value of net investment in finance leases, long-term debt and contingent consideration classified as a liability is considered to be insignificant given the limited movement in market rates of interest since the initial recognition of these instruments.

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro. Foreign exchange risk arises on recognized assets, liabilities, trade receivables and trade payables. Foreign exchange risk arises when monetary recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. The Company's objective in managing its foreign currency risk is to minimize its net exposures to foreign currency cash flows. As the Company has revenues generated as well as expenses incurred in non-functional currency, it manages its foreign currency risk by self-hedging to the extent practical. The Company recognized a foreign currency exchange loss in the year ended September 30, 2013 of $11,918 (2012 – gain of $1,652).

If a shift in foreign currency exchange rates of 10% were to occur (and all other variables held constant), the foreign currency exchange gain or loss on the Company's net financial assets could be valued at plus or minus $312,172 due to the fluctuation and this would be recorded in the consolidated statements of operations and comprehensive income (loss).

Interest rate risk

The Company has interest rate risk on its short-term investment as well as on its line of credit. As the Company has not used its line of credit, there is no risk at this time but in future, when the line of credit is used, the Company will be exposed to interest rate risk. A decrease in the interest rate will impact the interest earned on its investments which is not considered significant.

The Company is exposed to interest rate risk on both its term loan facility of $7,000,000 as well as to the extent it draws on its available revolving credit facility of $3,000,000 as both facilities bear interest at bank prime plus 75 basis points. At September 30, 2013, the Company was only exposed to fluctuations in the bank prime rate on its term loan facility as it has not drawn on its revolving credit facility. As at September 30, 2013, a 1% change in the variable interest rates on the average balances for the year would have resulted in an annualized change in interest expense of approximately $57,750.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The carrying value of cash and cash equivalents, restricted cash, and accounts receivable represent the Company's maximum exposure to credit risk. The trade receivables have an exposure to economic downturns. Most of the Company's customers are not independently rated, therefore the quality of the customer is considered by taking into account its financial position, past experience and other factors. The utilization of credit limits is regularly monitored to minimize this risk. The Company's foreign trade receivables are insured by Export Development Canada, reducing the associated credit risk.

The Company reviews its trade accounts receivable regularly and reduces amounts to their expected realizable values by making an allowance for doubtful receivables, as soon as the accounts are determined not to be fully collectible.

As at September 30, 2013, trade accounts receivable of $536,001 (September 30, 2012 - $622,579) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The aging of these receivables is as follows:

	September 30, 2013	September 30, 2012
Greater than 60 days past due	**$ 170,786**	$ 191,229
Greater than 90 days past due	**365,215**	431,350
	$ 536,001	$ 622,579

The allowance for doubtful accounts is charged against income and included in general and administrative expenses. Shortfalls in collections are applied against this provision. The activity of the allowance for doubtful accounts for the period is as follows:

	September 30, 2013	September 30, 2012
Allowance for doubtful accounts – Beginning of period	**$ 207,327**	$ 219,353
Bad debt expense	**350,643**	126,486
Write-off of bad debts	**(310,135)**	(138,512)
Allowance for doubtful accounts – End of period	**$ 247,835**	$ 207,327

The Company also has credit risk relating to cash, short-term investments, and restricted cash. Such risk is managed by maintaining cash and short term investments at Schedule 1 financial institutions with a minimum credit rating of Aa1.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's objective for liquidity risk management is to maintain sufficient liquid financial resources to fund the consolidated statement of financial position and to meet commitments and obligations in the most cost-effective manner possible. The Company achieves this by maintaining sufficient cash and cash equivalents and managing working capital. The Company monitors its financial resources and updates its expected use of cash resources based on the latest available data. Surplus cash held over and above balances required for working capital management are invested in interest bearing current accounts and time deposits short-term in nature.

The Company's contractual maturities for its financial liabilities are as follows:

Contractual obligations	**Long-term debt principle repayments**	**Contingent consideration on acquisition**
2014	$1,400,000	$2,500,000
2015	1,400,000	1,500,000
2016	3,850,000	1,000,000

Management believes the Company's existing cash and cash equivalents and cash from operations will be adequate to meet its financial liabilities and contractual commitments.

Management of capital

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its organic growth strategy, fund research and development and undertake selective acquisitions while, at the same time, taking a conservative approach toward financial leverage and management of financial risk. The Company's capital is composed of equity, long-term debt and contingent consideration. Total capital at September 30, 2013 is $38,041,893 (September 30, 2012 - $5,595,624).

14. Cash flow statement

Change in non-cash operating working capital:

	Years ended September 30	
	2013	2012
Accounts receivable	**$ (172,851)**	$ (313,808)
Net investment in finance leases (including long-term portion)	**(278,564)**	22,159
Investment tax credits receivable	**214,197**	235,368
Inventories	**(1,057,031)**	(158,399)
Prepaid expenses and other assets	**76,534**	125,106
Tax payable	**295,988**	-
Accounts payable	**319,370**	104,169
Accrued liabilities	**397,420**	226,744
Provisions	**551,555**	(70,263)
Deferred revenue	**144,871**	(128,070)
	$ 491,489	$ 43,006

15. Expenses by nature

Expenses by nature for the period:

	Years ended September 30	
	2013	2012
Purchase cost of products and services	**$ 6,500,485**	$ 4,345,562
Salaries, wages and benefits	**6,671,177**	5,604,671
Share-based compensation expense	**815,492**	
Amortization and depreciation	**798,582**	309,187
Professional fees	**773,791**	722,224
Travel, entertainment and related expenses	**353,270**	346,371
Advertising and promotion	**75,571**	48,307
Operating lease payments	**481,725**	335,947
Office, general and insurance expenses	**270,796**	232,378
Integration and restructuring expense	**703,713**	-
Acquisition related costs	**1,095,362**	-
Other expenses	**652,412**	441,261
Investment tax credits	**(192,519)**	(24,155)
Current and deferred tax expense	**(9,323,062)**	-
	$ 9,676,795	$ 12,361,753

16. Segmented information

The Company operates as one reportable segment. Segmentation is based on the internal reporting and organizational structure, taking into account the different risk and income structures of the key products of the Company.

(a) Revenue by geography, based upon customer location, is as follows:

	Years ended September 30	
	2013	2012
Canada	**$ 14,528,568**	$ 10,051,287
United States	**3,656,158**	2,140,130
International	**1,022,098**	1,620,199
	$ 19,206,824	$ 13,811,616

(b) Revenue by category is as follows:

	Years ended September 30	
	2013	2012
Service revenue	**$ 11,735,584**	$ 9,454,565
Hardware and other	**7,471,240**	4,357,051
	$ 19,206,824	$ 13,811,616

(c) Non-current assets

	September 30, 2013	September 30, 2012
Canada	**$ 44,407,062**	$ 9,549,436
Belgium	**1,037**	4,816
	$ 44,408,099	$ 9,554,252

There were no customers representing greater than 10% of total revenues for the year ended September 30, 2013 (2012 one customers represented 10.37% of revenue).

17. Acquisition of AutoVision Wireless Inc. (AWI)

On May 31, 2013, the Company acquired 100% of the outstanding shares of AWI, a private company in the telematics industry. The Company expects to increase its market share in the telematics industry. The consideration paid consisted of $5,700,000 in cash, and 714,286 shares of BSM which were issued at $1.40, which was a mutually agreed upon price by both parties at the time of the transaction. Further consideration totaling $5,000,000 in cash and up to 2,142,858 common shares at $1.40 is payable in the form of earn out payments based on AWI meeting service revenue targets.

The earn out schedule is as follows:

i. Cash payment of $2,500,000 and issuance 714,286 common shares contingent on AWI earning $5,000,000 in service revenue in year 1;
ii. Cash payment of $1,500,000 and issuance of 714,286 common shares contingent on AWI earning $5,500,000 in service revenue in year 2; and
iii. Cash payment of $1,000,000 and issuance of 714,286 common shares contingent on AWI earning $5,500,000 in service revenue in year 3.

The up-front cash consideration was financed by a $10,000,000 credit facility that includes $7,000,000 term facility and a $3,000,000 operating line-of-credit as described in note 11.

The following table summarizes the acquisition date value of the consideration paid and the identifiable assets and liabilities acquired:

Amount of settlement on closing	
- Cash	$ 7,389,360
- Stock	1,000,000
Contingent consideration(i) - liability	
- Current	2,199,074
- Long-term	1,767,865
Contingent consideration(i) - equity	2,283,125
	$ 14,639,424

Recognized amounts of identifiable net assets:	
Cash and cash equivalents	$ 628,058
Accounts receivable	882,690
Investment tax credits receivable	406,716
Inventories	276,340
Prepaid expenses and other assets	131,010
Property and equipment	290,115
Accounts payable	(341,859)
Accrued liabilities	(79,989)
Provisions	(70,907)
Deferred revenue	(4,445)
Other current liabilities	(203,305)
Deferred tax liability	(1,421,000)
Amount allocated to identifiable assets	**$493,424**
Intangible assets – Customer contracts	5,500,000
Intangible assets – Customer relationships	1,800,000
Intangible assets – Technology	300,000
Amount allocated to intangible assets	**7,600,000**
Goodwill	6,546,000
Amount allocated to goodwill	**6,546,000**
	$14,639,424

The fair value of contingent consideration recognized on the acquisition date incorporates management's best estimate of the probability that AutoVision will achieve the yearly service revenue targets of 95% for year one and 85% for each of years two and three following the acquisition. The cash flows related to the liability portion have been discounted using a discount rate of 8%. The equity portion consisting of the shares to be issued in the future have been discounted from the value determined based on share price on the acquisition date.

The amount of gross contractual receivables was $882,690.

The goodwill recognized relates to the expected synergies from combining operations of the Company and AWI.

Acquisition-related costs of $1,095,459 have been charged to acquisition, integration and restructuring related costs in the consolidated statement of comprehensive income for the year ended September 30, 2013.

Revenue of AWI for the period from the acquisition date until September 30, 2013 included in the statement of comprehensive income for the year amounted to $2,179,848 while net income amounted to $463,238.

The revenue and net income of the combined entity for the current reporting period assuming the acquisition date for the business combination was October 1, 2012 would have been $24,023,878 and $9,995,223 respectively.

During the period ended September 30, 2013, the Company recognized interest accretion related to the contingent consideration classified as a liability of $87,455.

18. Related party transactions

There are no related party transactions to disclose for the Company and the Company's subsidiaries.

Key management compensation

The remuneration of key management, which includes the Board of Directors, is included in income from operations:

	Years ended September 30	
	2013	2012
Salaries and short-term employee benefits	**$1,191,054**	$858,311
Stock-based compensation	**572,484**	-
	$1,763,538	$858,311

19. Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2013	**2012**
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	9,272,230	-
Deferred tax asset to be recovered within 12 months	1,185,080	-
	10,457,310	-
Deferred tax liabilities:		
Deferred tax liability to be utilized after more than 12 months	(1,852,029)	-
Deferred tax liability to be utilized within 12 months	(168,630)	
	(2,020,659)	-
Deferred tax asset (net)	**8,436,651**	**-**

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

	Fixed Assets	Financing Costs & Other	R&D Credit	Tax Losses & R&D Costs	Total
Deferred income tax assets					
As at September 30, 2011	-	-	-	-	-
Charged (credited) to statement of comprehensive loss	-	-	-	-	-
As at September 30, 2012	-	-	-	-	-
Acquisition of Subsidiary	-	-	-	-	-
Credited to deferred tax expense	125,923	268,515	2,645,985	7,134,222	10,174,645
Credited to R&D expense	-	-	-	194,471	194,471
Credited to equity	-	88,193	-	-	88,193
As at September 30, 2013	**125,923**	**356,708**	**2,645,985**	**7,328,693**	**10,457,309**

	Tax on R&D Credits	Intangible Assets	Total
Deferred income tax liabilities			
As at September 30, 2012	-	-	-
Credited to statement of comprehensive loss	-	-	-
As at October 1, 2012	-	-	-
Acquisition of Subsidiary	-	(1,421,000)	(1,421,000)
Charged (credited) to deferred tax expense	(677,798)	78,139	(599,659)
As at September 30, 2013	**(677,798)**	**(1,342,861)**	**(2,020,659)**

Deferred income tax assets are recognized for tax losses that can be carried forward against future taxable income to the extent that the realization of the related tax benefit through future taxable profits is probable. As at September 30, 2013, the Company has approximately 22,116,114 (2012: 22,796,703) of non-capital tax losses available that may be used to reduce future years' taxable income and the deductibility of these tax losses expires as follows:

2014	5,026,062
2015	1,640,543
2025	1,384,267
2026	2,494,547
2027	3,596,926
2028	2,680,664
2029	2,644,216
2030	887,375
2031	812,813
2032	15,603
2033	1,488,845
Total	**22,671,861**

	2013	2012
Current tax expense:	346,665	-
Current tax on profits		
Deferred tax expense:		
Origination and reversal of temporary differences	(1,084,374)	-
Impact of deferred tax rates	36,901	-
Recognition of deferred tax assets previously not recorded	(8,620,254)	-
	(9,667,727)	**-**

Tax expense on income before tax at a rate of 26.5%	53,349
Tax effects of:	
Expenses not deductible for tax	498,000
Expiration of losses not utilized	264,671
Re-measurement of deferred tax due to change in tax rates	36,901
Recognition of deferred tax asset	(10,220,040)
Other	44,057
Income tax recovery	**(9,323,062)**

20. Commitments and contingencies

Operating leases:

The Company has entered into leases for premises with the following total minimum annual payments:

2014	$	549,625
2015		554,416
2016		394,349
2017		281,466
2018 and later years		1,446,715
	$	3,226,571

From time to time the Company is involved in litigation, investigations or proceedings related to claims arising out of its operations in the ordinary course of business. The Company believes that these claims and lawsuits in the aaggregate, when settled are not expected to have a material impact on the Company’s financial position, results of operations or cash flows.

21. Subsequent events

The Company has no material subsequent events to report.

22. New accounting standards not yet applied

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The company has not yet assessed the impact of these standards and amendments, however does not expect to adopt these standards and amendments before their effective date.

i. IFRS 9, *Financial Instruments*, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income.

   Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

ii. IFRS 10, *Consolidated Financial Statements*, requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, Consolidation—Special Purpose Entities and parts of IAS 27, Consolidated and Separate Financial Statements.

iii. IFRS 12, *Disclosure of Interests in Other Entities*, establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities.

iv. IFRS 13, *Fair Value Measurement,* is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

v. IAS 19, *Employee Benefits*, has been amended to make significant changes to the recognition and measurement of defined benefit pension expense and termination benefits and to enhance the disclosure of all employee benefits. A number of amendments have been made to recognition, measurement and classification including redefining short-term and other long-term benefits, guidance on the treatment of taxes related to benefit plans, guidance on risk/cost sharing features, and expanded disclosures.

vi. IFRS 7, *Financial instruments – disclosure*, has been amended to require additional disclosures on transition from IAS 39, Financial Instruments to IFRS 9. These amendments are to be applied retrospectively.