FTC CARDS INC.
REPORT TO SHAREHOLDERS
FOR THE YEARE ENDED DECEMBER 31, 2013 WITH COMPARATIVES FOR THE PERIOD FROM MARCH 9, 2012 (DATE OF INCORPORATION) TO DECEMBER 31, 2012
(Expressed in Canadian dollars)

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE YEARE ENDED DECEMBER 31, 2013 WITH COMPARATIVES FOR THE PERIOD FROM MARCH 9, 2012 (DATE OF INCORPORATION) TO DECEMBER 31, 2012

(Dated: April 28, 2014)

Management's Responsibility for Financial Reporting

These annual audited consolidated financial statements have been prepared by management using Brazilian accounting policies which are essentially identical to "International Financial Reporting Standards – IFRS". The information contained in this document has also been prepared by management and is consistent with the data contained in the annual audited consolidated financial statements.

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that these filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by these filings, and these financial statements together with the other financial information included in these filings fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented in these filings.

The Board of Directors approves the financial statements and ensures that management has discharged its financial responsibilities. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports prior to filing.

Certain statements in this report may constitute forward-looking statements that are subject to risks and uncertainties. A number of important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. Consequently, readers should not place any undue reliance on such forward-looking statements. In addition, these forward-looking statements relate to the date on which they were made.

In particular, forward looking comments regarding the Company's status and viability included in the "Liquidity" section are views of management only, and actual results and outcomes could be materially different from management's estimates and expectations. The reader is advised to review risks and exposures related to the Company's operations and reporting, detailed in the sections entitled, "financial risks", all of which affect management's views and expectations.

Corporate Structure

FTC Cards Inc. ("FTC Canada" and the "Company") was incorporated under the name "0934977 B.C. Ltd." under the laws of the Province of British Columbia by articles of incorporation dated March 9, 2012. On May 16, 2012, the name was changed to "FTC Cards Inc."

The Company was not initially a reporting issuer (or the equivalent) in any jurisdiction and the common shares of FTC Canada are not listed or quoted for trading on any stock exchange. Following the completion of the Arrangement agreement on July 3, 2012, the Company became a reporting issuer in British Columbia.

The Company was incorporated for the purposes of completing the reorganization whereby pursuant to the terms of the Arrangement agreement between its parent CTF Technologies Inc., ("CTF"), and the purchaser, on July 3, 2012, the Company ceased to be a wholly-owned subsidiary of CTF and all of the issued and outstanding FTC Canada shares were distributed to the former CTF Shareholders.

Following the completion of the Arrangement agreement, FTC Canada now owns approximately 90.5% of the equity of FTC Cards Processamento e Serviços de Fidelização Ltda. ("FTC Brazil") and has assumed the management of the business of FTC Brazil. FTC Brazil is a limited liability company (*sociedade limitada*) under the laws of Brazil and was incorporated on April 7, 2011. The balance of the equity in FTC Brazil is held by Technis Planejamento e Gestão em Negócios Ltda. ("Technis"), a limited liability company (*sociedade limitada*) under the laws of Brazil and an unrelated party.

The registered and records office of FTC Canada. is located at 1500 Royal Centre, 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7. The head office of FTC Canada is located at 2000-1066 West Hastings Street, Vancouver, British Columbia, V6E 3X2. The registered and head office of FTC Brazil is located at Alameda Tocantins, No. 125, 33rd floor, room 3302, Building 01 of Condomínio West Side - Alphaville, in the city of Barueri, State of São Paulo, Brazil.

Business of the Company

FTC Brazil was formed in 2011 for the purposes of developing a business of providing data processing to support a program of promotions, awards and loyalty programs and credit card processing targeted at the franchise gas stations of Petrobras Distribuidora S.A. ("**Petrobras**"). FTC Brazil is continuing the business originally developed by CTF Technologies do Brasil Ltda., a subsidiary of CTF Technologies Inc., under an agreement entered into with Petrobras.

As an Acquirer, the Company receives a portion, determined by contract, of the commission revenues arising from the application of the Merchant Discount Rate, ("MDR") to all credit and debit card transactions processed for fuel and other purchases at designated Petrobras outlets. Revenues are also received from the monthly rental, instalation and maintenance of card processing equipment provided to merchants.

In addition, the Company has developed and is continuing to develop an expanded set of loyalty programs to promote customer brand loyalty for Petrobras and other clients, from which it earns fees on a monthly basis.

The Company's costs of operations include outsourced datacentre processing, communications, call centre operation, and website support for both clients and registered loyalty program users. The in-house costs include staff and other costs for new program development, sales and marketing, administration and other corporate costs.

Going Concern

These annual audited consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue to operate in the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Should the Company be unable to continue as a going concern, the basis of reporting the carrying values of assets may be adjusted.

The Company's earnings for the year ended December 31, 2013 were $581,000 whereas in the prior period from its inception on March 9, 2012 to December 31, 2012, the Company reported earnings of $1,983,000. Further, at December 31, 2013, the Company had cash of $6,576,000 on hand, (2012 - $1,942,000) and accumulated working capital available of $5,188,000, (2012 - $2,352,000). As a going concern, the Company is dependent upon its ability to sustain future profitable operations and to maintain access to financing to meet its obligations and repay its liabilities arising from normal business operations as they come due. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company not be able to continue as a going concern.

<u>Results of Operations for the Three Months Ended December 31, 2013:</u>

Consolidated revenues for the fourth quarter ended December 31, 2013 amounted to $4,935,000, down from the comparable period in 2012 of $8,739,000, a decline of 44 per cent from the previous quarter, the first quarter of operations. The Company, at the beginning of its operations in July, 2012, augmented revenues from operations with the installation of card reader terminals throughout the Petrobras station network to permit the functioning of the new cards for users. As a consequence, it derived significant additional revenues in the second half of

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2012. No comparable installation revenues were generated in 2013, such that the 44 per cent decline resulted year over year. The costs of operations include the costs for card transaction processing, a call centre and technical support for the operations and amounted to $2,335,000 for the current quarter as compared to the higher costs incurred in the prior comparable quarter of $4,655,000 for the quarter, reflecting the costs associated with the installation of the card readers.. The higher prior quarter costs also reflect the outsourced call centre and processing support, brought into the Company in 2013 to realize operational savings.

Other costs, totaling $1,849,000 were higher than in the prior year fourth quarter of $1,393,000, the increase due primarily to the substantially higher expenditures on marketing in 2013, amounting to $500,000, than that incurred in 2012 of only $36,000.

As a consequence, the consolidated net profit after taxes for the fourth quarter of 2013 was $537,000 or $0.01 per share, down from $1,968,000 or $0.03 per share, of which $493,000 or $0.01 per share (2012 - $1,777,000 or $0.03 per share) is attributable to the Company.

Results of Operations for the Year ended December 31, 2013 and for the Period from March 9, 2012 (Date of Incorporation) to December 3!, 2012:

Consolidated revenues for the year were $14,229,000, representing an improvement of 27 per cent over the prior comparable period from inception to December 31, 2012 amounting to $11,186,000. The gain reflects primarily the full year of operations as compared to the shortened startup period in 2012, and 8 per cent growth in the number of user transactions, 6 per cent growth in the number of POS terminals in use and 16 per cent growth in the overall revenue throughput on which the fees are earned.

The costs of operations include the costs for processing transactions, call centre response and technical support for the operations, and amounted to $8,540,000 in 2013 as compared to costs of $6,212,000 for the partial year to December 31, 2012. Overall, the gross margin of $5,689,000 improved 14 per cent over the prior year of $4,974,000.

Other costs include Sales and Marketing of $994,000 increasing from $194,000 incurred for the half year in 2012, and Administration of $3,820,000 as compared to $2,015,000 incurred in the prior year. Both Administration amounts include the CTF support costs for a six-month period. Total other costs amounted to $4,864,000 for 2013, compared to $2,225,000 incurred in 2012, the increase arising primarily for the full year of operations in 2013 and significantly higher marketing expenditures. In summary, the net profit for 2013 was $581,000 or $0.01 per share, down from $1,983,000 or $0.03 per share, of which $514,000 or $0.01 per share is attributable to the Company.

Selected Annual Financial Information:

	For the year ended December 31, 2013 **$**	**For the year ended December 31, 2012** **$**	**For the year ended December 31, 2011** **$**
Total revenues	14,229,000	11,186,000	N/A
Earnings before discontinued operations and extraordinary items:			
(i) total for the year	581,000	1,983,000	N/A
(ii) per share	0.01	0.03	N/A
(iii) per share fully diluted	0.01	0.03	N/A
Net Earnings:			
(i) total for the year	581,000	1,983,000	N/A
(ii) per share	0.01	0.03	N/A

(Expressed in Canadian dollars)

(iii) per share fully diluted	0.01	0.03	N/A
Total assets	17,246,000	16,838,000	N/A
Total long-term financial liabilities	832,000	Nil	N/A
Cash dividends declared per-share	Nil	Nil	N/A

Selected Quarterly Financial Information:

	4th Quarter Ended December 31, 2013 $	3rd Quarter Ended September 30, 2013 $	2nd Quarter Ended June 30, 2013 $	1st Quarter Ended March 31, 2013 $
(a) Revenue	4,935,000	3,009,000	3,903,000	2,379,000
(b) Profit (Loss) for period	537,000	415,000	232,000	(603,000)
(c) Profit (Loss) per share	0.01	0.01	0.00	(0.01)
	4th Quarter Ended December 31, 2012	3rd Quarter Ended September 30, 2012	2nd Quarter Ended June 30, 2012	Period from March 9, 2012 (date of inception) to March 31, 2012
(a) Revenue	8,739,000	2,446,247	NIL	NIL
(b) Profit (Loss) for period	1,967,000	15,000	1,580	0.00
(c) Profit (Loss) per share	0.03	0.00	0.00	0.00

All of the financial information reported in the table above is in accordance with IFRS reporting standards.

For the fourth quarter of 2013, revenues of $4,935,000 were generated due to higher system usage by Petrobras customers and higher $volume per sale, both adding to the gain over prior quarters. Costs were consistent with prior quarters, as were other costs, primarily administration, so that net profit continued to grow over the four quarters this year.

In the third quarter, revenues of $3,009,000 were generated, which is down from the immediately prior quarter, but higher than those in the first quarter of this year, and were higher than those of the comparable quarter in 2012. Costs were in line with previous quarters although the gross margin declined from the third quarter of 2012 when profits were enhanced from the installation of POS units for clients, whereas no similar revenues were generated in 2013. The Company earned $415,000 or $0.01 in the quarter.

In the second quarter, revenues of $3,903,000 were higher than those in the first quarter as revenue generated in support of the user base and the rent and installation of POS terminals were higher than those generated in the first quarter. Costs were higher also for the higher support level required and the POS installations. Other expenses were 23 per cent lower than those for the first quarter as management support costs were reduced. Net earnings for the quarter were $232,000 or $0.00 per share.

For the first quarter of 2013, revenues of $2,379,000 in fees earned from its MDR participation, down from the very high level earned in the previous quarter due to one-time installation of POS units and a special promotion to augment customer recognition and usage. Operating costs were consistent with prior quarters, excluding the impact of the costs of the POS installations, but as a result, the gross margin fell to 28 per cent and after all costs of operations, a loss for the quarter resulted of ($603,650) or ($0.01).

(Expressed in Canadian dollars)

For the fourth quarter of 2012, the Company earned increased operating revenues of $8,739,753 and the profit realized grew to $1,779,033 as usage of the Company's card system rose. Other costs were higher due to the inclusion of the transition support fees, applicable only for the first year of operation.

The Company has completed its first quarter of operations following the successful completion of the arrangement agreement, whereby FTC was spun out from CTF, and reported revenues of $2,446,247 and a net profit before minority interest of $15,113.

For the second quarter following incorporation, the Company incurred $1,580 of administrative expenses from its date of incorporation on March 9, 2012. No revenues were generated in the period. Consequently, the Company incurred a loss amounting to ($1,580) or ($1,580) per share for the quarter and year to date.

Capital:

Authorized: Unlimited number of Common shares without par value,

Issued:

	Number of Shares	Amount $
Balance, March 9, 2012	1	1
Issued on completion of the arrangement	58,351,052	8,305,105
Balance, December 31, 2013 and April 28, 2014	58,351,053	8,305,106

Liquidity:

On March 9. 2012, the Company was incorporated and one common share of the capital of the Company was issued for cash proceeds of $1. On July 3, 2012, the arrangement transaction as reported above, was completed and as part of the spin-out transaction, the Company received $509,000 (US$500,000) cash funding from the purchaser on behalf of the new FTC shareholders. In addition, as part of the spin-out transaction, the Company received 16,742,959 shares or quotas of FTC Brasil, with the attributed value of these shares acquired by CTF of $7,796,105 and representing 90.5 per cent of the total equity of FTC Brasil, and in exchange, FTC Canada issued 58,351,052 new common shares of the Company to CTF, such shares being immediately dividended out by CTF to the existing CTF shareholders.

In the first period of operations, the Company generated cash inflows of $1,983,000 from earnings, which after adjustments for non-cash items and changes in working capital accounts, yielded inflows of $1,572,000. As noted above, from the spin-out transaction, the Company received $509,000 from the CTF shareholders and acquired cash on hand in FTC Brasil of $258,000. However in the year -to-date period, the Company incurred cash expenditures of $176,000 for the acquisition of additional equipment and software, so that at December 31, 2012, the Company had cash on hand of $1,942,000 available to fund future operations and growth.

(Expressed in Canadian dollars)

In 2013, the Company's net earnings of $581,000, when adjusted for non-cash items and working capital account changes, generated cash flow from operations of $5,092,000. In addition, the Company's minority shareholder, Technis, advanced further funds of $832,000. Offsetting these cash inflows, cash outflows for capital expenditure disbursements for hardware and software additions of $223,000 and $356,000 respectively were made, and an investment of $200,000 as part of an acquisition strategy for additional loyalty software capabilities, was also made in the year.

As a consequence, the net cash flow from operations and the loan from shareholder, net of these capital expenditures and an adjustment for the impact of foreign currency translation, yielded a net cash improvement of $4,634,000 to the opening balance of cash on hand of $1,942,000 to produce a closing cash position totaling $6,576,000 available for future operational needs.

Management contemplates that additional funds, should they be required for the operations of the Company, will be raised by the issuance of new common shares of equity.

Related Party Transactions

The financial statements include the financial statements of FTC Cards Inc. and its subsidiary listed in the following table:

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest	Principal Activity
FTC Cards Processamento e Servicos de Fidelizacao Ltda.	Sao Paulo, Brazil	90.5%	Operating company

New Standards Not Yet Adopted:

The following standards have not yet been adopted and are being evaluated to determine their impact on the Company's financial statements.

Rules, changes and interpretations of standards that are not yet in force

• IFRS 9 Financial Instruments – Classification and measurement – It reflects the first phase of the IASBs work on the replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a simplified approach to determine whether a financial asset is measured at amortized cost or fair value, based on the manner in which an entity manages its financial instruments (business model) and the typical contractual cash flow of financial assets. The standard also requires the adoption of only one method for determining losses in recoverable value of assets. The standard is effective for annual periods beginning on or after January 1, 2015. The Company and its subsidiaries will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

• IAS 32 - Financial instruments - Changes in the pronouncement aims to clarify the requirements for compensation of financial instruments. These changes show inconsistencies found in practice when applied the criteria for compensation in "IAS 32 Financial Instruments: Presentation". The changes are effective for periods beginning on / or after January 1, 2014. Early application is permitted.

• IAS 36 - Impairment of Assets – Amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or CGU to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less cost of disposal. The amendments are effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively.

• IFRIC 21 – Levies – An interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("Obligation Event"). IFRIC 21 clarifies that the obligation event that gives rise to the liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014.

The Company and its subsidiaries has analyzed these standards and concluded that they will not cause significant impact in the financial statements.

<u>Financial and Capital Risk Management:</u>

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are described below.

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of financial instruments

The Company has various financial instruments including cash, trade accounts receivable and various accounts payable and accrued liabilities. Cash is carried at fair value using a level 1 fair value measurement. The carrying values of receivables and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash and cash equivalents are held in large Canadian and Brazilian financial institutions in interest bearing accounts.

The Company's trade and other accounts receivable consist mainly of amounts from Cielo and Petrobras and for HST and VAT receivable due from the governments of Canada and Brazil respectively.

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 through its capital management as outlined in Liquidity above. Accounts payable relating to the Company's operations and other accounts payable and accrued liabilities are due within one year.

Market risk

(Expressed in Canadian dollars)

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is minimal because these investments roll over daily.

b) Foreign currency risk

The Company subsidiary operates in Brazil and consequently is subject to fluctuations in the exchange rate of the Brazilian real to the Canadian dollar. The Company does not undertake any hedging activity against this significant foreign currency risk.

The exchange rates at the period-end close for $ 1.00 Canadian Dollar are as follows:

December 31, 2013:	$ 2.0277 Brazilian Reais
December 31, 2012:	$ 2.0580 Brazilian Reais
December 31, 2011:	$ 1.8322 Brazilian Reais

c) Price risk

The Company is exposed to price risk with respect to commodity prices, particularly fuel, as the Company's revenues directly reflect the pricing of fuels sold to fleet and vehicle owners. The Company currently does not undertake any hedging activity against this exposure.

The Company currently maintains investments in certain marketable securities. There can be no assurance that the Company can exit these positions if required, resulting in proceeds approximating the carrying value of these securities.

Events After the Reporting Date:

None.