



Consolidated Financial Statements of

GUESTLOGIX INC.

November 30, 2009 and 2008

GUESTLOGIX INC.
Consolidated Balance Sheets
November 30, 2009 and 2008

	2009	2008
ASSETS		
Current		
Cash and cash equivalents (note 1)	\$ 9,435,680	\$ 2,650,099
Accounts receivable (note 12)	3,629,000	2,076,908
Inventory	949,160	610,363
Prepaid expenses	244,866	155,122
Supplier development loan	106,180	495,395
Current portion of deferred cost of equipment sales	533,608	-
Current portion of net finance receivable (note 3(a))	4,611,234	2,646,330
	<u>19,509,728</u>	<u>8,634,217</u>
Restricted cash and cash equivalents (note 2)	2,693,501	2,895,100
Deferred cost of equipment sales	1,284,262	-
Net finance receivables (note 3(a))	5,580,543	3,315,727
Capital assets deployed (note 3(b))	10,697,628	6,011,264
Equipment (note 4)	196,655	163,045
	<u>\$ 39,962,317</u>	<u>\$ 21,019,353</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 4,843,833	\$ 3,517,574
Current portion of obligations under capital leases (note 5)	3,141,789	2,434,185
Current portion of term loan (note 6)	800,000	-
Notes payable (note 8)	-	61,860
Deferred revenue (note 7)	5,368,412	2,670,922
	<u>14,154,034</u>	<u>8,684,541</u>
Deferred revenue (note 7)	7,795,828	3,592,081
Obligations under capital leases (note 5)	2,970,784	3,027,466
Term loan (note 6)	1,200,000	-
	<u>11,966,612</u>	<u>6,619,547</u>
SHAREHOLDERS' EQUITY		
Share capital (note 9(b))	25,539,473	16,545,294
Contributed surplus	1,568,806	1,246,009
Warrants (note 9(d))	288,540	828,609
Share issuance costs	(3,104,656)	(2,226,999)
Deficit	(10,450,492)	(10,677,648)
	<u>13,841,671</u>	<u>5,715,265</u>
	<u>\$ 39,962,317</u>	<u>\$ 21,019,353</u>

Guarantees (note 13)
 Commitments (note 15)
 Contingencies (note 17)
 Subsequent events (note 19)

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

GUESTLOGIX INC.
Consolidated Statements of Operations
for the years ended November 30, 2009 and 2008

	2009	2008
REVENUE	\$ 18,554,760	\$ 8,473,865
OPERATING EXPENSES		
Cost of equipment sales	1,926,924	1,359,517
Research and development	389,747	557,098
Customer delivery and support	2,271,589	1,321,917
Infrastructure support	3,371,072	1,343,113
Sales and marketing	1,397,693	1,358,986
General and administrative	4,118,190	3,384,117
Stock-based compensation	244,694	463,886
Amortization of capital assets deployed	3,883,095	2,425,308
Amortization of equipment	86,346	40,426
	17,689,350	12,254,368
INCOME (LOSS) FROM OPERATIONS	865,410	(3,780,503)
Other income (expenses)		
Foreign exchange gain (loss)	54,611	25,209
Interest earned	22,654	157,434
Interest expense (notes 5,14)	(517,849)	(462,954)
Term loan interest and fees (note 6)	(197,670)	-
Interest accretion expense	-	(209,821)
	(638,254)	(490,132)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	\$ 227,156	\$ (4,270,635)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE (note 9(e))	\$ 0.00	\$ (0.08)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES USED IN BASIC EARNINGS (LOSS) PER SHARE (note 9(e))	56,549,408	51,149,674
WEIGHTED AVERAGE NUMBER OF COMMON SHARES USED IN DILUTED EARNINGS (LOSS) PER SHARE (note 9(e))	57,874,788	51,149,674

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

GUESTLOGIX INC.**Consolidated Statements of Shareholders' Equity***for the years ended November 30, 2009 and 2008*

	Number of Shares	Share Capital	Contributed Surplus	Conversion Rights	Warrants	Share Issuance Costs	Deficit	Shareholders' Equity
Balance, November 30, 2007	47,857,999	\$ 12,084,398	\$ 802,372	\$ 1,619,415	\$ 1,146,855	\$ (2,498,426)	\$ (6,407,013)	\$ 6,747,601
Issued on settlement of convertible notes	2,900,870	2,196,108	-	(1,619,415)	-	-	-	\$ 576,693
Issued for cash, private placement	1,176,500	1,000,025	-	-	-	-	-	\$ 1,000,025
Issued on settlement of accounts payable	164,000	142,680	-	-	-	271,427	-	\$ 414,107
Issued on settlement of notes payable	75,000	65,250	-	-	-	-	-	\$ 65,250
Stock based compensation expense	-	-	463,886	-	-	-	-	\$ 463,886
Share purchase warrants exercised	3,004,210	933,884	-	-	(333,042)	-	-	\$ 600,842
Share purchase options exercised	317,359	122,949	(20,249)	-	-	-	-	\$ 102,700
Issuance of warrants	-	-	-	-	14,796	-	-	\$ 14,796
Net loss and comprehensive loss for the year	-	-	-	-	-	-	(4,270,635)	\$ (4,270,635)
Balance, November 30, 2008	55,495,938	16,545,294	1,246,009	-	828,609	(2,226,999)	(10,677,648)	\$ 5,715,265
Issued for cash, private placement	6,000,000	7,200,000	-	-	-	(877,657)	-	\$ 6,322,343
Stock based compensation expense	-	-	244,694	-	-	-	-	\$ 244,694
Share purchase warrants exercised	2,060,554	1,716,193	-	-	(571,505)	-	-	\$ 1,144,688
Share purchase options exercised	85,297	77,986	(18,948)	-	-	-	-	\$ 59,038
Issuance of warrants	-	-	-	-	128,487	-	-	\$ 128,487
Expiry of warrants	-	-	97,051	-	(97,051)	-	-	\$ -
Net income and comprehensive income for the year	-	-	-	-	-	-	227,156	\$ 227,156
Balance, November 30, 2009	63,641,789	\$ 25,539,473	\$ 1,568,806	\$ -	\$ 288,540	\$ (3,104,656)	\$ (10,450,492)	\$ 13,841,671

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

GUESTLOGIX INC.
Consolidated Statements of Cash Flows
for the years ended November 30, 2009 and 2008

	2009	2008
CASH FLOW FROM OPERATING ACTIVITIES		
Net Income (Loss) for the period	\$ 227,156	\$ (4,270,635)
Items not involving cash:		
Amortization of capital assets deployed	3,883,095	2,425,308
Amortization of equipment	86,346	40,426
Amortization of deferred cost of equipment sales	101,992	-
Accrual of settlements with note holders	-	115,260
Interest accretion on notes payable	-	209,821
Stock-based compensation expense	244,694	463,886
Warrants issuance expense	-	14,796
Unrealized foreign exchange	98,184	714,587
Deferred revenue net of deferred cost of sales	751,654	124,857
Changes in non-cash operating working capital (note 11)	(523,504)	(314,540)
	4,869,617	(476,234)
CASH FLOW FROM INVESTING ACTIVITIES		
Increase in restricted cash (note 2)	-	(1,869,710)
Purchase of capital assets deployed	(4,373,600)	(1,471,823)
Purchase of equipment	(22,702)	(34,303)
	(4,396,302)	(3,375,836)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of common shares	6,494,090	1,000,025
Proceeds from exercise of options and warrants	1,203,727	703,543
Proceeds from term loan net of repayments (note 6)	2,000,000	-
Repayment of capital lease obligations, net	(3,323,691)	(1,069,962)
Repayment of notes payable (note 8)	(61,860)	(100,000)
Repayment of loans from shareholder	-	(20,461)
	6,312,266	513,145
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,785,581	(3,338,925)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,650,099	5,989,024
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 9,435,680	\$ 2,650,099
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 549,878	\$ 347,819
SUPPLEMENTAL DISCLOSURES RELATING TO NON-CASH OPERATING AND INVESTING ACTIVITIES		
Additions to capital lease obligations to finance the acquisition of capital assets deployed	\$ 4,195,859	\$ 4,019,325
Purchase of equipment for deployment in accounts payable	\$ 788,455	\$ 1,587,277
SUPPLEMENTAL DISCLOSURES RELATING TO CASH AND CASH EQUIVALENTS		
CASH	\$ 3,185,679	\$ 1,240,601
SHORT TERM INVESTMENTS UP TO 90 DAYS	\$ 6,300,001	\$ 1,409,498

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

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

DESCRIPTION OF BUSINESS

GuestLogix Inc. ('GuestLogix' or the 'Company') is in the business of providing technology to help carriers build, manage and control onboard stores tailored to their needs and their passengers. The Company's Onboard Retail Solution™ supports significant new retail opportunities for carriers to drive net profitable revenues while helping their passengers to get more out of their trip. Through its branded OnTouch™ onboard store environment GuestLogix delivers a branded onboard consumer marketplace that enable carriers to elevate their relationship with customers and create sustained ancillary revenue by offering travel-relevant destination based products and services.

1. Significant accounting policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ('GAAP') and include the accounts of the Company and its wholly-owned subsidiary, GuestLogix CCS Inc. All significant intercompany transactions and balances have been eliminated.

Revenue recognition

The Company's largest source of revenue derives from arrangements with multiple deliverables. When a customer order contains multiple items such as hardware, software, hosting and services, which are delivered at varying times, the Company determines whether the delivered items can be considered separate units of accounting in accordance with Emerging Issues Committee Abstract EIC-142, Revenue Arrangements with Multiple Deliverables ('EIC 142'). EIC 142 states that delivered items should be considered separate units of accounting if delivered items have value to the customer on a standalone basis; there is objective and reliable evidence of the fair value of undelivered items; the arrangement includes a general right of return relative to the delivered items; and, delivery of undelivered items is probable and substantially in the vendor's control.

If the vendor is able to establish fair value for all elements of the arrangement, revenue is allocated and recognized on each element separately in accordance with the appropriate revenue recognition convention for a given unit of accounting. However, if fair value cannot be established or if the delivered items do not have stand-alone value to the customer without additional services being provided, the vendor recognizes revenue on the items as a whole.

Management has determined that the deliverables in these arrangements generally do not have value to its customers on a stand-alone basis. In addition, vendor-specific and entity-specific objective evidence, as defined by EIC 142, of the fair values of the items with multiple deliverables is not available as the items generally are not sold separately by the Company, nor

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

1. Significant accounting policies (continued)

Revenue recognition (continued)

are there comparable vendors for these products in the marketplace. In some cases, the Company makes hardware only sales without any other deliverables. In these instances customers have opted not to sign contracts with the Company. Revenue in these instances is recognized when hardware is delivered and accepted by customers.

Some customers elect to purchase the equipment outright at the commencement of an arrangement. In these instances the Company recognizes the revenue and the associated cost of equipment rateably over the initial term of the arrangement.

To account for revenues and related expenses under a majority of arrangements, the Company employs sales-type lease accounting as follows. The Company sells products to certain customers under terms which approximate sales-type lease arrangements, with GuestLogix as the lessor, for periods ranging from three to five years. GuestLogix accounts for revenue under its sales-type leases in accordance with CICA Handbook section 3065, Leases, and recognizes current and long-term lease receivables on the accompanying consolidated balance sheets as net finance receivable. The present value of all minimum lease payments and the associated interest are recognized as revenue on a monthly basis over the term of the respective arrangements, using the discount rate implicit in each lease. Due to the lack of available objective evidence of fair values, the Company defers recognition of the revenues from these leases and recognizes revenues on a monthly basis when undelivered elements existing at each agreement's outset, such as transaction fees and monthly services, are delivered and payments are due. Amortization of the corresponding capital assets deployed related to the sales-type lease arrangements are charged to amortization expense over the initial term of the respective arrangements.

The Company recognizes revenue from the sale of hardware and parts in accordance with Emerging Issues Committee Abstract 141, Revenue Recognition, (EIC 141), when persuasive evidence of an arrangement exists, delivery has occurred, the sale price is fixed or determinable, and collection is reasonably assured.

GuestLogix also earns revenues from professional services and software hosting and support services. Where the arrangement is based on an hourly rate, the fair value of the professional services is recognized as the services are performed, based on the agreed hourly rate. Revenue from a fixed price professional services contract is recognized on a proportional performance basis, which requires GuestLogix to make estimates and is subject to the risks and uncertainties inherent in projecting future events. A number of internal and external factors can influence estimates, including the nature of the services being performed, the complexity of

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

1. Significant accounting policies (continued)

Revenue recognition (continued)

the customer's environment and the utilization and efficiency of the GuestLogix' professional services team. Recognized revenues are subject to revisions as the contract progresses to completion. Revisions in profit estimates are charged to income in the period in which the facts giving rise to the revision become known. Should there be an insufficient basis to estimate the progress towards the completion, revenue is recognized when the project is complete or when the Company receives final acceptance from the customer. Revenues from software hosting and support services are recognized in accordance with EIC 141, when persuasive evidence of an arrangement exists, services have been rendered, the sales price is fixed or determinable, and collection is reasonably assured.

GuestLogix makes estimates as to the probability of collecting the related accounts receivable balance on a customer-by-customer basis. In cases where collectability is not deemed probable, revenue is recognized when payments come due or upon the receipt of cash, depending on the circumstances and assuming all other criteria have been met.

Research and development expenses

Research costs are expensed as incurred. Costs related to the design and development of software solutions are expensed as incurred unless they meet the criteria, under Canadian GAAP, for deferral and amortization. No development costs have been deferred to date. Research and development costs are recorded net of investment tax credits, where applicable.

Financial instruments

Financial instruments of GuestLogix consist of cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, supplier development loan, accounts payable and accrued liabilities, notes payable, obligations under capital leases and term loan.

Cash and cash equivalents and restricted cash and cash equivalents are classified as held-for-trading, which require the financial instruments to be measured at fair value and the changes in fair value are recorded in the consolidated statements of operations. The carrying value of this instrument approximates its fair value due to its short-term nature.

Accounts receivable and supplier development loan are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities, notes payable, obligations under capital leases and term loan are classified as other financial liabilities and are measured at amortized cost.

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

1. Significant accounting policies (continued)

Equipment

Equipment is recorded at cost. Amortization is provided on a straight-line basis over the assets estimated useful lives as follows:

Computer equipment	3 years
Furniture and fixtures	5 years

Capital assets deployed

Assets that are deployed for use by customers are recorded at cost. Amortization is provided on a straight-line basis over the terms of the respective arrangements which range from three to five years.

Deferred cost of equipment sales

Under certain arrangements, the Company incurs costs for hardware delivered as part of the arrangement in advance of recognizing the related revenue. As the revenue is deferred and recognized over the initial term of the arrangement, the cost of the equipment is also deferred and taken as a charge to income over the initial term of the arrangement.

Impairment of long-lived assets

The useful lives and the carrying values of long-lived assets are periodically reviewed for continued appropriateness. Impairment of long-lived assets is reviewed whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. If the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of an asset is less than its carrying value, the asset is considered to be impaired. An impairment loss is measured as the excess of the carrying value of the asset over its fair value. As at November 30, 2009, the Company has not recorded an impairment loss.

Foreign currency translation

Monetary assets and liabilities of the Company that are denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the balance sheet date. Revenues and expenses are translated at the exchange rates prevailing at the approximate dates of the transactions. Foreign exchange gains and losses are included in the consolidated statements of operations.

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

1. Significant accounting policies (continued)

Future income taxes

The Company provides for income taxes under the asset and liability method. Under the asset and liability method, future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Future income tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that the assets will be realized.

Stock-based compensation

The Company uses the fair value method of accounting for all stock-based compensation. The Company grants stock options to directors, officers, employees and consultants of the Company pursuant to the stock option plan described in note 9(c). Compensation expense is recognized for stock options based on the fair value of the options at the grant date. The fair value of the options granted to employees, officers and directors is recognized over the vesting period of the options as stock-based compensation expense as a separate line item on the consolidated statements of operations. The fair value of the options granted to consultants is recognized over the period of services rendered as stock based compensation expense. If the stock options are exercised, the proceeds received are credited to common shares.

The fair value of stock options is estimated at the grant date using the Black-Scholes option-pricing model. This model requires the input of a number of assumptions, including expected dividend yield, expected stock price volatility, expected time until exercise and risk free interest rate. The Company has assumed no forfeiture rate and adjustments for actual forfeitures are made in the year they occur.

Although the assumptions used reflect management's best estimates, they involve inherent uncertainties based on conditions outside of the Company's control. If other assumptions are used, stock-based compensation could be significantly impacted.

Deferred revenue

Deferred revenue comprises lease, equipment sales, license, and services revenues. Deferred lease revenue arises when customers receive hardware to utilize the on-board retail software solutions and the terms approximate sales-type lease arrangements. In these situations, it is deemed that the Company has entered into a sales-type lease and a lease receivable is

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

1. Significant accounting policies (continued)

Deferred revenue (continued)

recorded. Deferred revenue is recognized as income on a monthly basis over the term of the respective arrangements, using the discount rate implicit in each lease.

Deferred equipment sales revenue arises when customers purchase the equipment outright at the commencement of the arrangement. Deferred revenue is recognized as income monthly, on a straight-line basis over the initial term of the respective arrangements.

Deferred license revenue is present where a software license is sold, in advance, covering a specific term into the future. Deferred revenue is recognized as income monthly, on a straight-line basis over the terms of the respective arrangements.

Deferred services revenue arises where significant obligations have yet to be satisfied and where payments have been received from the customers in advance of the services to be performed.

Leases

Leases are classified as capital or operating. Those leases, which transfer substantially all the benefits and risks of ownership of property to the Company, are accounted for as capital leases. The capitalized lease obligations reflect the present value of future lease payments, discounted at the appropriate interest rate, and are reduced by rental payments net of imputed interest. Assets under capital leases are amortized based on the useful life of the asset. All other leases are accounted for as operating leases with rental payments expensed as incurred.

Share issuance costs

Incremental costs incurred in respect of raising capital are charged against the equity proceeds raised and include legal, accounting, agent and investment bank fees and the cost of agent and investment bank warrants and options.

Earnings (loss) per share

Basic income (loss) per share is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted income (loss) per share is calculated using the treasury stock method. Diluted income (loss) per share reflects the potential dilution that could occur if additional common shares are assumed to be issued under securities

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

1. Significant accounting policies (continued)

Earnings (loss) per share (continued)

or contracts that entitle their holders to obtain common shares in the future. Diluted loss per share is not presented when the effect on the loss per share of the exercise of stock options and warrants is anti-dilutive. In periods when the Company reports a net loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive and therefore, basic and diluted loss per share is the same.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting periods. Financial statement items subject to significant management judgment include revenue recognition, the allowance for doubtful accounts, the valuation of capital assets deployed, warrant valuation, future income taxes and the valuation of stock-based compensation. While management believes that the estimates and assumptions are reasonable, actual results may differ.

Cash and cash equivalents

The Company considers all highly liquid instruments with maturities of three months or less at the time of issuance to be cash equivalents.

Included in cash and cash equivalents is:

	2009	2008
Cash	\$ 3,135,679	\$ 1,240,601
Short-term deposits	6,300,001	1,409,498
	<u>\$ 9,435,680</u>	<u>\$ 2,650,099</u>

Inventory

All inventories are stated at the lower of cost or realizable values. The Company's inventory consists of hand-held devices including hand-held devices awaiting deployment and replacement parts held for sale. Cost is determined on the first-in, first-out basis.

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

1. Significant accounting policies (continued)

Recently adopted pronouncements

Goodwill and intangible assets

In January 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, which replaces Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. The standard provides guidance on the recognition of intangible assets in accordance with the definition of an asset and the criteria for asset recognition as well as clarifying the application of the concept of matching revenues and expenses, whether these assets are separately acquired or internally developed. This standard was adopted by the Company on December 1, 2008. The application of this section did not have a material effect on the Company's financial position and results of operations.

Inventories

In June 2007, the CICA issued Handbook Section 3031, Inventories. This Section supersedes Handbook Section 3030, Inventories and is based on International Financial Reporting Standard IAS 2 Inventories. The Section prescribes the accounting treatment for inventories and was adopted by the Company on December 1, 2008. The application of this section did not have a material effect on the Company's financial position and results of operations.

Recently issued pronouncements not yet adopted

In January 2009, the CICA issued Handbook Sections 1582, Business Combinations ('Section 1582'), 1601, Consolidated Financial Statements ('Section 1601') and 1602, Non-controlling Interests ('Section 1602'). Section 1582 replaces CICA Handbook Section 1581, Business Combinations, and establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards. Section 1582 is applicable prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with early adoption permitted. Section 1601 together with Section 1602 replaces CICA Handbook Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Sections 1601 and 1602 are applicable for interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011, with early adoption permitted. An entity must adopt Sections 1582, 1601 and 1602 at the same time. The Company plans to adopt these

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

1. Significant accounting policies (continued)

Recently issued pronouncements not yet adopted (continued)

standards effective December 1, 2010 and does not expect the adoption will have a material impact on the results of its operations or financial position.

International financial reporting standards ('IFRS')

In February 2008, the Canadian Accounting Standards Board announced that 2011 is the changeover date for publicly accountable profit-oriented enterprises to use IFRS, replacing Canadian GAAP for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will commence reporting in IFRS in the first quarter of the 2012 fiscal year, with comparative figures.

The Company will use a four phase approach to ensure successful conversion to IFRS, including:

- diagnostic impact assessment;
- design and planning;
- solution developments and;
- implementation

The Company has begun developing its detailed IFRS conversion plan, including commencement of an education process for management and the Board of Directors, and evaluating the effect of the new standards on its consolidated financial statements. Determination of the key differences between IFRS and the Company's accounting policies is in progress including an evaluation of the main potential impact on its business practices, systems, disclosure controls and procedures, and internal controls over financial reporting. It is not practically possible at this time to quantify the impact of these differences.

2. Restricted cash and cash equivalents

As at November 30, 2009, the Company had restricted cash and cash equivalents of \$2,693,501 (2008 - \$2,895,100), as required to provide collateral security against capital leases (see note 5). To fulfill this obligation, the Company has purchased short-term U.S. dollar denominated investments.

Included in restricted cash and cash equivalents is short-term deposits of \$2,693, 501 (2008 - \$2,895,100).

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

3. Net finance receivables and capital assets deployed

(a) Net finance receivables

Amounts owing under sales-type leases entered into through the Company's multiple element arrangements are recorded as net finance receivables. Future minimum payments receivable under these multiple element arrangements are as follows:

	2009	2008
2009	\$ -	\$ 2,646,330
2010	4,611,234	2,078,996
2011	3,609,717	1,094,109
2012	1,532,227	142,622
2013	251,945	-
2014	186,654	-
	<u>\$ 10,191,777</u>	<u>\$ 5,962,057</u>

The average interest rate implicit to these leases ranges from 5.34% to 15% (2008 – 5.34% to 12.25%).

Costs deferred under these multiple element arrangements, representing equipment sold under the sales-type leases above, are recorded as capital assets deployed.

(b) Capital assets deployed

2009	Cost	Accumulated amortization	Net book value
Capital assets deployed	\$ 18,931,039	\$ 8,233,411	\$ 10,697,628

2008	Cost	Accumulated amortization	Net book value
Capital assets deployed	\$ 10,361,580	\$ 4,350,316	\$ 6,011,264

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

4. Equipment

2009	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 208,682	\$ 121,682	\$ 87,000
Furniture and fixtures	178,551	68,896	109,655
Total equipment	\$ 387,233	\$ 190,578	\$ 196,655

2008	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 128,776	\$ 77,416	\$ 51,360
Furniture and fixtures	138,501	26,816	111,685
Total equipment	\$ 267,277	\$ 104,232	\$ 163,045

Included in equipment is equipment under capital lease with a cost of \$213,676 (2008 - \$116,422) and accumulated amortization of \$45,781 (2008 - \$19,935).

5. Obligations under capital leases

From time to time the Company purchases hand-held, point-of-sale devices which in turn are bundled with software, hosting and services and are leased to customers as described in note 1. These devices are then sold under sales-type lease arrangements to customers under a multiple element revenue arrangement, as described in note 1.

During the fiscal year, hand-held, point-of-sale payment devices were purchased at a cost of \$8,197,608 (2008 - \$5,351,084) of which \$4,195,858 (2008 - \$3,905,979) was financed by way of capital leases.

The Company is required to have restricted cash or cash equivalents to provide collateral security against certain of the capital lease obligations (see note 2).

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

5. Obligations under capital leases (continued)

The following is a schedule of future minimum lease payments for equipment under capital leases:

	2009	2008
2009	\$ -	\$ 2,843,489
2010	3,591,477	2,374,008
2011	2,266,961	867,577
2012	911,399	-
	6,769,837	6,085,074
Less amount representing interest (at 5.34% to 12.5%)	657,264	623,423
	6,112,573	5,461,651
Less current portion	3,141,789	2,434,185
	\$ 2,970,784	\$ 3,027,466

Interest expense related to these obligations for the year ended November 30, 2009 amounted to \$517,849 (2008 - \$284,921).

6. Term loan

In June 2009, the Company entered into a non-revolving financing facility agreement ('term loan') for an aggregate amount of \$2,400,000. The term loan has a term of 36 months and is secured through a General Security Agreement and a Registered and Perfected Security interest covering the assets specified in the contract with a carrying value of \$3,120,681, and all the monies owing to the debtor under the contract.

	2009	2008
2010	\$ 800,000	\$ -
2011	800,000	-
2012	400,000	-
	2,000,000	-
Less current portion	800,000	-
	\$ 1,200,000	\$ -

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

6. Term loan (continued)

Principal repayments of \$66,666 are to be made equally over the 36 month term of the agreement. The interest rate on the term loan is 3% per annum plus the rate of prime. The administration fee is 1.25% per month of the amount outstanding under the financing facility.

Interest expense and loan service fees related to this obligation for the year ended November 30, 2009 amounted to \$50,726 and \$146,944 respectively (2008 - \$NIL).

7. Deferred revenue

Deferred revenue reported as at November 30, 2009 was \$13,164,240 (2008 - \$6,263,003), with current and long-term portions of \$5,368,412 and \$7,795,828 respectively (2008 - \$2,670,922 and \$3,592,081)

Deferred revenue comprises lease, equipment sales, license, and service revenue, and is recognized on a monthly basis over the terms of the corresponding arrangements which range from three to five years as described in note 1.

8. Notes payable

On August 12, 2005, the Company purchased and cancelled the outstanding common shares of GuestLogix as part of a management buyout agreement in exchange for a non-interest bearing note payable comprising a fixed obligation of \$414,785 (U.S. \$350,000). In addition, contingent consideration of up to \$200,000 was payable subject to the Company achieving certain conditions at August 12, 2009, or at any time prior to that date if triggered by a liquidation event as defined in the agreement. On August 15, 2009 the Company agreed to settle the contingent liability and any claims against the Company as a result of the management buyout, for cash consideration of \$159,390 (US \$150,000) and 75,000 common shares issued from treasury at the closing market price of \$0.87 on August 14, 2009 valued at \$65,250.

The balance outstanding under this obligation as at November 30, 2008 was \$61,860 (U.S. \$50,000). The amount outstanding was unsecured and was repaid in December 2008.

9. Share capital

(a) Authorized:

Unlimited number of voting common shares

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

9. Share capital (continued)

(b) Issued:

	Number of common shares	Amount
Balance, November 30, 2007	47,857,999	\$12,084,398
Issuance of shares on exercise of warrants (i)	143,250	43,599
Issuance of shares on exercise of options (ii)	50,721	42,781
Issuance of shares on exercise of warrants (iii)	2,812,262	854,927
Issuance of shares on exercise of options (iv)	99,971	30,168
Issuance of shares upon shareholder loan conversion (v)	2,900,870	2,196,108
Issuance of shares on exercise of options (vi)	166,667	50,000
Issuance of shares upon settling accounts payable (vii)	164,000	142,680
Issuance of shares upon settling participating amount (viii)	75,000	65,250
Issuance of shares for cash consideration (ix)	1,176,500	1,000,025
Issuance of shares on exercise of warrants (x)	48,698	35,358
Balance, November 30, 2008	55,495,938	\$16,545,294
Issuance of shares on exercise of warrants (xi)	2,060,554	1,716,193
Issuance of shares on exercise of options (xii)	85,297	77,986
Issuance of shares for cash consideration (xiii)	6,000,000	7,200,000
Balance, November 30, 2009	63,641,789	\$25,539,473

- (i) In February 2008, the Company issued 143,250 common shares upon the exercise of warrants for total consideration of \$28,650. The value previously attributed to the warrants, \$14,949, was reallocated to share capital at that time.
- (ii) In February 2008, the Company issued 50,721 common shares upon the exercise of options for total consideration of \$35,504. The value relating to these options previously attributed to contributed surplus, \$7,277, was reallocated to share capital at that time.
- (iii) In April 2008, the Company issued 2,812,262 common shares upon the exercise of warrants for total consideration of \$562,452. The value relating to these options previously attributed to contributed surplus, \$292,475, was reallocated to share capital at that time.

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

9. Share capital (continued)

- (b) Issued (continued):
 - (iv) In March and April 2008, the Company issued 99,971 common shares upon the exercise of options for total consideration of \$17,196. The value relating to these options previously attributed to contributed surplus, \$12,972, was reallocated to share capital at that time.
 - (v) On June 30, 2008, the Company issued 2,900,870 common shares upon the conversion of a shareholder loan with a face amount of \$576,693. The value of conversion rights relating to convertible shareholder loans of \$1,619,415 was reallocated to share capital.
 - (vi) In July 2008, the Company issued 166,667 common shares upon the exercise of options for total consideration of \$50,000.
 - (vii) On August 15, 2008, the Company issued 164,000 common shares having a value of \$142,680 towards the partial settlement of an accounts payable.
 - (viii) On August 15, 2008, the Company issued 75,000 common shares having a value of \$65,250 as partial consideration of the participating amount payable arising from the 2005 management buyout.
 - (ix) On November 7, 2008, the Company issued 1,176,500 common shares for proceeds of \$1,000,025 in a private placement.
 - (x) On November 14, 2008, the Company issued 48,698 common shares upon the exercise of warrants for total consideration of \$9,740. The value previously attributed to the warrants, \$25,618, was reallocated to share capital at that time.
 - (xi) In the three months ended August 31, 2009, the Company issued 2,060,554 common shares upon the exercise of warrants for total consideration of \$1,144,688. The value previously attributed to the warrants of \$571,505, was reallocated to share capital that month.
 - (xii) In September 2009, the Company issued 85,297 common shares upon the exercise of options for total consideration of \$59,038. The value relating to these options previously attributed to contributed surplus, \$18,948, was reallocated to share capital at that time.

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

9. Share capital (continued)

(b) Issued (continued):

(xiii) On November 12, 2009, the Company issued 6,000,000 common shares for proceeds of \$7,200,000 in a private placement.

(c) Stock options:

The Company has established a stock option plan (the 'Plan') to encourage ownership of the Company's common shares by its key officers, directors, employees and selected consultants. The Plan provides for an amount up to 15% of the outstanding common shares of the Company to be reserved for issuance. The number of shares reserved for issuance under the Plan as at November 30, 2009 is 6,655,932 common shares with provision that the Board of Directors has the right from time to time, to increase such number subject to the approval of shareholders of the Company. Options under the Plan vest over various periods from the date of the granting of the option. All options granted under the Plan that have not been exercised within ten years of the grant will expire, subject to earlier termination if the optionee ceases to be an officer, director, employee or consultant of the Company.

The fair value of options granted was estimated on the date of the grant using the Black-Scholes option-pricing model, resulting in the weighted average fair value of options granted in 2009 of \$0.18-\$0.52, with the following assumptions:

	2009	2008
Risk-free rate of return	1.81% - 2.71%	2.77% - 3.86%
Expected volatility	45.8% - 62.1%	51.9% - 76.0%
Dividend yield	NIL%	NIL%
Average expected life of the options	4-5 years	5 years

The following is a summary of the stock options outstanding and the weighted average exercise price granted, as at November 30, 2009 and 2008:

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

9. Share capital (continued)

(c) Stock options (continued):

	Number of Options Outstanding	Weighted Average Exercise Price
Outstanding, November 30, 2007	2,589,364	\$ 0.46
Granted	1,100,289	1.21
Exercised	(317,359)	0.36
Cancelled	(215,442)	1.08
Outstanding, November 30, 2008	3,156,852	\$ 0.72
Granted	1,626,756	0.48
Exercised	(85,297)	0.69
Cancelled	(770,150)	0.98
Outstanding, November 30, 2009	3,928,161	\$ 0.57
Exercisable at November 30, 2009	2,604,889	\$ 0.56

The Company recognized \$244,694 of stock-based compensation expense for stock options issued to employees, officers, directors and consultants during the year ended November 30, 2009 (2008 - \$463,886).

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at November 30, 2009 are as follows:

Range of Exercise Price	Number Outstanding	Options outstanding		Options exercisable	
		Weighted Average Exercise Price	Weighted Average Contractual Life	Number Exercisable	Weighted Average Exercise Price
\$0.07	808,137	\$0.07	0.92 years	808,137	\$0.07
\$0.47-0.71	2,145,109	\$0.57	2.93 years	1,090,816	\$0.60
\$0.80-1.24	910,321	\$1.08	3.08 years	646,673	\$1.02
\$1.25-1.40	64,594	\$1.25	3.14 years	59,263	\$1.29
	3,928,161	\$0.57	2.55 years	2,604,889	\$0.56

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

9. Share capital (continued)

(d) Warrants:

The following is a summary of outstanding warrants as at November 30, 2009 and 2008 and changes during the years ended November 30, 2009 and 2008:

	2009		2008	
	Number of Warrants	Amount	Number of Warrants	Amount
Exercise price of U.S.\$0.32 exercised in 2009 (i)	-	\$ -	980,468	\$ 237,806
Exercise price of U.S.\$0.726 expiring August 16, 2011 to October 1, 2011 (ii)	727,047	64,849	727,047	64,849
Exercise price of U.S.\$0.907 expiring August 16, 2011 to October 1, 2011 (ii)	540,480	80,408	540,480	80,408
Exercise price of U.S.\$0.57 expired on January 31, 2009 (iii)	-	-	119,075	8,119
Exercise price of \$0.84 exercised and expired in 2009(iv)	-	-	501,202	138,804
Exercise price of \$0.70 exercised in 2009 (v)	-	-	900,004	283,827
Exercise price of \$0.99 expiring on September 15, 2010 (vi)	50,000	14,796	50,000	14,796
Exercise price of \$1.20 expiring on November 12, 2010 (vii)	420,000	128,487	-	-
	1,737,527	\$ 288,540	3,818,276	\$ 828,609

(i) Warrants issued and outstanding in conjunction with \$445,990 (U.S. \$400,000) in notes payable on June 20, 2006 totalled 980,468. The warrants had an exercise price of U.S. \$0.32 and expiry of June 30, 2009. The warrants were exercised prior to expiry resulting in 980,468 common shares being issued for proceeds of \$363,416 (U.S. \$313,750).

(ii) Warrants issued and outstanding in conjunction with an additional U.S. \$653,626 in convertible loans in 2006 totalled 1,267,527. The warrants have exercise prices of U.S. \$0.726 and U.S. \$0.907 per share and expire between August 16, 2011 and October 1, 2011.

(iii) Warrants issued and outstanding in conjunction with services provided to the Company in 2007 totalled 119,075 and had an exercise price of U.S. \$0.57 per

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

9. Share capital (continued)

(d) Warrants (continued):

share. The warrants expired unexercised on January 31, 2009, and the value previously attributed to the warrants of \$8,119, was reallocated to contributed surplus.

- (iv) Warrants issued and outstanding in conjunction with capital raising services provided to the Company in 2007 totalled 501,202 and had an exercise price of \$0.84 per share and expiry of July 31, 2009. Warrants of 321,120 expired unexercised on July 31, 2009 and the value previously attributed to the warrants of \$88,932, was reallocated to contributed surplus. The remaining 180,082 warrants were exercised prior to expiry resulting in 180,082 common shares being issued for proceeds of \$151,269.
- (v) Warrants issued and outstanding in conjunction with capital raising services provided to the Company in 2007 totalled 900,004 and had an exercise price of \$0.70 per share and expiry of July 31, 2009. The warrants were exercised prior to expiry resulting in 900,004 common shares being issued for proceeds of \$630,003.
- (vi) Warrants issued totalling 50,000 for consulting services provided to the Company in 2008 having an exercise price of \$0.99 per share and expiring on September 15, 2010.
- (vii) Warrants issued totalling 420,000 in conjunction with capital raising services provided to the Company in 2009 having an exercise price of \$1.20 and expiring on November 12, 2010.

The fair value of warrants granted in 2009 was estimated on the date of the grant using the Black-Scholes option-pricing model, resulting in the fair value of these options being \$128,487, with the following assumptions being used: (a) risk-free rate of return of 1.39%; (b) dividend yield of 0%; (c) expected volatility of 74.3%; (d) and weighted average expected life of the warrant of 1 year.

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

9. Share capital (continued)

(e) Earnings (loss) per share:

The following table sets for the computation of basic and diluted (loss) per share for the years ended November 30:

	2009	2008
Numerator:		
Net income (loss) attributable to common shareholders		
- basic and diluted	\$ 227,156	\$ (4,270,635)
Denominator		
Weighted average common shares outstanding – basic	56,549,408	51,149,674
Effect of dilutive securities:		
Stock options	1,325,320	-
Weighted average common shares outstanding – diluted	57,874,728	51,149,674
Basic earnings (loss) per share	\$ 0.00	\$ (0.08)
Diluted earnings (loss) per share	\$ 0.00	\$ (0.08)

For the year-ended November 30, 2009, approximately 974,915 potentially dilutive stock options and 1,737,527 warrants were excluded from the computation of weighted average number of diluted common shares outstanding, as the applicable exercise prices were greater than the average market price of the Company's common shares for the year.

As a result of net losses for the year ended November 30, 2008, the potential effect of the exercise of stock options was anti-dilutive.

10. Income taxes

The following table reconciles the expected income tax recovery at the Canadian Federal and Provincial statutory rate of 29% (2008 – 29%) to the amount recognized in the consolidated statements of operations:

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

10. Income taxes (continued)

	2009	2008
Income (loss) before provision for (recovery) of income taxes	\$ 227,156	\$ (4,270,635)
Expected income tax provision (recovery)	65,875	(1,238,484)
Tax rate changes and other adjustments	199,875	(66,714)
Permanent differences	232,564	(269,847)
(Decrease) increase in valuation allowance	(498,314)	1,575,045
Income tax provision (recovery) reflected in consolidated statement of operations	\$ -	\$ -

The Company's future income tax assets as at November 30, 2009 and 2008 are as follows:

	2009	2008
Future income tax assets		
Capital assets and lease obligations	\$ 70,659	\$ 252,691
Financing fees	266,674	448,606
Non-capital losses and SRED carry forwards	1,800,747	1,935,097
	2,318,080	2,636,394
Less valuation allowance	(2,138,080)	(2,636,394)
Net future income tax assets	\$ -	\$ -

The Company believes that sufficient uncertainty exists regarding the realization of its future income tax assets that a valuation allowance is required. The Company continues to evaluate its taxable position quarterly and considers factors such as estimated taxable income, the history of losses for tax purposes and the growth of the Company, among others. As at November 30, 2009, the Company has non-capital losses available for carry-forward to reduce future years' income for tax purposes, which, if unused, will expire as follows:

2016	\$ 175,842
2027	1,290,182
2028	2,237,497
	\$ 3,703,521

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

10. Income taxes (continued)

Under the Income Tax Act, certain expenditures are classified as Scientific Research and Experimental Development ('SRED') expenditures and, for tax purposes, are grouped into a pool, which is 100% deductible in the year incurred. This SRED expenditure pool can also be carried forward indefinitely and deducted in full in any subsequent year. The balance of the SRED expenditure pool at November 30, 2009 is \$2,253,451 (2008 - \$2,134,051).

11. Changes in non-cash operating working capital

	2009	2008
Accounts receivable	\$ (1,752,660)	\$ (870,882)
Inventory	(338,797)	(610,363)
Prepaid expenses and other assets	(105,264)	(41,652)
Investment tax credits receivable	-	326,667
Accounts payable and accrued liabilities	1,289,748	1,377,085
Supplier development loan	383,469	(495,395)
	<u>\$ (523,504)</u>	<u>\$ (314,540)</u>

12. Financial instruments

Financial instruments of GuestLogix consist of cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, supplier development loan, accounts payable and accrued liabilities, notes payable, obligations under capital leases and term loan. There are no significant differences between the carrying amounts of the items reported on the consolidated balance sheets and their estimated fair values.

The Company's risk exposures and their impact on the Company's financial instruments are summarized below:

Credit risk

GuestLogix is currently dependant on a number of large customers in Europe and the United States (see note 16). At year end, the top 4 accounts receivable balances comprised approximately 72% (2008 - 80%) of the total accounts receivable. As GuestLogix expands its offering and increases distribution of its products, management anticipates the dependency on these customers to decrease and that its accounts receivable.

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

12. Financial instruments (continued)

Credit risk (continued)

and contract risks would also be moderated. There has been no significant write-off of accounts receivable in the years ended November 30, 2009 and 2008.

The following table provides information regarding the aging of accounts receivable that are past due but which are not impaired:

As at November 30, 2009:

Current	31 - 60 days	61-90 days	91 days +	Carrying value
\$ 2,176,556	\$ 288,823	\$ 333,322	\$ 830,299	\$ 3,629,000

As at November 30, 2008:

Current	31 - 60 days	61-90 days	91 days +	Carrying value
\$ 1,256,354	\$ 109,350	\$ 217,123	\$ 494,081	\$ 2,076,908

The definition of amounts that are past due is determined by reference to terms agreed with individual customers. No significant amounts outstanding have been challenged by the respective customers and the Company continues to conduct business with them on an ongoing basis. Accordingly, management expects that balances are fully collectible in the future.

Liquidity risk

The Company believes that at the present time it does not face significant liquidity risk as it has been able to continue to source funding for the point-of-sale hand-held devices. However, the Company has experienced an increase in the time required to secure funding, which has necessitated the Company using its own working capital to bridge-finance capital asset deployments. The Company reported positive cash-flow from operations during 2009 which mitigates liquidity risk.

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

12. Financial instruments (continued)

Market risk

(a) Interest rate

Cash equivalents and restricted cash equivalents are invested in money market instruments of varying maturities less than 90 days. Consequently, GuestLogix is exposed to interest rate risk as a result of holding investments of varying maturities. The fair value of investments, as well as the investment income derived from the investment portfolio, will fluctuate with changes in prevailing interest rates. GuestLogix does not use interest rate derivative financial instruments in its investment portfolio but invests in Canadian Schedule A bank instruments. The Company does not believe that there is a significant interest rate risk, due to the short-term nature of its investments.

The Company is also exposed to interest rate risk as a result of the term loan. The interest on the term loan is 3% per annum plus the rate of prime, thus the Company faces interest rate exposure with prime rate fluctuations.

Sensitivity analysis

Based on management's knowledge and experience of the finance market, the Company believes the following movement is "reasonably possible" over a six month period.

	Impact on net income
	\$
Change of +/- 1% in rate of prime	+/- 9,000

(b) Foreign exchange

GuestLogix is exposed to foreign exchange risk as a result of transactions in currencies other than its functional currency of the Canadian Dollar. The majority of GuestLogix's revenues are transacted in U.S. Dollars, Euros and Sterling. Purchases of equipment required to deliver on GuestLogix's contracts are primarily transacted in U.S. Dollars. GuestLogix does not currently use derivative instruments to hedge against foreign exchange risk as it has a significant natural hedge in U.S. Dollars.

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

12. Financial instruments (continued)

Market risk (continued)

- (b) Foreign exchange (continued)

Sensitivity analysis

Based on management's knowledge and experience of the finance market, the Company believes the following movements are 'reasonably possible' over a six month period.

	Impact on net income
	\$
Change of +/- 10% in US \$ foreign exchange rate	+/- 41,440
Change of +/- 10% in Euro € foreign exchange rate	+/- 52,260
Change of +/- 10% in GBP £ foreign exchange rate	+/- 23,410
Change of +/- 10% in SGD \$ foreign exchange rate	+/- 1,850

The above results arise primarily as a result of the Company having US \$ denominated cash and cash equivalents, restricted cash and cash equivalents, accounts receivables, supplier development loan, account payable and accrued liabilities, capital lease obligations and GBP £, Euro € and SGD \$ denominated accounts receivable.

Limitations of sensitivity analysis

The above table demonstrates the effect of change in foreign exchange rates. The financial position of the Company may vary at the time that change in foreign exchange occurs, causing the impact on the Company's results to differ from that shown above.

13. Guarantees

In the normal course of business, the Company enters into agreements that meet the definition of a guarantee.

- (a) Indemnity has been provided to all directors and officers of the Company for various items including, but not limited to, all costs to settle suits or actions against due to association with the Company, subject to certain restrictions. The Company has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not specifically defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of the Company. The maximum amount of any potential future payment cannot be reasonably estimated.

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

13. Guarantees (continued)

(b) In the normal course of business, the Company has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require the Company to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated. The nature of these indemnification agreements prevents the Company from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability, which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Company has not made any payments under such or similar indemnification agreements and therefore no amount has been recorded in the consolidated balance sheets with respect to these agreements.

14. Related party transactions

Transactions between the Company and its shareholders and other related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Interest paid or payable to shareholders during the year totalled \$NIL (2008 - \$47,115).

15. Commitments

Future minimum lease payments for the premises and computer equipment operating leases, exclusive of taxes and other operating costs, are as follows:

2010	\$ 165,455
2011	167,186
2012	161,718
2013	66,702
	<hr/>
	\$ 561,061

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

16. Segmented information and customer concentration

(a) Geographic information:

The Company manages its operations in one business segment, which is providing proprietary transaction-based onboard retail software solutions for the passenger travel industry. All significant equipment is located in Canada, except for the point-of-sale hand-held devices which are deployed to the customer locations. During the year \$14,797,120 of the Company's revenue (2008 - \$6,245,915) was derived from North America, while the remainder of \$3,757,640 (2008 - \$2,227,950) was derived primarily from Europe, the Middle East and Asia Pacific.

(b) Major customers:

During 2009, the five top customers accounted for 73% of the total revenue (2008 – 80%).

17. Contingencies

In December 2006, a complaint was filed against the Company in the United States. The plaintiff was seeking compensatory damages of U.S. \$150,000 together with punitive damages in an unspecified amount. In September 2009, the parties entered into a litigation termination settlement whereby each party agreed to drop their litigation against the other. Each party agreed to pay their own costs of litigation and no monetary or other consideration was paid by either party to the other.

18. Capital management

Management defines capital as the Company's shareholders' equity. The Company's objective in managing capital is to ensure a sufficient liquidity position to finance and secure its revenue growth and expansion globally and to finance development activities, general and administration expenses, working capital and overall capital expenditures, especially expenditures to acquire capital assets deployed. The Company makes every attempt to manage its liquidity to minimize shareholder dilution when possible.

To finance its activities, the Company has followed an approach that relies on revenue growth, issuance of common shares and financing through capital leases and term debt. Since inception, the Company has financed its activities primarily through public offerings of common shares, shareholder loans and capital leases.

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

18. Capital management (continued)

The Company's policy is to maintain a minimal level of debt for operating purposes, however, in June 2009, the Company entered into a \$2,400,000 non-revolving financing facility agreement to finance point-of-sale hand-held devices. Management believes the Company's positive operating cash-flow will help manage the obligations under this arrangement.

The Capital management objectives for fiscal 2009 remained the same as those of the previous fiscal year.

At November 30, 2009, cash and cash equivalents amounted to \$9,435,680 and accounts receivable amounted to \$3,629,000. GuestLogix's principle source of liquidity going forward are expected to be cash provided from operations and the issuance of debt to finance the point-of-sale hand-held devices deployed as part of its software platform solution.

The Company's policy on dividends is to retain cash to keep funds available to finance operations and growth. However, the Board of Directors may choose to declare a dividend if warranted in the future.

The Company is not subject to any externally imposed capital requirements, except for restricted cash and cash equivalents.

19. Subsequent events

Subsequent to November 30, 2009, the Company's Board of Directors authorized the grant of 1,009,598 options to its senior officers, directors, employees and contractors. These options expire on December 30, 2014 and each option entitles its holder to purchase one share for \$0.95. These options vest as follows:

- (i) 370,000 options granted to senior officers vest annually in arrears on November 30, 2010; November 30, 2011 and November 30, 2012.
- (ii) 90,000 options granted to directors vest quarterly in arrears on March 31, 2010; June 30, 2010; September 30, 2010 and December 31, 2010.
- (iii) 549,598 options granted to employees and contractors vest annually in arrears on November 30, 2010; November 30, 2011 and November 30, 2012.

GUESTLOGIX INC.

Notes to Consolidated Financial Statements
November 30, 2009 and 2008

20. Reclassification of comparative figures

Certain amounts from prior years have been reclassified to conform to the current year's presentation.