

Consolidated Financial Statements of

GUESTLOGIX INC.

Three-months ended February 28, 2009 and February 29, 2008

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

GUESTLOGIX INC.
Consolidated Balance Sheets

(UNAUDITED)

ASSETS	February 28, 2009 (unaudited)	November 30, 2008
Current		
Cash and cash equivalents	\$ 1,540,840	\$ 2,650,099
Accounts receivable	2,423,457	2,076,908
Inventory	1,044,375	610,363
Prepaid expenses and other assets	172,605	155,122
Advances to supplier	523,126	495,395
Current portion of net finance receivable (note 3a)	2,329,047	2,646,330
	<u>8,033,450</u>	<u>8,634,217</u>
Restricted cash and cash equivalents (note 2)	2,739,471	2,895,100
Net finance receivable (note 3a)	2,624,725	3,315,727
Capital assets deployed (note 3b)	5,162,785	6,011,264
Property and equipment (note 4)	177,016	163,045
	<u>\$ 18,737,447</u>	<u>\$ 21,019,353</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 2,905,050	\$ 3,517,574
Current portion of obligations under capital leases (note 5)	2,218,305	2,434,185
Notes payable (note 7)	-	61,860
Deferred revenue (note 6)	2,426,308	2,670,922
	<u>7,549,663</u>	<u>8,684,541</u>
Deferred revenue (note 6)	3,064,853	3,592,081
Obligations under capital leases (note 5)	2,566,576	3,027,466
	<u>13,181,092</u>	<u>15,304,088</u>
SHAREHOLDERS' EQUITY		
Share capital (note 8(b))	16,545,294	16,545,294
Contributed surplus	1,346,930	1,246,009
Conversion rights	-	-
Warrants (note 8(d))	820,490	828,609
Share issuance costs (note 8(b))	(2,226,999)	(2,226,999)
Deficit	(10,929,360)	(10,677,648)
	<u>5,556,355</u>	<u>5,715,265</u>
Guarantees (note 11)		
Commitments (note 13)		
Contingencies (note 15)		
	<u>\$ 18,737,447</u>	<u>\$ 21,019,353</u>

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

GUESTLOGIX INC.
Consolidated Statements of Operations and Deficit

	For the three months ended	
	February 28	February 29
	2009	2008
	(unaudited)	(unaudited)
REVENUE	\$ 4,001,259	\$ 1,403,857
OPERATING EXPENSES		
Cost of equipment sale	592,767	143,859
Research and development	108,066	78,793
Customer delivery and support	472,095	245,316
Infrastructure support	776,709	116,577
Sales and marketing (note 12)	261,318	286,374
General and administrative (note 12)	868,504	471,478
Stock-based compensation	92,802	52,686
Amortization of capital assets deployed	867,941	473,734
Amortization of property and equipment	20,782	2,925
	4,060,984	1,871,742
LOSS FROM OPERATIONS	(59,725)	(467,885)
OTHER INCOME (EXPENSES)		
Other income	-	-
Foreign exchange gain (loss)	(101,557)	22,255
Interest earned	15,937	64,345
Interest expense (note 12)	(106,367)	(66,760)
Interest accretion	-	(92,859)
	(191,987)	(73,019)
NET LOSS FOR THE PERIOD AND COMPREHENSIVE INCOME	\$ (251,712)	\$ (540,904)
BASIC AND DILUTED LOSS PER SHARE	(0.00)	(0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	55,495,438	47,858,556

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

GUESTLOGIX INC.
Consolidated Statements of Cash Flows

	For the three months ended,	
	February 28, 2009	February 29, 2008
	(unaudited)	(unaudited)
Cash flow from operating activities		
Net loss for the period	\$ (251,712)	(540,904)
Items not involving cash:		
Amortization of capital assets deployed	867,941	473,734
Amortization of property and equipment	20,782	2,925
Interest accretion on notes payable	-	92,859
Stock based compensation expense	92,802	52,686
Unrealized foreign exchange	(50,123)	(2,034)
Increase in net deferred revenue	236,443	10,467
Changes in non-cash operating working capital (note 9)	(1,465,587)	(789,704)
	<u>(549,454)</u>	<u>(699,971)</u>
Cash flow from investing activities		
Decrease in restricted cash and cash equivalents (note 2)	155,629	117,358
Purchase of capital assets deployed	(19,462)	(1,404,076)
Additions to property and equipment (note 4)	(1,405)	-
	<u>134,762</u>	<u>(1,286,718)</u>
Cash flow from financing activities		
Proceeds from exercise of options and warrants		64,154
Repayment of capital lease obligations, net (note 5)	(632,707)	(268,083)
Repayment of notes payable (note 7)	(61,860)	-
Repayment of loans from shareholder	-	(20,461)
	<u>(694,567)</u>	<u>(224,390)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,109,259)	(2,211,079)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,650,099	5,989,024
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>1,540,840</u>	<u>3,777,945</u>
 SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	106,367	80,032
Interest received	15,937	64,345
 SUPPLEMENTAL DISCLOSURES RELATING TO NON-CASH OPERATING AND INVESTING ACTIVITIES:		
Additions to capital lease obligations to finance the acquisition of and property and equipment	\$33,348	-
 (The accompanying notes are an integral part of these financial statements)		

GUESTLOGIX INC.

Notes to Consolidated Financial Statements (continued)
Three-months ended February 28, 2009 and February 29, 2008
(unaudited)

DESCRIPTION OF BUSINESS

GuestLogix Inc. ('GuestLogix' or the 'Company') is in the business of providing proprietary on-board retail software platform solutions for the passenger travel industry. The GuestLogix on-board retail solution, called Mobile Virtual Store™, provides significant benefits for all three major components of the on-board retail industry: pre-departure, on-board and post-arrival processing.

REVERSE TAKEOVER

On August 1, 2007, GuestLogix and its principal shareholders entered into a reverse takeover of Growthgen Equity II Inc. ('Growthgen') wherein all of the issued and outstanding shares of GuestLogix were sold, by way of share exchange, to Growthgen (the 'RTO'). Holders of issued and outstanding common shares of GuestLogix received 3.94 shares of Growthgen for each GuestLogix share held. Growthgen and GuestLogix completed an amalgamation of the two entities with the continuing entity retaining the name of GuestLogix Inc.

At the time of closing, GuestLogix had 7,242,109 shares outstanding, which upon conversion into Growthgen shares resulted in a total of 28,533,910 shares being issued to previously existing GuestLogix shareholders. Immediately following the amalgamation, subscription receipts which were issued in relation to a GuestLogix financing under which gross proceeds of \$9,000,040 were raised in May 2007 were automatically exercised and the holders thereof received an aggregate of 12,857,200 common shares. In addition, the outstanding principal amount of \$728,287 under 12% convertible debentures issued by GuestLogix between August 17, 2006 and October 2, 2006 was converted into 1,235,911 common shares, and an additional 79,194 common shares were issued in satisfaction of fees owed by GuestLogix to a service provider, for a total of 42,706,215 common shares issued in the RTO.

Upon completion of the RTO, there were 44,372,882 common shares outstanding of Growthgen, which was renamed GuestLogix Inc.

Growthgen was a non-operating public enterprise and did not meet the definition of a business under the CICA Handbook Emerging Issues Committee Abstract EIC-124, Definition of a Business, (EIC 124); therefore, the reverse takeover transaction did not constitute a business combination under the provisions of Emerging Issues Committee Abstract EIC-10, Reverse Takeover Accounting, (EIC 10). Accordingly, the transaction has been accounted for as a capital transaction rather than a business combination. The net assets acquired at fair value August 1, 2007 are as follows:

Asset	
Cash	\$100,046
Less: liabilities assumed	-
Total consideration attributable to Growthgen	\$100,046
Represented by 1,666,667 Growthgen shares	\$100,046

1. Summary of significant accounting policies:

The interim unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Certain information and note disclosures normally included in the annual financial statements prepared in accordance with Canadian generally accepted accounting principles have been condensed to include only the notes related to the elements which have significantly changed in the interim period. As a result, these interim financial statements should be read in conjunction with the Company's audited financial statements and notes thereto for the fiscal year ended November 30, 2008. The unaudited interim financial statements, in the opinion of management, contain all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial information for such unaudited interim periods. The accounting policies applied thereon are consistent with those described below and in the Company's audited financial statements for the fiscal year ended November 30, 2008. The results of operations for the three-months ended February 28, 2009 are not necessarily indicative of the results to be expected for the full year.

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; if 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 standalone value to the customer without additional services being provided, the vendor recognizes revenue on the items as a whole.

1. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Management has determined that the deliverables in these arrangements generally do not have value to its customers on a standalone 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 are there comparable vendors for these products in the marketplace. In some exceptional 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.

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 unrelated to arrangements described above, in accordance with Emerging Issues Committee Abstract EIC-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 the customer's environment and the utilization and efficiency of the GuestLogix's 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

1. Summary of significant accounting policies (continued)

Revenue recognition (continued)

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, receivables, advances to supplier, accounts payable and accrued liabilities, notes payable, and obligations under capital leases.

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

Receivables and advances to supplier are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities, notes payable, and obligations under capital leases, are classified as other financial liabilities and are measured at amortized cost.

Property and equipment

Property and equipment are recorded at cost. Amortization is provided on a straight-line basis over their estimated useful lives as follows:

Computer equipment	3 years
Furniture and equipment	5 years

1. Summary of significant accounting policies (continued)

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 two to five years.

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 February 28, 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 statement of operations and deficit.

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 8. Compensation expense is recognized for stock options based on the fair value of the options at the grant date. Currently the fair value of the options is recognized over the vesting period of the options as stock-based compensation expense as a separate line item on the consolidated statement of operations and deficit. If the stock options are exercised, the proceeds received are credited to common shares.

1. Summary of significant accounting policies (continued)

Stock-based compensation (continued)

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, average expected life of the stock option and risk free interest rates. The Company has assumed no forfeiture rate as 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 expense could be significantly impacted.

Deferred revenue

Deferred revenue comprises lease, licence and services revenues. Deferred lease revenue arises when customers receive hardware to utilize the on-board retail software solutions. In these situations as described in note 1 above, it is deemed that the Company has entered into a sales-type lease and a lease receivable is 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 licence revenue is present where a software licence is purchased, in advance, covering a specific term into the future. Deferred licence revenue is recognized as income monthly, on a straight line basis over the terms of the respective arrangements, using the discount rate implicit in each lease.

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.

1. Summary of significant accounting policies (continued)

Interest accretion expense

Interest accretion expense comprises charges taken to accrete the fair market value of convertible and debt obligations with equity participation features up to face value at maturity.

Loss per share

The Company follows CICA Handbook section 3500, Earnings per Share, which directs that the treasury stock method be used to calculate diluted earnings per share. Basic loss per common share is calculated by dividing the net loss by the weighted average number of common shares outstanding. 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 years 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 are 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 period. Financial statement items subject to significant management judgement include revenue recognition, the allowance for doubtful accounts, the realization of investment tax credits, the valuation of capital assets deployed, the valuation of conversion features and options in debt instruments, 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.

The Black-Scholes model used by the Company to determine fair values was developed for use in estimating the fair value of the stock options and warrants. This model requires the input of highly subjective assumptions including future stock price volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value of the Company's stock options and warrants granted during the period.

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:

	February 28, 2009	November 30, 2008
Cash	\$1,540,840	\$1,240,601
Short-term deposits		\$1,409,498
	<u>\$1,540,840</u>	<u>\$2,650,099</u>

1. Summary of significant accounting policies (continued)

Inventory

All inventory 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.

Recent 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 consolidated financial position and results of operations.

Inventories

In June 2007, the CICA issued Handbook Section 3031 Inventories ('Section 3031'). 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 a material effect on its 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 Section 1582, 1601 or 1602 at the same time. The Company plans to adopt these

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

1. Summary of significant accounting policies (continued)

Recently issued pronouncements not yet adopted (continued)

International Financial Reporting Standards ('IFRS')

In 2006, the Canadian Accounting Standards Board ('AcSB') published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB 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. While the Company has begun assessing and reviewing the impact of IFRS, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

2. Restricted cash and cash equivalents

As at February 28, 2009, the Company had restricted cash and cash equivalents of \$2,739,471 (November 30, 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:

	February 28, 2009	November 30, 2008
Cash	\$ -	\$ -
Short-term deposits	\$ 2,739,471	\$ 2,895,100

3. Net finance receivables and capital assets deployed

(a) Net finance receivable

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	\$2,751,646
2010	2,147,093
2011	828,934
2012	64,874
	\$5,792,547

The average interest rate implicit to these leases ranges from 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.

3. Net finance receivables and capital assets deployed (continued)

(b) Capital assets deployed

November 30, 2008	Cost	Accumulated amortization	Net book value
Capital assets deployed	\$10,361,580	\$4,350,316	\$6,011,264

February 28, 2009	Cost	Accumulated amortization	Net book value
Capital assets deployed	\$10,381,042	\$5,218,257	\$5,162,785

4. Property and equipment

November 30, 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 property and equipment	\$ 267,277	\$ 104,232	\$ 163,045

February 28, 2009	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 162,373	\$ 83,780	\$ 78,593
Furniture and fixtures	\$ 139,657	\$ 41,234	\$ 98,423
Total property and equipment	\$ 302,030	\$ 125,014	\$ 177,016

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.

In the three-month period ended February 28, 2009 purchases of capital assets deployed totalled \$19,462 (2008 - \$1,404,076), none of which were financed by way of capital leases and purchases of property and equipment totalled \$34,753 of which \$33,348 were financed by capital leases.

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

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

5. Obligations under capital leases (continued)

	February 28, 2009	November 30, 2008
2009	\$ 2,581,539	\$ 2,843,489
2010	2,112,718	2,374,008
2011	621,263	867,577
	5,315,520	6,085,074
Less amount representing interest (at 5.33% to 12.25%)	530,639	623,423
	4,784,881	5,461,651
Less current portion	2,218,305	2,434,185
	\$ 2,566,576	\$
3,027,466		

Interest expense related to this obligation for the year ended November 30, 2008 amounted to \$284,921 (2007 - \$174,923). Interest expense related to this obligation for the three-months ended February 28, 2009 was \$106,367 (2008 - \$46,612).

6. Deferred revenue

Deferred revenue reported as at November 30, 2008 was \$6,263,003 (2007 - \$3,198,600). The deferred revenue reported as at February 28, 2009 was \$5,491,161.

Deferred revenue reported at February 28, 2009 pertains primarily to lease obligations from fifteen (15) customers (2008 – four (4)). Deferred revenue is recognized on a monthly basis over the terms of the corresponding lease agreements which range from two to five years as described in note 1.

7. 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 is payable subject to the Company achieving certain conditions at August 12, 2008, or at anytime prior to that date if triggered by a liquidation event as defined in the agreement. On August 15, 2008 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 cents on August 14, 2008 valued at \$65,250.

The balance outstanding under this obligation as at November 30, 2008 was \$61,860 (U.S. \$50,000) (2007 - \$100,000 (U.S. \$100,000)). The amount outstanding was repaid in December, 2008.

8. Share capital

All share and per share information in these notes and the accompanying consolidated financial statements has been adjusted to give effect to an April 2007, 3:1 stock split.

(a) Authorized

Unlimited number of voting common shares.

(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
<u>Balance, February 28, 2009</u>	<u>55,495,938</u>	<u>\$16,545,294</u>

- (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 warrants, \$292,475, was reallocated to share capital at that time.
- (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.

8. Share capital (continued)

(b) Issued (continued)

- (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, \$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. These options formed part of the options transferred from Growthgen in August 2007.
- (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 that month.

(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, as restated, and approved by shareholders subsequent to the amalgamation with Growthgen, 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 at February 28, 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 up to 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 for the three-month period ended February 28, 2009 of \$0.33, with the following assumptions:

8. Share capital (continued)

(c) Stock options (continued)

Risk-free rate of return	1.81%
Expected volatility	89.1%
Dividend yield	-%
Average expected life of the options	5 years

The following is a summary of the stock options outstanding and the weighted average exercise price granted, as at February 28, 2009.

	Number of Options Outstanding	Weighted Average Exercise Price
Outstanding, November 30, 2007	2,589,364	0.46
Granted during the period	1,100,289	1.20
Exercised	(317,359)	0.32
Cancelled	(215,442)	0.81
Outstanding, November 30, 2008	3,156,852	\$ 0.72
Granted during the period	1,496,206	\$ 0.47
Cancelled	(5,500)	\$ 1.18
Outstanding, February 28, 2009	4,647,558	\$ 0.65
Exercisable at February 28, 2009	2,010,537	\$ 0.56

The Company recognized \$92,802 of stock-based compensation expense for stock options issued to service providers and employees during the three-month period ended February 28, 2009.

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at February 28, 2009 are as follows:

8. Share capital (continued)

(c) Stock options (continued):

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	1.67 years	808,137	\$0.07
\$0.47-0.70	2,390,714	\$0.56	3.68 years	633,594	\$0.70
\$0.83-1.24	1,382,713	\$1.13	3.76 years	530,142	\$1.10
\$1.25-1.40	65,994	\$1.30	3.90 years	38,664	\$1.30
	4,647,558	\$0.65	3.36 years	2,010,537	\$0.56

(d) Warrants:

The following is a summary of outstanding warrants as at February 28, 2009 and November 30, 2008 and changes during the three-month period ended February 28, 2009 and the year ended November 30, 2008:

	February 28, 2009		November 30, 2008	
	Number of Warrants	Amount	Number of Warrants	Amount
Exercise price of U.S.\$0.32 expiring June 30, 2009 (i)	980,468	237,806	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 expiring on January 31, 2009 (iii)	-	-	119,075	8,119
Exercise price of \$0.84 expiring on July 31, 2009 (iv)	501,202	138,804	501,202	138,804
Exercise price of \$0.70 expiring on July 31, 2009 (v)	900,004	283,827	900,004	283,827
Exercise price of \$0.99 expiring on September 15, 2010 (vi)	50,000	14,796	50,000	14,796
	3,699,201	\$ 820,490	3,818,276	\$ 828,609

8. Share capital (continued)

(d) Warrants (continued):

- (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 expire on June 30, 2009.
- (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 totalled 119,075 and have an exercise price of U.S. \$0.57 per share and expire on January 31, 2009. These warrants expired unexercised on January 31, 2009 and the value previously attributed to the warrants \$8,119, was reallocated to contributed surplus.
- (iv) Warrants issued and outstanding in conjunction with capital raising services provided to the Company totalled 501,202 and have an exercise price of \$0.84 per share and expire on July 31, 2009.
- (v) Warrants issued and outstanding in conjunction with capital raising services provided to the Company totalled 900,004 and have an exercise price of \$0.70 per share and expire on July 31, 2009.
- (vi) Warrants were issued in September totalling 50,000 for consulting services provided to the Company and have an exercise price of \$0.99 per share and expire on September 15, 2010.

9. Changes in non-cash operating working capital

	Three months ended February 28 2009	Three months ended February 29 2008
Accounts receivable	\$ (364,944)	\$ (215,672)
Inventory	(434,012)	-
Prepaid expenses and other assets	(17,483)	(41,546)
Investment tax credits receivable	-	159,995
Accounts payable and accrued liabilities	(621,417)	(397,161)
Advance to supplier	(27,731)	(295,320)
	<u>\$(1,465,587)</u>	<u>\$ (789,704)</u>

10. Financial instruments

Financial instruments of GuestLogix consist of cash and cash equivalents, restricted cash and cash equivalents, receivables, advances to supplier, accounts payable and accrued liabilities, notes payable, and obligations under capital leases. There are no significant differences between the carrying amounts of the items reported on the balance sheet 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 United States (See note 14). At the period end, the accounts receivable from the Company's top five customers comprised approximately 79% (2008 – 86%) 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 and contract risks would also be moderated. There has been no significant write-off of accounts receivable in the three-months ended February 28, 2009 or the year ended November 30, 2008.

The following table provides information regarding the aging of accounts receivable that are past due but which are not impaired as at February 28, 2009:

Current	31 - 60 days	61-90 days	91 days +	Carrying value
\$ 791,181	\$ 1,114,654	\$ 123,423	\$ 394,199	\$ 2,423,457

The definition of amounts that are past due is determined by reference to terms agreed with individual customers. None of the amounts outstanding have been challenged by the respective customer and the Company continues to conduct business with them on an ongoing basis. Accordingly, management expects that this balance is 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. In addition, the Company is expecting to become cash-flow positive on operations during the second quarter of 2009.

10. Financial instruments (continued)

Market risk

(i) 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.

(ii) 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' 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.

11. 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.

11. 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 balance sheet with respect to these agreements.

12. 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.

Certain of the senior executives are compensated through management service agreements. These agreements entitle the companies owned by these individuals to a fixed monthly payment and reimbursement of reasonable out-of-pocket expenses. During the three-month period ended February 28, 2009 the Company incurred costs of \$67,500 (2008 - \$97,500) relating to these agreements, which are included in sales and marketing and general and administrative expenses.

Interest paid or payable to shareholders during the during the three-month period ended February 28, 2009 on shareholder loans totalled \$NIL (2008 - \$20,129).

13. Commitments

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

2009	\$	117,789
2010		165,122
2011		166,065
2012		146,917
2013		66,702
		<hr/>
		\$ 662,595

14. Segmented information and customer concentration

(a) Geographic information

The Company manages its operations in one business segment, which is providing proprietary transaction-based on-board retail software solutions for the passenger travel industry. All significant property and equipment are located in Canada, except for the point-of-sale hand-held devices which are deployed to the customer locations. During the three-month period ended February 28, 2009 \$3,284,657 of the Company's revenue (2008 - \$1,001,046) was derived from North America, while the remainder of \$716,602 (2008 - \$402,811) was derived primarily from Europe, the Middle East and Africa.

(b) Major customers

During the three-months ended February 28, 2009, the five top customers accounted for 85% of the total revenue (2008 – 94%).

15. Contingencies

In December 2006, a complaint was filed against the Company in the United States. The plaintiff is seeking compensatory damages of U.S. \$150,000 together with punitive damages in an unspecified amount. The plaintiff had also undertaken an action against American Airlines which they withdrew during August 2008. As a result of the withdrawal of the action by the plaintiff against American Airlines, GuestLogix is no longer at risk of having to indemnify American Airlines against this action. The Company believes this complaint is without merit and will defend itself in the normal course. While the outcome of the above claim is not determinable, no amount relating to this matter has been accrued in the consolidated financial statements.

16. 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. Since inception, the Company has financed its activities primarily through public offerings of common shares, shareholder loans and capital leases.

The Company's policy is to maintain a minimal level of debt for operating purposes.

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

16. Capital management (continued)

At February 28, 2009, cash amounted to \$1,540,840 and accounts receivable amounted to \$2,423,457. Reflecting the common stock issued during the previous fiscal year and revenue agreements in existence, management believes that its cash position will be sufficient to fund operation and capital needs for at least one year.

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 circumstances.

The Company is not subject to any externally imposed capital requirements.

17. Reclassification of comparative figures

Certain amounts from prior periods have been reclassified to conform to the current period's presentation.