

## **GUESTLOGIX INC.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

#### **FOR THE YEARS ENDED NOVEMBER 30, 2008 and 2007**

The following is a discussion and analysis of the consolidated financial position, results of operations and cash flows of GuestLogix Inc. for the year ended November 30, 2008 and should be read in conjunction with the consolidated financial statements and accompanying notes for such period. The effective date of management's discussion and analysis ('MD&A') is March 20, 2009. The Company reports its financial results in Canadian dollars and under Canadian generally accepted accounting principles. References herein to 'GuestLogix', 'the Company', 'we' and 'our' mean GuestLogix Inc.

#### **FORWARD LOOKING STATEMENTS**

The information set forth in this MD&A contains statements concerning GuestLogix' future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, forward-looking statements. These statements concerning possible or assumed future results of operations of GuestLogix are preceded by, followed by or include the words 'believes,' 'expects,' 'anticipates,' 'estimates,' 'intends,' 'plans,' 'forecasts,' or similar expressions. Forward-looking statements are not guarantees of future performance. These forward-looking statements are based on current expectations that involve numerous risks and uncertainties, including, but not limited to, those identified in the Risks Factors section of the filing statement the Company filed with regulatory authorities on July 24, 2007. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond GuestLogix' control. Although GuestLogix believes that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. GuestLogix has no intention and undertakes no obligation to update or revise any forward-looking statements, whether written or oral that may be made by or on the Company's behalf.

## Overview

### Annual Highlights and Summary

- Revenue was \$8,473,865 for the year ended November 30, 2008, compared to \$5,430,154 for the year ended November 30, 2007;
- EBITDA<sup>1</sup> was \$(1,314,769) for the year ended November 30, 2008, compared to \$32,377 for the year ended November 30, 2007;
- Net loss was \$4,270,635 for the year ended November 30, 2008, compared to a net loss of \$3,720,483 for the year ended November 30, 2007; and
- GuestLogix' cash and cash equivalents totaled \$2,650,099 as at November 30, 2008, compared to \$5,989,024 as at November 30, 2007.
- GuestLogix' cash and cash equivalents including restricted cash totaled \$5,545,199 as at November 30, 2008, compared to \$7,014,414 as at November 30, 2007.

- (1) Earnings before interest, taxes, depreciation amortization and foreign exchange ('EBITDA') is a financial metric used by many investors to evaluate companies in this industry on the basis of operating results and the ability to incur and service debt. EBITDA does not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. The disclosure of EBITDA is not intended to replace, but only augment, the discussion of financial results from operations or cash flows.

### GuestLogix' Business

GuestLogix is the leading provider of on-board retail technology and solutions to the passenger travel industry. Its mission is to deliver innovative, end-to-end solutions that create new revenue streams and growth while enhancing customer service. GuestLogix' Mobile Virtual Store™ platform is the de facto standard in the airline sector, representing agreements to serve over 700 million passenger trips annually. The world's leading airline brands such as American, Delta, US Airways, Southwest, Ryanair, Brussels Airlines, AirAsia X and Germanwings rely on GuestLogix to serve their customers. GuestLogix had 25% of the global airline industry as its clients at year end 2008.

### Growth Strategy and Future Outlook

GuestLogix' strategy is to penetrate the global passenger travel industry as quickly as possible with the objective of becoming the premier provider of on-board retail merchandising solutions. This growth strategy has been supported to date by the ability of the Company to continue to obtain lease and loan financing to support the purchase of the point-of-sale hand-held device that supports the software platform solution during very difficult credit markets. In 2008, the Company continued to expand its underlying infrastructure, including technology, business processes, skilled labor and organizational structure, to support significant growth of our footprint. GuestLogix expects its current

infrastructure to support footprint growth in 2009 with minimal incremental impact on the Company's cost base.

GuestLogix' growth opportunity is due in large part to the following four converging factors:

- i) The passenger travel industry is facing a number of economic challenges that are forcing them to seek alternative revenue sources to enhance their profitability. Passenger tickets have become commoditized thereby lowering seat prices and the ability of the carriers to raise prices. Fuel costs are unpredictable having gyrated wildly in the past 12 months, placing tremendous pressure on airlines in particular. Many airlines were trapped on the wrong side of aviation fuel hedges during the time of both rising and falling fuel prices. Low-cost carriers have driven a significant and new emphasis on 'ancillary revenues' which has led to a strong drive towards implementing profitable on-board retail programs across the industry. Ancillary revenues can provide margins in excess of 40%, while ticket prices provide profit margins of between 2% and 4%. In addition, competition from airline low-cost carriers will lead the rail and high-speed ferry sectors to also adopt the on-board retail model in order to increase revenues and profitability.
- ii) Mobile, hand-held device technology has matured to the point where industrial, ruggedized hand-held devices are now at a price point that can economically enable payment transactions to be captured in an 'on-board environment' and sent via wireless transmission for post-arrival clearing and settlement. GuestLogix is uniquely positioned to also be the solutions platform of choice when the next technology solution commonly referred to as 'back of the seat' screens are more widely adopted within the passenger travel industry.

GuestLogix has continued to make investments in its core software and today offers a complete and fully ready solution for on-board retail. In addition, GuestLogix has a transaction-based or 'utility model' go-to-market strategy, which enables a recurring revenue stream via a transaction-based fee for every on-board sales transaction without the need for the client to make a capital intensive investment in hardware and software up-front.

- iii) GuestLogix continues to establish distribution channels and key partnerships with some of the most significant players within the passenger travel industry. Management believes these channels and partnerships will enable GuestLogix to extend its reach to all geographies and to each of the three key sectors for on-board retail: airlines, rail and high-speed ferries. In order to build channel partner relationships and

reach end customers, GuestLogix attends tradeshows, advertises in trade publications and speaks at industry events. GuestLogix may also pursue selective acquisitions to further its growth.

There are no assurances that GuestLogix will achieve profitability, as the Company has not earned operating profits to date and may incur further significant operating losses as it expands its global footprint and also develops its on-board retail merchandising solution and related airline programs.

### **Global Market Conditions**

The continuing economic slowdown and financial systems uncertainty impacted the airline sector in 2008 in several ways and is expected to continue to do so in 2009. This trend is expected to continue to have a positive impact on GuestLogix' business as many existing and prospective clients, due to their passenger load contractions and reduced ticket revenues, have been forced to look for additional revenues elsewhere, and thereby have moved more quickly to expand their ancillary revenue programs. And, in particular, they have moved to quickly expand their on-board retail offerings. However, and while the airline industry has been buffeted by some negative factors including aviation fuel price gyrations and business travel contraction, GuestLogix has continued to overcome these challenges to obtain financing for our solutions deployments. As some of our prospective clients will be outside North America in 2009, our ability to finance them may be more difficult, but this is not expected to impact our footprint expansion.

As most of our business is conducted outside Canada, we are being impacted by the fluctuations in foreign currencies, especially so with the decline in both the Euro and Sterling against the US and Canadian dollar during most of 2008. As the nature of our cash flows is still somewhat unpredictable, and the premiums in the forward exchange markets have been relatively high, we chose not to hedge our foreign exchange exposure during 2008 and have continued that policy into 2009. The Company also has a significant natural hedge in USD with the majority of revenues generated from its North American clients. The Company's supplier of hand-held devices and peripheral equipment prices its products in USD.

### **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 outstanding 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 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	-
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Total consideration attributable to Growthgen	\$100,046
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Represented by 1,666,667 Growthgen shares	\$100,046
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### **Critical Accounting Policies and Estimates**

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. All significant intercompany transactions 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 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 Company's control.

If the Company 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 Company recognizes revenue on the contract 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 the Company, nor are there comparable vendors for these products in the market place. 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 that approximate sales-type lease arrangements, with GuestLogix as the lessor, for terms that range from two 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 sheet 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 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.

### **Investment Tax Credits**

The Company is entitled to federal and provincial investment tax credits, which are earned as a percentage of eligible research and development expenditures incurred in each taxation year. The Company, while it was a private company, recorded the benefit of refundable investment tax credits when the qualifying expenditures had been incurred and there was reasonable assurance as to their collection. Investment tax credits are recorded as a reduction of the related expenditure for items of a current nature and a reduction of the related capital asset for items of a long-term nature. Upon the amalgamation of Growthgen and GuestLogix on August 1, 2007, the Company is no longer entitled to claim refundable investment tax credits against its future eligible research and development expenditures. These amounts are available to reduce taxes payable in future periods.

The claims are subject to review by the Canada Revenue Agency ('CRA').

## Financial Instruments

Financial instruments of GuestLogix consist of cash and cash equivalents, restricted cash, receivables, advances to supplier, accounts payable and accrued liabilities, notes payable, convertible loans and loans from shareholder.

Cash and cash equivalents and restricted cash 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, convertible loans and loans from shareholder 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

## 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 to be held and used 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 the carrying value of the corresponding asset, the asset is considered to be impaired. An impairment loss is measured at the excess of the carrying value of the asset over its fair value. As at November 30, 2008, 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.

## **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 substantially 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 12(c). 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. 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 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 could be significantly impacted.

If stock or stock options are repurchased, the excess of the consideration paid over the carrying amount of the stock or stock options cancelled, if any, is recognized as a cost at the date of repurchase.

## **Deferred Revenue**

Deferred revenue comprises lease, license or 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(a), 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 monthly, on a straight line basis over the terms of the respective arrangements, using the discount rate implicit in each lease.

Deferred license revenue is present where a software license is purchased, 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 Issue 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.

## **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 the 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 is the same.

### Measurement Uncertainty

The preparation of financial statements in conformity with 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 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 estimate, and therefore the existing model does not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants granted during the year.

### 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:

	<b>2008</b>	<b>2007</b>
Cash (bank overdraft)	\$1,240,601	\$ (11,719)
Short-term deposits	<u>\$1,409,498</u>	<u>\$6,000,743</u>
	\$2,650,099	\$5,989,024

### Inventory

All inventory is 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.

## Results of Operations

The table below sets out the statement of operations for the years ended November 30, 2008 and 2007:

	2008	2007
<b>Statement of Operations Data:</b>		
Revenue	\$8,473,865	\$5,430,154
<b>Expenses:</b>		
Cost of equipment sales	1,359,517	1,260,005
Research and development	557,098	677,137
Customer delivery and support	1,321,917	345,701
Sales and marketing	1,358,986	768,478
General and administrative	4,727,230	2,090,275
Stock-based compensation	463,886	256,181
Amortization of capital assets deployed	2,452,308	1,412,073
Amortization of property and equipment	40,426	9,352
	<b>12,254,368</b>	<b>6,819,202</b>
<b>Loss from operations</b>	<b>(3,780,503)</b>	<b>(1,389,048)</b>
Other income (expense)		
Foreign exchange gain (loss)	25,209	(104,649)
Interest earned	157,434	198,395
Interest expense	(462,954)	(495,134)
Interest accretion expense	(209,821)	(1,930,047)
	<b>(490,132)</b>	<b>(2,331,435)</b>
<b>Net loss for the year</b>	<b>\$(4,270,635)</b>	<b>\$(3,720,483)</b>

## Supplementary Financial Data

Loss per share	\$(0.08)	\$(0.11)
Weighted average number of Shares outstanding	51,149,674	34,069,327
<b>Balance Sheet Data:</b>		
Cash and cash equivalents, excluding restricted cash	\$2,650,099	\$5,989,024
Working capital	\$(50,324)	\$3,442,207
Total assets	\$21,019,353	\$14,260,236
Long-term liabilities, excluding current portion	\$6,619,547	\$2,113,604
Total shareholders' equity	\$5,715,265	\$6,747,601

## **Comparison of the years ended November 30, 2008 and 2007**

### **Revenue**

The Company continued to grow strongly in 2008, despite the uncertain economic climate. In 2008, the Company grew revenue by 56% from \$5,430,154 in 2007 to \$8,473,865. The largest growth continued in North America where the Company has achieved a 90% share of the airline passenger travel market. In Europe the Company added several airline clients in mid-year through its partnership with LSG Sky Chefs.

### **Operating Expenses**

Cost of equipment sales were \$1,359,517 compared to \$1,260,005 for the year ended November 30 2007. These sales included hand-held devices, peripheral equipment and accessories used by clients to support the on-board merchandising platform.

Research and development expense in the year ended November 30, 2008 was \$557,098 as compared to \$677,137 in 2007. While the Company continued its research and development activities during 2008, the greater focus for 2008 was deploying its software platform to new clients. Employee costs accounted for approximately 95% of this expense in 2008, compared to approximately 95% in 2007. The amounts for 2007 are net of refundable investment tax credits of \$166,667. Investment tax credits are subject to government audit from both an accounting and technical perspective.

Customer delivery expenses are related to placing the software solution into production at the client site including development and software change orders. In 2008 the expense totaled \$1,321,917, compared to \$345,701 in 2007. Employee related costs accounted for 97% of the expense in 2008, compared to 100% in 2007.

Sales and marketing expense in the year ended November 30, 2008, increased by 76% to \$1,358,986 as compared to \$768,478 in the year ended November 30, 2007. Increased travel costs, trade shows and client events costs in 2008 accounted for the majority of the increase in this expense category. In early 2008 the Company added headcount in Asia Pacific to lead the sales effort in that region. Additional headcount was added in North America to assist with developing the after sales account support. The Company also increased its attendance at industry events in 2008 as in a number of cases it was asked to present white papers on the ancillary revenue market.

General and administrative expenses, during the year ended November 30, 2008, increased by 126% to \$4,727,230 compared to \$2,090,275 in the year ended November 30, 2007. A number of significant factors contributed to the growth in general and administrative expenses during 2008. Legal fees for the year amounted to \$1,385,440 compared to \$625,015 in 2007, an increase of \$760,425. Of the 2008 fees, approximately \$1,067,000 related to the Abanco lawsuit, compared to \$495,000 in 2007. The remainder related to general corporate legal expenses including patent and client contracts work. Due to the increased business volumes infrastructure support costs increased to \$1,127,338 in

2008, compared to \$203,043 in 2007. Office and equipment leases grew to \$280,234 from \$136,286 in 2007. Other professional, consulting and management fees were \$912,095 for the year ended November 30, 2008, compared to \$380,008 for 2007. Of this amount \$325,000 was paid in management fees to certain executives of the Company and \$160,407 expensed for audit, accounting and tax work.

Total Company headcount grew from 24 to 48 at the end of fiscal 2007.

Stock-based compensation expense for the fiscal year ended November 30, 2008 increased 81% to \$463,886, compared to \$256,181 for the year ended November 30, 2007 as a result of the increased headcount.

Amortization of capital assets deployed recognizes the cost of the point-of-sale hand-held devices deployed to clients against the transaction-based revenues earned from those clients. The cost is recognized over the initial term of the contract, usually ranging from three to five years. Amortization of capital assets deployed during the year ended November 30, 2008 was \$2,425,308, an increase of 72% compared to \$1,412,073 in 2007.

During the year ended November 30, 2007, amortization of property and equipment increased to \$40,426, compared to \$9,352 in the year ended November 30, 2007. Due to the increase in headcount we were required to add workstations, communications and computer equipment.

### **Other Income/Expenses**

The foreign exchange gain for the year ended November 30, 2008 was \$25,209, compared to a foreign exchange loss of \$104,649 for the year ended November 30, 2007. The small foreign exchange gain in the year ended November 30, 2008 was primarily related to the large number of U.S. dollar transactions and GuestLogix having significantly higher U.S. receivables and revenues in fiscal 2008.

During the year ended November 30, 2008, interest income fell slightly to \$157,434, compared to \$198,395 in the year ended November 30, 2007. The decline in interest income in fiscal 2008 was caused by three factors. The Company used its own working capital to bridge finance certain deployments until financing was available and therefore had less funds on deposit. The yield on short-term investments declined throughout the year. In addition, the Company had a negative cash flow from operations that reduced the funds held on deposit.

During the year ended November 30, 2008, interest expense decreased marginally to \$462,954, compared to \$495,134 in the comparable period in 2007. The decrease in interest expense in the year ended November 30, 2008, compared to fiscal 2007 is due to many of the shareholders converting their loans to equity at year end 2007 and mid-year 2008.

Interest accretion expense is comprised of charges taken by the Company to accrete the fair market value of certain convertible and debt obligations with equity participation features up to their face value at their maturity date. The remaining holder of the 14% convertible debt instruments converted at maturity on June 30, 2008. Consequently interest accretion expense in 2008 was much lower than 2007. In June 2007, holders of 14% convertible debt instruments agreed to extend the maturity date of their existing debt for a further year to June 2008. This gave rise to a further charge and reduction in the carrying value of this debt by \$846,714, of which \$352,798 of this amount was taken as interest accretion expense in fiscal 2007.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at November 30, 2008 and November 30, 2007, GuestLogix had cash and cash equivalents totaling \$2,650,099 and \$5,989,024 respectively. Including restricted cash and cash equivalents the amounts were \$5,545,199 and \$7,014,414.

In the year ended November 30, 2008, cash used by operating activities was \$476,234, compared to cash generated by operating activities in the year ended November 30, 2007 of \$623,038. Cash used by operating activities in the year ended November 30, 2008 was primarily the result of a net loss of \$4,270,635, which was partially offset by items not involving cash such as amortization, interest accretion charges, unrealized exchange differences and stock-based compensation expense. It is important to note that the Company expects to consistently be in an operational cash flow positive position by the end of the first fiscal quarter 2009.

In the years ended November 30, 2008 and 2007, cash used in investing activities was \$3,375,836 and \$381,364 respectively. Cash used in investing activities during the year ended November 30, 2008 was primarily as a result of an increase in restricted cash as cash collateral needed to support borrowings. In addition the Company needed to use its own working capital to purchase hand-held devices to deploy to customers. The Company expects to be able to recover these purchases and replenish its working capital through additional lease or debt facilities.

In the years ended November 30, 2008 and 2007, cash provided by financing activities was \$513,145 and \$5,540,278 respectively. Cash provided by financing activities in the year ended November 30, 2008 resulted from a number of factors, including proceeds from the issuance of common shares in a private placement for \$1,000,025 and proceeds from the exercise of options and warrants of \$703,543 offset by repayment of capital leases and various notes and small loans. For the year ended November 30, 2007, cash provided by financing activities was generated from proceeds from the issuance of common shares pursuant to the equity financing done in conjunction with the amalgamation of GuestLogix Inc. and Growthgen Equity II Inc. and subsequent option and warrant exercises, which were somewhat offset by the repayment of certain notes and the contractual repayments required under new and existing capital leases for the hand-held devices.

GuestLogix' principle sources 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.

### Summary of Unaudited Quarterly Results

The following table sets forth unaudited statements of operations data for the eight most recent quarters ended November 30, 2008 as prepared in accordance with GAAP. The information has been derived from our unaudited financial statements that, in management's opinion, have been prepared on a basis consistent with the audited financial statements for the years ended November 30, 2008 and 2007 and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of information presented.

	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	\$2,826,010	\$2,417,288	\$1,826,710	\$1,403,857	\$1,577,825	\$1,455,755	\$1,725,122	\$671,452
Net Loss	(1,961,219)	(540,904)	(1,118,028)	(650,484)	(1,051,301)	(1,178,091)	(677,423)	(813,668)
Loss Per Share Basic and Diluted	(\$0.03)	(\$0.01)	(\$0.02)	(\$0.01)	(\$0.02)	(\$0.04)	(\$0.03)	(\$0.03)

### Analysis of Fourth Quarter Results

For the three-month period ended November 30, 2008, revenue increased by 79% to \$2,826,010 compared to \$1,577,825 for the same period in 2007. Revenues have shown strong growth by quarter through fiscal 2008. The growth during the three month period ended November 30, 2008 was primarily attributable to the addition of clients to the deployed base.

Operating expenses for the three-month period ended November 30, 2008 increased by \$2,506,289 during the period to \$4,723,931 from \$2,217,642 in the same period last year. The increased costs in the three-month period ended November 30, 2008 over the same period in 2007 reflected the Company's growth over the past year and the fact it was also very busy quarter for the Company. We continued to ramp up our operations to meet our 2009 expected deployment commitments, as well as to secure our operating infrastructure to ensure we are able to support our existing client base adequately and prepare them to accept the merchandizing platform. Most expense lines were impacted including amortization of capital assets deployed; equipment sales, as we are seeing the maturing of our basic business model with our larger clients purchasing additional and replacement equipment to support their operations; and, increased personnel travel costs, legal and consulting fees related to the merchandising platform.

Net loss for the three-month period ended November 30, 2008 increased to \$1,961,219 or \$0.03 per share, compared with a net loss of \$1,051,301 or \$0.02 per share for the same period last year.

### Summary of Contractual Obligations

GuestLogix is committed under the terms of an operating lease for its premises ending on April 30, 2013.

	Total	2009	2010	2011	2012 and Beyond
Lease obligations					
Capital Leases	6,085,074	2,843,489	2,374,008	867,577	
Operating Leases	686,833	155,117	156,849	160,084	214,783
Total contractual obligations	6,771,907	2,998,606	2,530,857	1,027,661	214,783

Management is of the opinion that existing cash, cash flow and financing provided through debt and lease financing provides GuestLogix with sufficient resources to finance ongoing business requirements and its planned capital expenditure program in the near term. Additional details concerning financing are set out in the notes to the GuestLogix financial statements.

### Capital Resources

The Company does not expect to make significant capital expenditures for furniture and equipment in the near future. However the Company expects to continue to make significant capital expenditures to purchase point-of-sale devices for customer deployments. The Company intends to enter into capital leases or debt facilities on an ongoing basis to finance the acquisition of these point-of-sale payment devices. In the later part of 2009, the Company expects to be cash flow positive and will evaluate the necessity of further financing to support its late 2009 and 2010 deployments. GuestLogix has invested in and developed an information systems infrastructure that will scale to meet the majority of its anticipated market requirements and therefore expect to make minimal capital expenditures other than for the point-of-sale devices.

### Off Balance Sheet Arrangements

Other than as disclosed in the table under Contractual Obligations above, GuestLogix did not enter into any off-balance sheet arrangements during the year ended November 30, 2008.

### Proposed Transactions

The Company does not have any proposed transactions to discuss at this time.

## **Transactions with Related Parties**

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 executives are compensated through management service agreements. These agreements entitle these individuals to a fixed monthly payment and reimbursement of reasonable out-of-pocket expenses. During the year the Company incurred costs of \$445,000 (2007 - \$347,140) relating to these agreements, which are included in sales and marketing and general and administrative expenses. As at November 30, 2008, a total of \$nil (2007 - \$37,563) is unpaid and is included in accounts payable and accrued liabilities.

Interest paid or payable to shareholders during the year on shareholder loans totaled \$47,115, (2007 \$56,028) of which \$nil (2007 - \$13,272) is included in accounts payable and accrued liabilities.

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.

## **Segmented Information and Economic Dependence**

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 year \$6,245,915 (2007 - \$4,271,939) of the Company's revenue were derived from North America, while the remainder of \$2,227,950 (2007 - \$1,158,215) were derived primarily from Europe.

During 2008, the five top customers accounted for 80% (2007 – 5 for over 87%) of the total revenue for the year.

## **Share Capital**

As at November 30, 2008, GuestLogix had issued outstanding 55,495,938 common shares.

## **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 has 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 financial statements.

### **Subsequent events**

- a) Subsequent to November 30, 2008, the Company's Board of Directors authorized the grant of 1,913,628 options to its senior officers, directors and contractors. These options expire on January 21, 2013 and each option entitles its holder to purchase one share for \$0.47. These options vest as follows:
- (i) 370,000 options granted to senior officers vest annually in arrears on November 30, 2009; November 30, 2010 and November 30, 2011.
  - (ii) 90,000 options granted to directors vest quarterly in arrears on March 31, 2009; June 30, 2009; September 30, 2009 and December 31, 2009.
  - (iii) 1,453,628 options granted to employees and contractors vest annually in arrears on November 30, 2009; November 30, 2010 and November 30, 2011.

During February, 2009 the Company was able to arrange a USD \$1,800,000 lease facility over 36 months for future deployments.

## **Disclosure Controls and Procedures and Internal Controls over Financial Reporting**

### **Internal Control over Financial Reporting**

As a public company, management will be responsible for certifying the design of the company's internal control over financial reporting as required by Multilateral Instrument 5-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings*

Internal control over financial reporting is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with applicable generally accepted accounting principles. Internal control over financial reporting should include those policies and procedures that establish the following:

- maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of assets;
- reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with applicable generally accepted accounting principles; receipts and expenditures are only being made in accordance with authorizations of management and the Board of Directors; and

- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may have material weaknesses and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Segregation of Duties**

Certain duties within GuestLogix' accounting and finance departments are not properly segregated due to the small number of individuals employed in these areas. None of the segregation of duty deficiencies has resulted in a material misstatement to the consolidated interim financial statements. However, these deficiencies may be considered a material weakness resulting in a more than remote likelihood that a material misstatement of GuestLogix' annual or interim consolidated financial statements would not be prevented or detected.

As GuestLogix incurs future growth, management plans to expand the number of individuals involved in the accounting and finance functions. Subsequent to year end the Company added additional staffs in accounts payable and accounting supervision functions. At the present time, the Chief Executive Officer and Chief Financial Officer oversee all material transactions and related accounting records. In addition, the Audit Committee of GuestLogix will review on a quarterly basis the consolidated interim financial statements and key risks of GuestLogix and will query management about significant transactions, and there will be daily oversight by the senior management of GuestLogix.

### **Complex and Non-Routine Transactions**

As required, GuestLogix records complex and non-routine transactions. These sometimes are extremely technical in nature and require an in-depth understanding of Canadian GAAP. GuestLogix' accounting staff has only a fair and reasonable knowledge of the rules related to Canadian GAAP and reporting and the transactions may not be recorded correctly, potentially resulting in material misstatement of the consolidated financial statements of GuestLogix.

To address this risk, the GuestLogix finance staff will consult with their third party expert advisors as needed in connection with the recording and reporting of complex and non-routine transactions. In addition, an annual audit will be completed and presented to the Audit Committee of GuestLogix for its review and approval. During reviews and audits, material misstatements detected will be corrected by GuestLogix. As GuestLogix

incurs future growth, management plans to expand the technical competence of the individuals involved in the accounting function.

The Company's management, including the President and Chief Executive Officer and the Chief Financial Officer, has reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators) as of November 30, 2008. Management has concluded that, as of November 30, 2008, the disclosure controls and procedures were effective to provide reasonable assurance that material information relating to the Company would be known to them, particularly during the period in which this report was being prepared.

Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with Canadian GAAP.

There have been no changes in the Company's internal controls over financial reporting during the year that have materially affected, or are reasonably likely to materially affect, the Company's controls over financial reporting.

### **Transition to International Financial Reporting Standards**

In February 2008 the Canadian Accounting Standards Board confirmed that Canadian generally accepted accounting principles for Canadian public companies will be replaced with International Financial Reporting Standards (IFRS). We will begin reporting under IFRS effective with our fiscal year beginning December 1, 2011. We have begun planning our transition to IFRS, but the impact on our consolidated financial position and results of operations has not yet been determined.

### **Financial Instruments and Other Instruments**

Financial instruments of GuestLogix consist of cash and cash equivalents, restricted cash, receivables, investment tax credit receivable, accounts payable and accrued liabilities, capital lease obligations, notes payable, convertible debentures and loans from shareholders. There are no significant differences between the carrying amounts of the items reported on the balance sheet and their estimated fair values.

**The Company is exposed to market risks relating to:**

**(a) Credit Risk**

GuestLogix is currently dependant on a number of large customers in Europe and United States (See note 19(b)). At year-end, the accounts receivable from the Company's top five customers comprised approximately 80% (2007 - 100%) 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 years ended November 30, 2008 and 2007.

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

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. 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.

**(b) 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 operating at or near cash-flow breakeven on a monthly basis entering fiscal 2009.

**(c) Market Risk**

- i) The Company is exposed to interest rate risk in the following area. Cash equivalents and restricted cash 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.

- ii) 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' contracts are primarily transacted in U.S. Dollars. GuestLogix does not currently use derivative instruments to hedge against foreign exchange.

**(d) Sensitivity Analysis**

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

**Impact on Net Loss**

	\$
Change of +/- 10% in US\$ foreign exchange rate	194,400
Change of +/- 10% in t~ foreign exchange rate	56,700
Change of +/- 10% in UK£ foreign exchange rate	15,800

The above results arise primarily as a result of the Company having US\$ denominated cash and cash equivalents, accounts receivable, advance to supplier, accounts payable and accrued liabilities, capital lease obligations and € and UK£ 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.

**Recently Adopted Pronouncements**

*Financial instruments – disclosures and presentation*

In December 2006, the CICA issued Handbook Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation. These two new sections replace Section 3861, Financial Instruments – Disclosure and Presentation, which was adopted by the Company in fiscal 2007. Section 3862 includes a complete set of disclosure requirements for financial instruments that revise and enhance the disclosure requirements in Section 3861. Section 3863 contains the standards for presentation of financial instruments and non-financial derivatives and is essentially consistent with the presentation requirements currently found in Section 3861. These two new sections apply to interim and annual financial statements relating to fiscal years beginning on or after

October 1, 2007. The adoption of these standards did not have a material effect on the Company's consolidated financial position or results of operations for the year ended November 30, 2008. See note 15 to the audited consolidated financial statements.

### ***Capital disclosures***

In December 2006, the CICA issued Handbook Section 1535, Capital Disclosures. This new guidance establishes standards for disclosing information about an entity's capital and how it is managed. This section requires the disclosure of an entity's objectives, policies and processes for managing capital and information regarding an entity's compliance or non-compliance with any capital requirements. Section 1535 applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. This standard affects disclosure only. See note 20 to the audited consolidated financial statements.

## **Recently Issued Accounting Pronouncements Not Yet Adopted**

### **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 applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. Earlier adoption is encouraged. The Company is currently evaluating the impact of this standard on its financial position, results of operations and cash flows. The Company does not anticipate that the application of this section will have a material effect on its financial position and results of operations.

### **Goodwill and Intangible Assets**

In January 2008, the CICA issued Handbook section 3064, *Goodwill and Intangible Assets*, which will replace Section 3062, *Goodwill and Other Intangible Assets*. 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 will apply to the Company's interim and annual financial statements beginning December 1, 2008. The Company has not yet determined what the impact of adopting this standard will have on the Company's consolidated financial statements.

### **Risks and Uncertainties**

The Company operates in a dynamic, rapidly changing environment that involves risks and uncertainties. An investment in GuestLogix common shares is speculative and involves a high degree of risk and uncertainty. Such risks relate to and include, without limitation: its ability to predict whether it will meet internal or external expectations, its

ability to offer competitive pricing for its products, its ability to finance its transaction-based business model, its ability to maintain its current relationships and develop new strategic relationships, its ability to attract and retain qualified employees, its internal controls, its ability to develop new technology, the Company's limited operating history, continuing losses and evolving business model.

Global economies will likely weaken further over the next 18 months as all economies continue to contract due to weaker domestic demand, financial market volatility and reduced demand for exports from major trading partners. Financial markets will continue to deal with the fallout of a crisis in credit markets and a deteriorating outlook for global economies. Volatile financial market conditions are likely to continue into 2009 as credit and liquidity concerns persist. We anticipate that global government intervention will begin to have an effect and improve financial market operations.

As an emerging company with customers located globally, GuestLogix faces a number of economic risks and business uncertainties. Today, we have customers in Canada, the United States, Europe, and Asia. Factors such as foreign exchange rates, consumer spending, global warming and the passenger travel industry impact on the environment, interest rates, business and government investment and spending, the rate of inflation and threats of terrorism affect the business and economic environments in which our customers operate and are largely out of our control. In addition our current concentration within the airline sector exposes us to the additional risk of the impact of rising jet fuel prices on airline schedules and overall passenger volumes. Additionally, due to the financial weakness within the airline sector, particularly in North America, GuestLogix may have difficulty financing its transaction-based business model in the future.

Our consolidated financial statements are expressed in Canadian dollars, but a portion of our business is conducted in other currencies. Changes in the exchange rates for these other currencies can increase or decrease our revenues, expenses, earnings and the carrying value of assets or liabilities in our balance sheet. Our largest exposure is to the US dollar, where we have a partial natural hedge as the manufacturer of the hand-held device and peripherals prices in US dollars. We do not use derivative instruments to hedge our currency exposure.

GuestLogix faces risks which are inherent in the business. We expect that the passenger travel industry will move towards 'back of the seat' interactive solutions and services which will over time reduce the demand for hand-held point-of-sale devices. However, our software solution is fully compatible with 'back of the seat' installations. We do not expect in the near future to witness the demise of the hand-held device as many airlines will not retro-fit their fleets to the 'back of the seat' solution due to the weight, cost of retrofitting and aircraft age. Any devices we take back into inventory at the end of an agreement can be utilized in other contracts. The introduction of Wi-Fi onto airplanes recently does not pose a material risk to the GuestLogix business model as our platform is fully compatible with this communications medium.

Other risks faced by GuestLogix are related to the segment of the passenger travel industry in which it operates. There is intense competition between airlines which could prevent GuestLogix from increasing its sales in the near and longer term. To mitigate this particular risk a focus for 2009 is to penetrate the passenger rail travel industry in Europe and expand our airline footprint in Europe and the Asia Pacific region.

Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of the risks as described in our filings occur, our business, financial condition, liquidity or results of operations could be materially harmed.

### **Additional Information**

Additional information related to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).