GuestLogix Inc.

Consolidated Financial Statements

November 30, 2008 and 2007

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November 30, 2008 and 2007

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Auditors' Report

To the Shareholders of
GuestLogix Inc.

We have audited the consolidated balance sheet of GuestLogix Inc. as at November 30, 2008 and the consolidated statements of shareholders' equity, operations and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures as at November 30, 2007 and for the year then ended were reported on by another firm of Chartered Accountants who issued an audit report without reservation dated February 20, 2008.

MSCM LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
March 20, 2009

GuestLogix Inc.

Consolidated Balance Sheets
November 30, 2008 and 2007

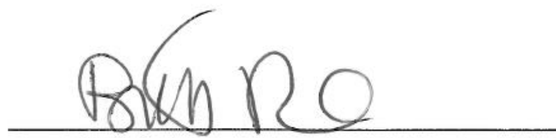
	2008	2007
Assets		
Current assets		
Cash and cash equivalents *(note 3)*	**$ 2,650,099**	$ 5,989,024
Accounts receivable	**2,076,908**	668,187
Inventory	**610,363**	-
Prepaid expenses and other assets	**155,122**	113,470
Advances to supplier	**495,395**	-
Investment tax credits receivable *(note 4)*	**-**	326,667
Current portion of net finance receivable *(note 6(a))*	**2,646,330**	1,743,890
	8,634,217	8,841,238
Restricted cash and cash equivalents *(note 5)*	**2,895,100**	1,025,390
Net finance receivable *(note 6(a))*	**3,315,727**	1,278,621
Capital assets deployed *(note 6(a) and 6(b))*	**6,011,264**	3,058,770
Property and equipment *(note 7)*	**163,045**	56,217
	$ 21,019,353	$ 14,260,236
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**$ 3,517,574**	$ 2,065,176
Current portion of obligations under capital leases *(note 9)*	**2,434,185**	1,038,265
Notes payable *(note 11)*	**61,860**	100,000
Convertible loans from shareholder *(note 8(a))*	**-**	366,872
Loans from shareholder *(note 8(b))*	**-**	20,461
Deferred revenue *(note 10)*	**2,670,922**	1,808,257
	8,684,541	5,399,031
Deferred revenue *(note 10)*	**3,592,081**	1,390,343
Obligations under capital leases *(note 9)*	**3,027,466**	723,261
	15,304,088	7,512,635
Shareholders' equity		
Share capital *(note 12(b))*	**16,545,294**	12,084,398
Contributed surplus	**1,246,009**	802,372
Conversion rights	**-**	1,619,415
Warrants *(note 12(d))*	**828,609**	1,146,855
Share issue costs *(note 12)*	**(2,226,999)**	(2,498,426)
Deficit	**(10,677,648)**	(6,407,013)
	5,715,265	6,747,601
	$ 21,019,353	$ 14,260,236

Guarantees *(note 16)* Commitments *(note 18)* Contingencies *(note 20)* Subsequent events *(note 22)*

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

Approved by the Board

Tom Douramakos, Director



Brett Proud, Director

GuestLogix Inc.

Consolidated Statements of Shareholders' Equity
for the years ended November 30, 2008 and 2007

	Number of Shares	Share Capital	Share to be Issued	Contributed Surplus	Conversion Rights	Warrants	Share Issue Costs	Deficit	Shareholders' Equity
Balance, November 30, 2006	**27,668,752**	**$ 860,753**	**$ 470,746**	**$ 588,902**	**$ 772,701**	**$ 738,659**	**$ -**	**$ (3,194,344)**	**$ 237,417**
Impact of change of accounting for financial instruments	-	-	-	-	-	-	-	507,814	507,814
Issued in exchange for Growthgen shares	1,666,667	100,046	-	-	-	-	-	-	100,046
Issued for cash	12,857,200	9,000,040	-	-	-	-	(2,021,896)	-	6,978,144
Issued on settlement of convertible notes	1,235,911	728,287	-	-	-	-	-	-	728,287
Settlement of "share to be issued"	705,411	470,746	(470,746)	-	-	-	-	-	-
Issued for compensation	79,194	55,346	-	-	-	-	(55,346)	-	-
Issued for cash, private placement	159,747	110,000	-	-	-	-	-	-	110,000
Stock-based compensation expense	-	-	-	222,445	-	-	-	-	222,445
Share purchase warrants exercised	447,750	136,274	-	-	-	(46,724)	-	-	89,550
Share purchase options exercised	145,013	47,906	-	(8,975)	-	-	-	-	38,931
Issued on settlement of convertible notes	2,892,354	575,000	-	-	-	-	-	-	575,000
Extension of term to maturity of convertible debentures	-	-	-	-	846,714	-	-	-	846,714
Issuance of warrants	-	-	-	-	-	454,920	(421,184)	-	33,736
Net loss for the year and comprehensive income	-	-	-	-	-	-	-	(3,720,483)	(3,720,483)
Balance, November 30, 2007	**47,857,999**	**12,084,398**	**-**	**802,372**	**1,619,415**	**1,146,855**	**(2,498,426)**	**(6,407,013)**	**6,747,601**
Issued on settlement of convertible notes	2,900,870	2,196,108	-	-	(1,619,415)	-	-	-	576,693
Issued for cash, private placement	1,176,500	1,000,025	-	-	-	-	-	-	1,000,025
Issued on settlement of accounts payable	164,000	142,680	-	-	-	-	271,427	-	414,107
Issued on settlement of notes payable	75,000	65,250	-	-	-	-	-	-	65,250
Stock-based compensation expense	-	-	-	463,886	-	-	-	-	463,886
Share purchase warrants exercised	3,004,210	933,884	-	-	-	(333,042)	-	-	600,842
Share purchase options exercised	317,359	122,949	-	(20,249)	-	-	-	-	102,700
Issuance of warrants	-	-	-	-	-	14,796	-	-	14,796
Net loss for the year	-	-	-	-	-	-	-	(4,270,635)	(4,270,635)
Balance, November 30, 2008	**55,495,938**	**$ 16,545,294**	**$ -**	**$ 1,246,009**	**$ -**	**$ 828,609**	**$ (2,226,999)**	**$(10,677,648)**	**$ 5,715,265**

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

Consolidated Statements of Operations
for the years ended November 30, 2008 and 2007

	2008	2007
Revenue	**$ 8,473,865**	$ 5,430,154
Operating expenses		
Cost of equipment sale	**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 *(note 17)*	**1,358,986**	768,478
General and Administrative *(note 17)*	**4,727,230**	2,090,275
Stock-based compensation *(note 12(c))*	**463,886**	256,181
Amortization of capital assets deployed	**2,425,308**	1,412,073
Amortization of property and equipment	**40,426**	9,352
	12,254,368	6,819,202
Loss from operations	**(3,780,503)**	(1,389,048)
Other income (expenses)		
Foreign exchange gain (loss)	**25,209**	(104,649)
Interest earned	**157,434**	198,395
Interest expense *(note 17)*	**(462,954)**	(495,134)
Interest accretion *(note 8(a))*	**(209,821)**	(1,930,047)
	(490,132)	(2,331,435)
Net loss and comprehensive loss for the year	**$ (4,270,635)**	$ (3,720,483)
Basic and Diluted Loss Per Share	**$ (0.08)**	$ (0.11)
Weighted Average Number of Common Shares	**51,149,674**	34,069,327

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

Consolidated Statements of Cash Flows

for the years ended November 30, 2008 and 2007

	2008	2007
Cash flow from operating activities		
Net loss for the year	**$ (4,270,635)**	$ (3,720,483)
Items not involving cash		
Amortization of capital assets deployed	**2,425,308**	1,412,073
Amortization of property and equipment	**40,426**	9,352
Accrual of settlements with note holders *(note 11)*	**115,260**	100,000
Interest accretion on notes payable *(note 8(a))*	**209,821**	1,930,047
Stock-based compensation expense	**463,886**	256,181
Warrants issuance expense	**14,796**	-
Unrealized foreign exchange	**714,587**	(178,105)
Increase in net deferred revenue	**124,857**	123,121
Changes in non-cash operating working capital *(note 14)*	**(314,540)**	690,852
	(476,234)	623,038
Cash flow from investing activities		
(Increase) decrease in restricted cash *(note 5)*	**(1,869,710)**	228,471
Purchase of capital assets deployed	**(1,471,823)**	(644,312)
Proceeds from issuance common shares for Growthgen	**-**	100,046
Additions to property and equipment	**(34,303)**	(65,569)
	(3,375,836)	(381,364)
Cash flow from financing activities		
Proceeds from issuance of common shares	**1,000,025**	7,088,144
Proceeds from exercise of options and warrants	**703,543**	128,481
Repayment of capital lease obligations, net	**(1,069,962)**	(880,333)
Repayment of notes payable	**(100,000)**	(755,093)
Repayment of loans from shareholder	**(20,461)**	(40,921)
	513,145	5,540,278
(Decrease) increase in cash and cash equivalents	**(3,338,925)**	5,781,952
Cash and cash equivalents, beginning of year	**5,989,024**	207,072
Cash and cash equivalents, end of year	**$ 2,650,099**	$ 5,989,024
Supplemental cash flow information		
Interest paid	**$ 347,819**	$ 531,667
Supplemental disclosures relating to non-cash operating and investing activities		
Additions to capital lease obligations to finance the acquisition of capital assets deployed and property and equipment	**$ 4,019,325**	$ 976,665

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

1. 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.

In July 2007, the Company incorporated a wholly-owned subsidiary, GuestLogix CCS Inc. ('CCS'), and transferred certain assets to CCS pursuant to a Section 85 rollover, including certain customer contracts related to the use of the Company's software.

2. 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 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 acquired	
Cash	$100,046
Less: Liabilities assumed	-
Total consideration attributable to Growthgen	$100,046
Represented by 1,666,667 Growthgen shares	$100,046

3. Summary of Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ('GAAP') and include the accounts of the Company and its wholly-owned subsidiary, 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 the delivered items have value to the customer on a stand-alone 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, delivery of undelivered items is probable and substantially in the vendor's control.

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

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

3. Summary of Significant Accounting Policies - continued

Revenue recognition - continued

The Company recognizes revenue from the sale of hardware and parts unrelated to arrangements described above, in accordance with Emerging Issues Committee Abstract 141, Revenue Recognition ('EIC 141'), when persuasive evidence of an arrangement exists, delivery has occurred, the sales 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 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 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 collectibility 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 Canadian Controlled Private Corporation, 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 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').

3. Summary of Significant Accounting Policies - continued

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, obligations under capital leases, convertible loans and loans from shareholder.

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, obligations under capital leases, 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 straight-line
Furniture and equipment	-	5	years straight-line

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.

3. Summary of Significant Accounting Policies - continued

Future income taxes

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

Stock-based compensation

The Company uses the fair value method of accounting for all stock-based compensation. The Company grants stock options to directors, officers, employees and consultants of the Company pursuant to the stock option plan described in note 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 share capital.

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.

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 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 could be significantly impacted.

Deferred revenue

Deferred revenue comprises lease and services revenues. Deferred lease revenue arises when customers receive hardware to utilize the on-board retail software solutions. In these situations, as described 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 terms 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 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 performed.

3. Summary of Significant Accounting Policies - continued

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 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 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 periods. Financial statement items subject to significant management judgment 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.

3. Summary of Significant Accounting Policies - continued

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:

	2008	2007
Cash (bank overdraft)	$ **1,240,601**	$ (11,719)
Short-term deposits	**1,409,498**	6,000,743
	$ **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 handheld devices including handheld devices awaiting deployment and replacement parts held for sale; cost is determined on the first-in, first-out basis.

Recent adopted pronouncements

Financial instruments - disclosures and presentation

In December 2006, the CICA issued Handbook Section 3862, Financial Instruments - Disclosures ('Section 3862'), and Section 3863, Financial Instruments - Presentation ('Section 3863'). These two new sections were adopted by the Company in fiscal 2008 and replace Section 3861, Financial Instruments – Disclosure and Presentation ('Section 3861'). 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 and were adopted by the Company on December 1, 2007. The application of Sections 3862 and 3863 did not have a material impact on the financial position and results of operations of the Company for the year ended November 30, 2008. The Company has included disclosure required by the new sections in note 15 to these 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 and was adopted by the Company on December 1, 2007. The Company has included disclosure required by the new section in note 21 to these consolidated financial statements.

3. Summary of Significant Accounting Policies - continued

Future pronouncements

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 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 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.

Inventories

In June 2007, the CICA released new Handbook Section 3031, Inventories, replacing Section 3030, effective for annual and interim periods for fiscal years beginning on or after January 1, 2008. This standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. This standard will apply to the Company's interim and annual financial statements beginning December 1, 2008. The Company's consolidated results of operations and financial position will not be materially affected by this new standard.

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.

4. Investment Tax Credits

At November 30, 2008 the Company has a balance of $Nil (2007 - $326,667) of refundable investment tax credits receivable, which was recorded as a reduction of research and development expenses related to projects commenced and approved by CRA in the preceding year.

5. Restricted Cash and Cash Equivalents

As at November 30, 2008 the Company had restricted cash of $2,895,100 (2007 - $1,025,390) as required to provide collateral security against capital leases (see note 9). To fulfil this obligation, the Company has purchased short-term U.S. dollar-denominated investments.

Included in restricted cash and cash equivalents is:

	2008	2007
Cash	**$ -**	$ 125,390
Short-term deposits	**2,895,100**	900,000
	$ 2,895,100	$ 1,025,390

6. 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:

	2008	2007
2008	**$ -**	$ 1,743,890
2009	**2,646,330**	925,736
2010	**2,078,996**	352,885
2011	**1,094,109**	-
2012	**142,622**	-
	$ 5,962,057	$ 3,022,511

The average interest rate implicit in these leases ranges from 5.34% to 12.25% (2007 - 9.46% to 11.28%).

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

(b) Capital Assets Deployed

			2008
	Cost	**Accumulated Amortization**	**Net Book Value**
Capital assets deployed	**$ 10,361,580**	**$ 4,350,316**	**$ 6,011,264**

			2007
	Cost	**Accumulated Amortization**	**Net Book Value**
Capital assets deployed	$ 4,983,778	$ 1,925,008	$ 3,058,770

7. Property and Equipment

						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**

						2007
		Cost		**Accumulated Amortization**		**Net Book Value**
Computer equipment	$	54,456	$	54,456	$	-
Furniture and fixtures		65,569		9,352		56,217
Total property and equipment	$	120,025	$	63,808	$	56,217

Included in property and equipment is equipment under capital lease with a cost of $116,422 (2007 - $Nil), accumulated amortization of $19,935 (2007 - $Nil).

8. Loans from Shareholder

(a) Convertible Loans from Shareholder

As at November 30, 2008, convertible shareholder loans outstanding, net of allocations for the conversion features and warrants issued with these loans, amounted to $Nil (2007 - $366,872). The face value of convertible shareholder loans aggregate to $576,693, were unsecured and interest at 14% was payable quarterly in arrears. On June 30, 2008, at maturity, these loans were converted to equity, with 2,900,870 common shares being issued.

For the year ended November 30, 2008, the Company recorded accretion expense of $209,821 (2007 - $1,930,047).

(b) Shareholder Loan

The loan was non-interest bearing, unsecured, without fixed terms of repayment. It was paid off in fiscal 2008.

9. Obligations Under Capital Leases

From time to time the Company purchases hand-held, point-of-sale payment devices which in turn are bundled with software, hosting and services and are leased to customers as described in note 3. These devices are then sold under sales-type lease arrangements to customers under a multiple element revenue arrangement, as described in note 3.

During the fiscal year, hand-held, point-of-sale payment devices were purchased at a cost of \$5,351,084 (2007 - \$1,620,977) of which \$3,905,979 (2007 - \$976,665) were financed by way of increases in capital lease obligations.

The Company is required to have restricted cash to provide collateral security against the capital leases (see note 5).

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

	2008	2007
2008	$ -	$ 1,170,744
2009	**2,843,489**	584,675
2010	**2,374,008**	177,093
2011	**867,577**	-
	6,085,074	1,932,512
Less amount representing interest at 5.33% to 12.25% (2007 - 5.36% to 12.46%)	**623,423**	170,986
	5,461,651	1,761,526
Less current portion	**2,434,185**	1,038,265
	$ 3,027,466	$ 723,261

Interest expense related to this obligation for the year ended November 30, 2008 amounted to \$284,921 (2007 - \$174,923).

10. Deferred Revenue

The deferred revenue reported as at November 30, 2008 was \$6,263,003 (2007 - \$3,198,600) and pertains primarily to lease receivables from 14 customers (2007 - 3). 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 3.

11. 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).

11. Notes Payable - continued

In addition, contingent consideration of up to U.S. $200,000 was 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 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 is unsecured and repayable in December 2008.

12. 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

	Reference	Number of Shares	Amount
Balance at November 30, 2006		27,668,752	$ 860,753
Issuance of shares for compensation	(i)	79,194	55,346
Issuance of shares for cash consideration	(ii)	12,857,200	9,000,040
Issuance of shares upon settlement of debt obligation	(iii)	1,235,911	728,287
Issuance of shares upon going public transaction	(iv)	1,666,667	100,046
Issuance of shares from shares to be issued	(v)	705,411	470,746
Issuance of shares for cash consideration	(vi)	159,747	110,000
Issuance of shares on exercise of warrants	(vii)	447,750	136,274
Issuance of shares on exercise of options	(viii)	145,013	47,906
Issuance of shares upon debenture conversions	(ix)	2,892,354	575,000
Balance, November 30, 2007		47,857,999	12,084,398
Issuance of shares on exercise of warrants	(x)	143,250	43,599
Issuance of shares on exercise of options	(xi)	50,721	42,781
Issuance of shares on exercise of warrants	(xii)	2,812,262	854,927
Issuance of shares on exercise of options	(xiii)	99,971	30,168
Issuance of shares upon shareholder loan conversion	(xiv)	2,900,870	2,196,108
Issuance of shares on exercise of options	(xv)	166,667	50,000
Issuance of shares upon settling accounts payable	(xvi)	164,000	142,680
Issuance of shares on settlement of notes payable	(xvii)	75,000	65,250
Issuance of shares for cash consideration	(xviii)	1,176,500	1,000,025
Issuance of shares on exercise of warrants	(xix)	48,698	35,358
Balance, November 30, 2008		**55,495,938**	**$ 16,545,294**

12. Share Capital - contined

(b) Issued - continued

(i) In August 2007, the Company issued 79,194 common shares having a value of $55,346 to a service provider as compensation for services rendered related to a financing.

(ii) In August 2007, the Company issued 12,857,200 common shares in conjunction with the completion of an equity financing for gross cash proceeds of $9,000,040, which when netted out against share issuance costs totaling $2,021,896, resulted in net proceeds allocated to share capital of $6,978,144.

(iii) In August 2007, the Company issued 1,235,911 common shares as consideration for the conversion of certain loans and accrued interest, which, when netted out against the fair value of warrants issued in conjunction with the conversion of the loans resulted in gross proceeds allocable to share capital of $728,287.

(iv) In August 2007, the Company issued 1,666,667 shares in GuestLogix Inc. to the former holders of Growthgen upon amalgamation of the two companies for $100,046, being the net assets acquired at fair value of Growthgen on the date of the amalgamation.

(v) In June 2007, the Company issued 705,411 shares based on net proceeds of $470,746, cash, previously received, the value of which was recorded under 'shares to be issued' as at the Company's fiscal year end of November 30, 2006.

(vi) In June 2007, the Company issued 159,747 shares based on net proceeds of $110,000, cash, received in December 2006.

(vii) In October 2007, the Company issued 447,750 common shares upon the exercise of warrants for total consideration of $89,550, cash. The value previously attributed to the warrants, $46,724, was reallocated to share capital at that time.

(viii) In November 2007, the Company issued 145,013 common shares upon the exercise of options for total consideration of $47,906, cash.

(ix) In October and November 2007, the Company issued 2,892,354 common shares as consideration for the conversion of certain convertible notes payable totaling $575,000.

(x) 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.

(xi) In February 2008, the Company issued 50,721 common shares upon the exercise of options for total consideration of $35,505. The value relating to these options previously attributed to contributed surplus, $7,276, was reallocated to share capital at that time.

(xii) 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.

(xiii) 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, $12,973, was reallocated to share capital at that time.

12. Share Capital - continued

(b) Issued - continued

(xiv) 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.

(xv) 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.

(xvi) On August 2008, the Company issued 164,000 common shares having a value of $142,680 towards the partial settlement of an accounts payable.

(xvii) On August 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.

(xviii) On November 7, 2008, the Company issued 1,176,500 common shares for proceeds of $1,000,025 in a private placement.

(xix) 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.

(c) Stock options

The Company 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 November 30, 2008 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 the 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 dates will expire, subject to earlier termination if the optionee ceases to be an officer, director, employee or consultant of the Company.

The fair value of options granted was estimated on the date of the grant using the Black-Scholes option-pricing model, resulting in the weighted average fair value of options granted in 2008 of $0.25 - $0.80, with the following assumptions:

Risk-free rate of return	2.77%-3.86%
Expected volatility	51.9%-76.0%
Dividend yield	Nil %
Weighted average expected life of the options	5 years

12. Share Capital - continued

(c) Stock options

The following is a summary of the stock options outstanding and the weighted average exercise price granted, as at November 30, 2008 and 2007.

	Number of Options Outstanding	Weighted Average Exercise Price
Outstanding, November 30, 2006	736,622	$ 0.07
Transferred from Growthgen	266,667	0.30
Granted	1,864,983	0.64
Exercised	(145,013)	0.27
Cancelled	(133,895)	0.69
Outstanding, November 30, 2007	2,589,364	0.46
Granted	1,100,289	1.21
Exercised	(317,359)	0.36
Cancelled	(215,442)	1.08
Outstanding, November 30, 2008	3,156,852	$ 0.72
Exercisable at November 30, 2008	**1,751,409**	**$ 0.51**

The weighted average life of options outstanding at November 30, 2008 is 3.44 years.

The range of the exercise price for the options outstanding is $0.07 to $1.40.

The Company recognized $463,886 of stock-based compensation expense for stock options issued to service providers and employees during the year ended November 30, 2008 (2007 - $256,181).

The weighted-average remaining contractual life and weighted-average exercise price of options outstanding and of options exercisable as at November 30, 2008 are as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	**Number Outstanding**	**Weighted-Average Exercise Price**	**Weighted-Average Remaining Contractual Life (years)**	**Number Exercisable**	**Weighted-Average Exercise Price**
$ 0.07	808,137	$ 0.07	1.92	808,137	$ 0.07
$ 0.52 - 0.70	894,508	$ 0.69	3.50	488,666	$ 0.70
$ 0.83 - 1.24	1,388,213	$ 1.08	4.25	451,975	$ 1.09
$ 1.25 - 1.40	65,994	$ 1.30	4.17	2,631	$ 1.25
	3,156,852	**$ 0.72**	**3.44**	**1,751,409**	**$ 0.51**

12. Share Capital - continued

(d) Warrants

The following is a summary of outstanding warrants as at November 30, 2008 and 2007 and changes during the years ended November 30, 2008 and 2007:

	2008		2007	
	Number of Warrants	**Amount**	**Number of Warrants**	**Amount**
Exercise price of $0.199 (plus four warrants) Expiring April 30, 2008 (i)	-	$ -	11,822,047	$ 307,424
Exercise price of U.S.$0.32 expiring June 30, 2009 (ii)	**980,468**	**237,806**	980,468	237,806
Exercise price of U.S.$0.726 expiring August 16, 2011 to October 1, 2011 (iii)	**727,047**	**64,849**	727,047	64,849
Exercise price of U.S.$0.907 expiring August 16, 2011 to October 1, 2011 (iii)	**540,480**	**80,408**	540,480	80,408
Exercise price of U.S.$0.57 expiring January 31, 2009 (iv)	**119,075**	**8,119**	119,075	8,119
Exercise price of $0.20 expiring November 28, 2008 (v)	-	-	48,698	25,618
Exercise price of $0.84 expiring July 31, 2009 (vi)	**501,202**	**138,804**	501,202	138,804
Exercise price of $0.70 expiring July 31, 2009 (vii)	**900,004**	**283,827**	900,004	283,827
Exercise price of $0.99 expiring September 15, 2010 (viii)	**50,000**	**14,796**	-	-
	3,818,276	**$ 828,609**	15,639,021	$ 1,146,855

(i) Warrants issued and outstanding in conjunction with shareholder convertible loans and convertible debentures allowed for the purchase of 2,812,262 common shares. The warrants expired on April 30, 2008 but were exercised prior to expiry, resulting in 2,812,262 common shares being issued for proceeds of $562,452.

(ii) Warrants issued and outstanding in conjunction with $445,990 (U.S. $400,000) in notes payable on June 20, 2006 totaled 980,468.

(iii) Warrants issued and outstanding in conjunction with an additional U.S. $653,626 in convertible loans in 2006 totaled 1,267,527. The warrants have exercise prices of U.S. $0.726 and U.S. $0.907 per share.

(iv) Warrants issued and outstanding in conjunction with services provided to the Company totaled 119,075 and have an exercise price of U.S. $0.57 per share.

12. Share Capital - continued

(d) Warrants - continued

(v) Warrants issued and outstanding in conjunction with services provided to the Company totaled 48,698 and have an exercise prices of $0.20 per share. The warrants were exercised on November 14, 2008 for proceeds of $9,740.

(vi) Warrants issued and outstanding in conjunction with capital raising services provided to the Company totaled 501,202 and have an exercise price of $0.84 per share.

(vii) Warrants issued and outstanding in conjunction with capital raising services provided to the Company totaled 900,004 and have an exercise price of $0.70 per share.

(viii) Warrants were issued in September 2008 totaling 50,000 for consulting services provided to the Company and have an exercise price of $0.99 per share.

The fair value of warrants granted in 2008 was estimated on the date of the grant using the Black Scholes option-pricing model, resulting in the fair value of these options being $14,796, with the following assumptions being used: (a) risk-free rate of return of 2.66%; (b) expected volatility of 50.6%; (c) weighted average expected life of the warrant of 2 years; (d) and dividend yield of Nil%.

13. Income Taxes

Under the Income Tax Act, certain expenditures are classified as Scientific Research and Experimental Development ('SRED') expenditures and, for tax purposes, are grouped into a pool, which is 100% deductible in the year incurred. This SRED expenditure pool can also be carried forward indefinitely and deducted in full in any subsequent year. The balance of the SRED expenditure pool at November 30, 2008 is $2,134,051 (2007 - $1,598,753).

A reconciliation between the Company's statutory and effective tax rates is as follows:

	2008	2007
Tax recovery at statutory rate	29.0%	36.1%
Permanent differences and other	6.3%	12.3%
Increase in valuation allowance	(36.9)%	(48.4)%
Change in substantively enacted rates	1.6%	-
Tax recovery	-	-

13. Income Taxes - continued

The tax effect of significant temporary differences is as follows:

	2008	2007
Future income tax assets		
Difference between net book value and unclaimed capital cost of equipment and leases	$ 252,691	$ (99,832)
Financing fees	448,606	(160,491)
Tax loss carryforwards, unutilised scientific research and experimental development expenditures and investment tax credits	1,935,097	1,327,606
Less: Valuation allowance	2,636,394	1,067,283
Net future tax assets	$ -	$ -

The Company believes that sufficient uncertainty exists regarding the realization of its future income tax assets that a valuation allowance is required. The Company continues to evaluate its taxable position quarterly and considers factors such as estimated taxable income, the history of losses for tax purposes and the growth of the Company, among others. As at November 30, 2008, the Company has non-capital losses available for carry-forward to reduce future years' income for tax purposes, which, if unused, will expire as follows:

2026	$ 721,971
2027	1,290,182
2028	1,983,382
	$ 3,995,535

14. Changes in Non-Cash Operating Working Capital

	2008	2007
Accounts receivable	**$ (870,882)**	$ (472,560)
Prepaid expenses and other assets	**(41,652)**	(105,735)
Investment tax credits receivable	**326,667**	(166,667)
Accounts payable and accrued liabilities	**1,377,085**	1,435,814
Inventory	**(610,363)**	-
Advance to supplier	**(495,395)**	-
	$ (314,540)	$ 690,852

15. 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, obligations under capital leases, convertible loans and loans from shareholder. 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:

(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 as at November 30, 2008:

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

The definition of amounts that are past due is determined by reference to terms agreed with individual customers. 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) Interest rate

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. The Company does not believe that there is a significant interest rate risk, due to the short-term nature of its investments.

15. Financial Instruments - continued

(c) *Market risk - continued*

(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' contracts are primarily transacted in U.S. Dollars.

GuestLogix does not currently use derivative instruments to hedge against foreign exchange risk.

(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 € 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.

16. 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 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 explicitly 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.

16. 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 accrued in the balance sheet with respect to these agreements.

17. Related Party Transactions and Balances

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 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.

Interest paid or payable to shareholders during the year on shareholder loans totaled $47,115 (2007 - $56,028).

18. Commitments

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

2009	$	**155,117**
2010		**156,849**
2011		**160,084**
2012		**160,084**
2013		**54,699**
	$	**686,833**

18. Commitments - continued

Commitments for equipment and capital assets deployed leases are disclosed in note 9.

The Company has entered into management service agreements (see note 17), each with either as shareholder or company controlled by a shareholder. All such shareholders are also directors and or senior management of the Company.

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

(b) Major Customers

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

20. 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 consolidated financial statements.

21. 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.

21. Capital Management - continued

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 2008 remained the same as those of the previous fiscal year.

At November 30, 2008, cash amounted to $2,650,099 and accounts receivable amounted to $2,076,908. Reflecting the common stock issued during the 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.

22. Subsequent Events

(a) In January 2009, 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.

(b) In February 2009, the Company was able to arrange a US$ 1,800,000 lease facility over 36 months for future deployments.

23. Reclassification of Comparative Figures

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