



Consolidated Financial Statements of

**GUESTLOGIX INC.**

November 30, 2010 and 2009

## **Auditors' Report**

To the Shareholders of  
GuestLogix Inc.

We have audited the consolidated balance sheets of GuestLogix Inc. as at November 30, 2010 and 2009 and the consolidated statements of operations, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Signed: "MSCM LLP"

**Chartered Accountants  
Licensed Public Accountants**

Toronto, Ontario  
February 18, 2011

**GUESTLOGIX INC.**  
**Consolidated Balance Sheets**  
*November 30, 2010 and 2009*

	2010	2009
<b>ASSETS</b>		
Current		
Cash and cash equivalents (note 1)	\$ 8,847,386	\$ 9,435,680
Accounts receivable, net of allowance (note 12)	5,339,819	3,629,000
Inventory	556,912	949,160
Prepaid expenses	403,154	244,866
Supplier development loan	-	106,180
Current portion of deferred cost of equipment sales	1,010,434	533,608
Current portion of net finance receivables (note 3(a))	4,334,220	4,611,234
	<u>20,491,925</u>	<u>19,509,728</u>
Restricted cash and cash equivalents (note 2)	2,616,000	2,693,501
Deferred cost of equipment sales	2,163,010	1,284,262
Net finance receivables (note 3(a))	3,253,347	5,580,543
Capital assets deployed (note 3(b))	8,008,855	10,697,628
Equipment (note 4)	294,324	196,655
Deferred development costs (note 5)	999,654	-
	<b>\$ 37,827,115</b>	<b>\$ 39,962,317</b>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ 4,348,854	\$ 4,843,833
Current portion of obligations under capital leases (note 6)	2,669,231	3,141,789
Current portion of term loan (note 7)	800,000	800,000
Deferred revenue (note 8)	6,038,608	5,368,412
	<u>13,856,693</u>	<u>14,154,034</u>
Deferred revenue (note 8)	6,716,939	7,795,828
Obligations under capital leases (note 6)	1,860,900	2,970,784
Term loan (note 7)	333,333	1,200,000
	<u>8,911,172</u>	<u>11,966,612</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 9(b))	25,929,028	25,539,473
Contributed surplus	2,026,868	1,568,806
Warrants (note 9(d))	145,257	288,540
Share issuance costs	(3,196,293)	(3,104,656)
Deficit	(9,845,610)	(10,450,492)
	<u>15,059,250</u>	<u>13,841,671</u>
	<b>\$ 37,827,115</b>	<b>\$ 39,962,317</b>

Guarantees (note 13)  
 Commitments (note 14)  
 Contingencies (note 17)

On behalf of the Board:

"Tom Douramakos"  
 Director

"Brett Proud"  
 Director

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

**GUESTLOGIX INC.**  
**Consolidated Statements of Operations**  
*for the years ended November 30, 2010 and 2009*

	2010	2009
<b>REVENUE</b>	<b>\$ 25,721,641</b>	<b>\$ 18,554,760</b>
<b>OPERATING EXPENSES</b>		
Cost of equipment sales	3,194,341	1,926,924
Research and development	870,828	389,747
Customer delivery and support	2,086,352	2,271,589
Infrastructure support	4,911,167	3,371,072
Sales and marketing	2,227,168	1,397,693
General and administrative	5,165,209	4,118,190
Stock-based compensation	416,897	244,694
Amortization of capital assets deployed	5,219,531	3,883,095
Amortization of equipment	100,087	86,346
	<b>24,191,580</b>	<b>17,689,350</b>
<b>INCOME FROM OPERATIONS</b>	<b>1,530,061</b>	<b>865,410</b>
Other income (expenses)		
Foreign exchange (loss) gain	(116,467)	54,611
Interest earned	26,192	22,654
Interest expense (note 6)	(468,999)	(517,849)
Term loan interest and fees (note 7)	(365,905)	(197,670)
	<b>(925,179)</b>	<b>(638,254)</b>
<b>NET INCOME AND COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>\$ 604,882</b>	<b>\$ 227,156</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (note 9(e))</b>	<b>\$ 0.01</b>	<b>\$ 0.00</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES USED IN BASIC EARNINGS PER SHARE (note 9(e))</b>	<b>63,971,936</b>	<b>56,549,408</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES USED IN DILUTED EARNINGS PER SHARE (note 9(e))</b>	<b>65,548,911</b>	<b>57,874,788</b>

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

**GUESTLOGIX INC.****Consolidated Statements of Shareholders' Equity***for the years ended November 30, 2010 and 2009*

	Number of Shares	Share Capital	Contributed Surplus	Warrants	Share Issuance Costs	Deficit	Shareholders' Equity
Balance, November 30, 2008	55,495,938	\$ 16,545,294	\$ 1,246,009	\$ 828,609	\$ (2,226,999)	\$ (10,677,648)	\$ 5,715,265
Issued for cash, private placement	6,000,000	7,200,000	-	-	(877,657)	-	\$ 6,322,343
Stock based compensation expense	-	-	244,694	-	-	-	\$ 244,694
Share purchase warrants exercised	2,060,554	1,716,193	-	(571,505)	-	-	\$ 1,144,688
Share purchase options exercised	85,297	77,986	(18,948)	-	-	-	\$ 59,038
Issuance of warrants	-	-	-	128,487	-	-	\$ 128,487
Expiry of warrants	-	-	97,051	(97,051)	-	-	\$ -
Net income and comprehensive income for the year	-	-	-	-	-	227,156	\$ 227,156
Balance, November 30, 2009	63,641,789	25,539,473	1,568,806	288,540	(3,104,656)	(10,450,492)	\$ 13,841,671
Stock based compensation expense	-	-	416,897	-	-	-	\$ 416,897
Share purchase warrants exercised	79,400	108,571	-	(23,791)	-	-	\$ 84,780
Share purchase options exercised	1,050,352	280,984	(78,327)	-	-	-	\$ 202,657
Expiry of warrants	-	-	119,492	(119,492)	-	-	\$ -
Share issuance costs	-	-	-	-	(91,637)	-	\$ (91,637)
Net income and comprehensive income for the year	-	-	-	-	-	604,882	\$ 604,882
Balance, November 30, 2010	64,771,541	\$ 25,929,028	\$ 2,026,868	\$ 145,257	\$ (3,196,293)	\$ (9,845,609)	\$ 15,059,251

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

**GUESTLOGIX INC.**  
**Consolidated Statements of Cash Flows**  
*for the years ended November 30, 2010 and 2009*

	2010	2009
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Income for the period	\$ 604,882	\$ 227,156
Items not involving cash:		
Amortization of capital assets deployed	5,219,531	3,883,095
Amortization of equipment	100,087	86,346
Amortization of deferred cost of equipment sales	874,719	101,992
Stock-based compensation expense	416,897	244,694
Unrealized foreign exchange	(371,781)	98,184
Deferred revenue net of deferred cost of sales	(34,775)	751,654
Changes in non-cash operating working capital (note 11)	(1,873,311)	(523,504)
	4,936,250	4,869,617
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Deferred development costs	(999,654)	-
Purchase of capital assets deployed	(533,404)	(4,373,600)
Purchase of equipment	(131,256)	(22,702)
	(1,664,314)	(4,396,302)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of common shares	-	6,494,090
Proceeds from exercise of options and warrants	287,436	1,203,727
Decrease (increase) in term loan (note 7)	(866,667)	2,000,000
Repayment of capital lease obligations, net	(3,189,361)	(3,323,691)
Repayment of notes payable	-	(61,860)
Share issuance costs	(91,637)	-
	(3,860,229)	6,312,266
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(588,293)	6,785,581
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,435,680	2,650,099
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 8,847,387</b>	<b>\$ 9,435,680</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	\$ 555,570	\$ 549,878
<b>SUPPLEMENTAL DISCLOSURES RELATING TO NON-CASH OPERATING AND INVESTING ACTIVITIES</b>		
Additions to capital lease obligations to finance the acquisition of capital assets deployed	\$ 1,831,900	\$ 4,195,859
Purchase of equipment for deployment in accounts payable	\$ 225,105	\$ 788,455
<b>SUPPLEMENTAL DISCLOSURES RELATING TO CASH AND CASH EQUIVALENTS</b>		
CASH	\$ 5,267,508	\$ 3,185,679
SHORT TERM INVESTMENTS UP TO 90 DAYS	\$ 3,579,878	\$ 6,300,001
(The accompanying notes are an integral part of these consolidated financial statements)		

# GUESTLOGIX INC.

Notes to Consolidated Financial Statements  
November 30, 2010 and 2009

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## **DESCRIPTION OF BUSINESS**

GuestLogix Inc. ('GuestLogix' or the 'Company') provides transaction processing services that enable passenger travel operators to grow and process ancillary revenues on a global basis, at all travel touch-points, and in a fully secure and compliant manner. The Company helps operators create, manage and control their branded onboard stores, tailored to the needs of operators and to the needs of their passengers. GuestLogix enables access to operators' branded onboard stores at any touch-point throughout a passenger's travel journey. Through its OnTouch® technology and merchandising platforms, the Company has partnered with leading global product and service providers in order to provide ready-made travel-relevant, destination-based offerings to passengers, while helping operators enhance the overall passenger travel experience. By linking travel operators, their passengers and global product and service providers, the Company has created the largest connected marketplace for ancillary revenues in the passenger travel industry.

### **1. Significant accounting policies**

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

#### **Revenue recognition**

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

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

# GUESTLOGIX INC.

Notes to Consolidated Financial Statements  
November 30, 2010 and 2009

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## 1. Significant accounting policies (continued)

### Revenue recognition (continued)

Management has determined that the deliverables in these arrangements generally do not have value to its customers on a 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 marketplace. In some cases, the Company makes hardware only sales without any other deliverables. In these instances customers have opted not to sign contracts with the Company. Revenue in these instances is recognized when hardware is delivered and accepted by customers.

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

To account for revenues and related expenses under a majority of arrangements, the Company employs sales-type lease accounting as follows. The Company sells products to certain customers under terms which approximate sales-type lease arrangements, with GuestLogix as the Lessor, for periods ranging from three to five years. GuestLogix accounts for revenue under its sales-type leases in accordance with CICA Handbook section 3065, Leases, and recognizes current and long-term lease receivables on the accompanying consolidated balance sheets as net finance receivables. 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.

# **GUESTLOGIX INC.**

Notes to Consolidated Financial Statements  
November 30, 2010 and 2009

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## **1. Significant accounting policies (continued)**

### **Revenue recognition (continued)**

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 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.

### **Research and development expenses**

Research costs are expensed as incurred. Research and development costs are recorded net of investment tax credits, where applicable. 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. The Company capitalizes development costs incurred subsequent to establishing technological feasibility. Amortization of development costs commences with commercial production or use of the product or process.

### **Financial instruments**

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

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

# GUESTLOGIX INC.

Notes to Consolidated Financial Statements  
November 30, 2010 and 2009

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## 1. Significant accounting policies (continued)

### Financial instruments (continued)

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

### Equipment

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

Computer equipment	3 years
Furniture and fixtures	5 years

### Capital assets deployed

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

### Deferred cost of equipment sales

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

### Impairment of long-lived assets

The useful lives and the carrying values of long-lived assets are periodically reviewed for continued appropriateness. Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. If the sum of the undiscounted future cash flows expected to result from the use and eventual disposition of an asset is less than its carrying value, the asset is considered to be impaired. An impairment loss is measured as the excess of the carrying value of the asset over its fair value. As at November 30, 2010, the Company has not recorded an impairment loss.

# GUESTLOGIX INC.

Notes to Consolidated Financial Statements  
November 30, 2010 and 2009

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## 1. Significant accounting policies (continued)

### Foreign currency translation

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

### 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 amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Future income tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that the assets will be realized.

### Stock-based compensation

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

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

# GUESTLOGIX INC.

Notes to Consolidated Financial Statements  
November 30, 2010 and 2009

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## 1. Significant accounting policies (continued)

### Stock-based compensation (continued)

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 were used, stock-based compensation could be significantly impacted.

### Deferred revenue

Deferred revenue comprises lease, equipment sales, license, and services revenues. Deferred lease revenue arises when customers receive hardware to utilize the on-board retail software solutions and the terms approximate sales-type lease arrangements. In these situations, it is deemed that the Company has entered into a sales-type lease and a lease receivable is recorded. Deferred revenue is recognized as income on a monthly basis over the term of the respective arrangements, using the discount rate implicit in each lease.

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

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

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

### Leases

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

# GUESTLOGIX INC.

Notes to Consolidated Financial Statements  
November 30, 2010 and 2009

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## 1. Significant accounting policies (continued)

### Share issuance costs

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

### Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share is calculated using the treasury stock method. Diluted earnings (loss) per share reflects the potential dilution that could occur if additional common shares were assumed to be issued under securities or contracts that entitle their holders to obtain common shares in the future. Diluted loss per share is not presented when the effect of the exercise of stock options and warrants is anti-dilutive. In periods when the Company reports a net loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive and therefore, basic and diluted loss per share is the same.

### Measurement uncertainty

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

# GUESTLOGIX INC.

Notes to Consolidated Financial Statements  
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## 1. Significant accounting policies (continued)

### Cash and cash equivalents

The Company considers all highly liquid instruments with maturities of up to 90 days at the time of issuance to be cash equivalents.

Included in cash and cash equivalents is:

	2010	2009
Cash	\$ 5,267,508	\$ 3,135,679
Short-term deposits	3,579,878	6,300,001
	<u>\$ 8,847,386</u>	<u>\$ 9,435,680</u>

### Inventory

All inventories are stated at the lower of cost or net 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.

### Recently issued pronouncements not yet adopted

In December 2009, the CICA issued EIC 175, Multiple Deliverable Revenue Arrangements, replacing EIC 142, Revenue Arrangements with Multiple Deliverables. This abstract was amended to: (1) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (2) require, in situations where a vendor does not have vendor-specific objective evidence ("VSOE") or third-party evidence of selling price, that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (3) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (4) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance. The accounting changes summarized in EIC 175 are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Adoption may either be on a prospective basis or by retrospective application. If the Abstract is adopted early, in a reporting period that is not the first reporting period in the entity's fiscal year, it must be applied retroactively from the beginning of the Company's fiscal period of adoption. The Company is currently assessing the future impact of these amendments on its consolidated financial statements and has not yet determined the timing and method of its adoption.

# GUESTLOGIX INC.

Notes to Consolidated Financial Statements  
November 30, 2010 and 2009

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## 1. Significant accounting policies (continued)

### Recently issued pronouncements not yet adopted (continued)

In January 2009, the CICA issued Handbook Sections 1582, Business Combinations ('Section 1582'), 1601, Consolidated Financial Statements ('Section 1601') and 1602, Non-controlling Interests ('Section 1602'). Section 1582 replaces CICA Handbook Section 1581, Business Combinations, and establishes standards for the accounting for business combinations equivalent to the International Financial Reporting Standards. Section 1582 is applicable prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with early adoption permitted. Section 1601 together with Section 1602 replaces CICA Handbook Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Sections 1601 and 1602 are applicable for interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011, with early adoption permitted. An entity must adopt Sections 1582, 1601 and 1602 at the same time. The Company plans to adopt these standards effective December 1, 2010 and does not expect the adoption will have a material impact on the results of its operations or financial position.

### International financial reporting standards ('IFRS')

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

## 2. Restricted cash and cash equivalents

As at November 30, 2010, the Company had restricted cash and cash equivalents of \$2,616,000 (2009 - \$2,693,501), as required to provide collateral security against capital leases (see note 6). To fulfill this obligation, the Company has purchased short-term U.S. dollar denominated deposits.

# GUESTLOGIX INC.

Notes to Consolidated Financial Statements  
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## 3. Net finance receivables and capital assets deployed

### (a) Net finance receivables

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

	2010	2009
2010	\$ -	\$ 4,611,234
2011	4,334,220	3,609,717
2012	2,281,848	1,532,227
2013	540,746	251,945
2014	334,416	186,654
2015	96,337	-
	<u>\$ 7,587,567</u>	<u>\$ 10,191,777</u>

The average interest rate implicit in these leases ranges from 5.34% to 12.5% (2009 – 5.34% to 15%).

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

2010	Cost	Accumulated amortization	Net book value
Capital assets deployed	\$ 21,461,797	\$ 13,452,942	\$ 8,008,855

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

# GUESTLOGIX INC.

Notes to Consolidated Financial Statements  
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## 4. Equipment

2010	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 270,862	\$ 173,750	\$ 97,112
Furniture and fixtures	314,127	116,915	197,212
Total equipment	\$ 584,989	\$ 290,665	\$ 294,324

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

Included in equipment is equipment under capital lease with a cost of \$280,177 (2009 - \$213,676) and accumulated amortization of \$157,326 (2009 - \$45,781).

## 5. Deferred development costs

Software development costs consist of internal and third party labour costs of personnel directly engaged in development activities of the Company's OnTouch® onboard store environment, and other new product and service initiatives. Amortization will commence with commercial use of the product or service and will be provided on a straight-line basis over a two year period. Deferred development costs reported as at November 30, 2010 were \$999,654 (2009 - NIL).

## 6. Obligations under capital leases

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

During the fiscal year, hand-held, point-of-sale devices were purchased at a cost of \$2,581,312 (2009 - \$8,197,608) of which \$1,831,900 (2009 - \$4,195,858) was financed by way of capital leases.

# GUESTLOGIX INC.

Notes to Consolidated Financial Statements  
November 30, 2010 and 2009

## 6. Obligations under capital leases (continued)

The Company is required to have restricted cash or cash equivalents to provide collateral security against certain of the capital lease obligations (see note 2). The following is a schedule of future minimum lease payments for equipment under capital leases:

	2010	2009
2010	\$ -	\$ 3,591,477
2011	2,939,781	2,266,961
2012	1,564,914	911,399
2013	388,169	-
	4,892,864	6,769,837
Less: amount representing interest (at 5.34% to 12.5%)	362,733	657,264
	4,530,131	6,112,573
Less: current portion	2,669,231	3,141,789
	\$ 1,860,900	\$ 2,970,784

Interest expense related to these obligations for the year ended November 30, 2010 amounted to \$468,999 (2009 - \$517,849).

## 7. Term loan

In June 2009, the Company entered into a non-revolving financing facility agreement ('term loan') for an aggregate amount of \$2,400,000. The term loan has a term of 36 months and is secured through a General Security Agreement and a Registered and Perfected Security interest covering the devices specified in the agreement with a carrying value of \$1,872,409.

	2010	2009
2010	\$ -	\$ 800,000
2011	800,000	800,000
2012	333,333	400,000
	1,133,333	2,000,000
Less: current portion	800,000	800,000
	\$ 333,333	\$ 1,200,000

# **GUESTLOGIX INC.**

Notes to Consolidated Financial Statements  
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## **7. Term loan (continued)**

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

Interest expense and loan service fees related to this obligation for the year ended November 30, 2010 amounted to \$86,571 and \$279,334 respectively (2009 - \$50,726 and \$146,944).

In January 2011, the remaining obligations under the term loan were repaid in full.

## **8. Deferred revenue**

Deferred revenue reported as at November 30, 2010 was \$12,755,547 (2009 - \$13,164,240), with current and long-term portions of \$6,038,608 and \$6,716,939 respectively (2009 - \$5,368,412 and \$7,795,828).

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

# GUESTLOGIX INC.

Notes to Consolidated Financial Statements  
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## 9. Share capital

(a) Authorized:

Unlimited number of voting common shares

(b) Issued:

	Number of common shares	Amount
Balance, November 30, 2008	55,495,938	\$16,545,294
Issuance of shares on exercise of warrants (i)	2,060,554	1,716,193
Issuance of shares on exercise of options (ii)	85,297	77,986
Issuance of shares for cash consideration (iii)	6,000,000	7,200,000
Balance, November 30, 2009	63,641,789	25,539,473
Issuance of shares on exercise of options (iv)	1,050,352	280,984
Issuance of shares on exercise of warrants (v)	79,400	108,571
Balance, November 30, 2010	64,771,541	\$25,929,028

- (i) In the three months ended August 31, 2009, the Company issued 2,060,554 common shares upon the exercise of warrants for total consideration of \$1,144,688. The value previously attributed to the warrants of \$571,505, was reallocated to share capital at that time.
- (ii) In September 2009, the Company issued 85,297 common shares upon the exercise of options for total consideration of \$59,038. The value relating to these options previously attributed to contributed surplus, \$18,948, was reallocated to share capital at that time.

# GUESTLOGIX INC.

Notes to Consolidated Financial Statements  
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## 9. Share capital (continued)

(b) Issued (continued):

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

(iv) During the year ended November 30, 2010, the Company issued 1,050,352 common shares upon the exercise of options for total consideration of \$202,657. The value relating to these options previously attributed to contributed surplus, \$78,327, was reallocated to share capital.

(v) During the year ended November 30, 2010, the Company issued 79,400 common shares upon the exercise of warrants for total consideration of \$84,780. The value previously attributed to the warrants of \$23,791 was reallocated to share capital.

(c) Stock options:

The Company has established a stock option plan (the 'Plan') to encourage ownership of the Company's common shares by its key officers, directors, employees and selected consultants. The Plan provides for an amount up to 15% of the outstanding common shares of the Company to be reserved for issuance. The number of shares reserved for issuance under the Plan as at November 30, 2010 is 9,715,731 common shares with provision that the Board of Directors has the right from time to time to increase such number subject to the approval of shareholders of the Company. Options under the Plan vest over various periods from the date of the granting of the option. All options granted under the Plan that have not been exercised within ten years of the grant will expire, subject to earlier termination if the optionee ceases to be an officer, director, employee or consultant of the Company.

The fair value of options granted was estimated on the date of the grant using the Black-Scholes option-pricing model, resulting in the weighted average fair value of options granted in 2010 of \$0.59, with the following assumptions:

	2010	2009
Risk-free rate of return	2.00% - 3.06%	1.81% - 2.71%
Expected volatility	65.05%-67.39%	45.8% - 62.1%
Dividend yield	NIL%	NIL%
Average expected life of the options	5 years	4-5 years

# GUESTLOGIX INC.

Notes to Consolidated Financial Statements  
November 30, 2010 and 2009

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## 9. Share capital (continued)

(c) Stock options (continued):

The following is a summary of the stock options outstanding and the weighted average exercise price granted, as at November 30, 2010 and 2009:

	Number of Options Outstanding	Weighted Average Exercise Price
Outstanding, November 30, 2008	3,156,852	\$ 0.72
Granted	1,626,756	0.48
Exercised	(85,297)	0.69
Cancelled	(770,150)	0.98
Outstanding, November 30, 2009	3,928,161	0.57
Granted	1,706,713	1.03
Exercised	(1,050,352)	0.19
Cancelled	(456,880)	0.60
Outstanding, November 30, 2010	4,127,642	\$ 0.87
Exercisable at November 30, 2010	2,879,674	\$ 0.81

The Company recognized \$416,897 of stock-based compensation expense for stock options issued to employees, officers, directors and consultants during the year ended November 30, 2010 (2009 - \$244,694).

# GUESTLOGIX INC.

Notes to Consolidated Financial Statements  
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## 9. Share capital (continued)

### (c) Stock options (continued):

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at November 30, 2010 are as follows:

Range of Exercise Price	Number Outstanding	Options outstanding		Options exercisable	
		Weighted Average Exercise Price	Weighted Average Contractual Life	Number Exercisable	Weighted Average Exercise Price
\$0.47-0.71	1,576,606	\$0.58	1.85 years	1,400,003	\$0.58
\$0.80-1.24	2,132,142	\$1.01	3.11 years	1,329,943	\$0.98
\$1.25-1.80	418,894	\$1.31	4.24 years	149,728	\$1.39
	4,127,642	\$0.87	2.74 years	2,879,674	\$0.81

### (d) Warrants:

The following is a summary of outstanding warrants as at November 30, 2010 and 2009 and changes during the years ended November 30, 2010 and 2009:

	2010		2009	
	Number of Warrants	Amount	Number of Warrants	Amount
Exercise price of U.S.\$0.726 expiring August 16, 2011 to October 1, 2011 (i)	727,047	\$64,849	727,047	\$64,849
Exercise price of U.S.\$0.907 expiring August 16, 2011 to October 1, 2011 (i)	540,480	80,408	540,480	80,408
Exercise price of \$0.99 expiring on September 15, 2010 (ii)	-	-	50,000	14,796
Exercise price of \$1.20 expiring on November 12, 2010 (iii)	-	-	420,000	128,487
	1,267,527	\$145,257	1,737,527	\$288,540

# GUESTLOGIX INC.

Notes to Consolidated Financial Statements  
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## 9. Share capital (continued)

(d) Warrants (continued):

- (i) Warrants issued and outstanding in conjunction with U.S. \$653,626 in convertible loans in 2006 totalled 1,267,527. The warrants have exercise prices of U.S. \$0.726 and U.S. \$0.907 per share and expire between August 16, 2011 and October 1, 2011.
- (ii) Warrants issued totalling 50,000 for consulting services provided to the Company in 2008 having an exercise price of \$0.99 per share and expiring on September 15, 2010. In September 2010, these warrants were exercised for proceeds of \$49,500.
- (iii) Warrants issued totalling 420,000 in conjunction with capital raising services provided to the Company in 2009 having an exercise price of \$1.20 and expiring on November 12, 2010. In March 2010, 29,400 of these warrants were exercised for proceeds of \$35,280. The remaining 390,600 warrants expired unexercised.

(e) Earnings per share:

The following table sets out the computation of basic and diluted earnings per share for the years ended November 30:

	2010	2009
Numerator:		
Net income attributable to common shareholders basic and diluted	\$604,882	\$ 227,156
Denominator		
Weighted average common shares outstanding – basic	63,971,936	56,549,408
Effect of dilutive securities:		
Stock options	1,096,746	1,325,320
Warrants	480,230	-
Weighted average common shares outstanding – diluted	65,584,911	57,874,728
Basic earnings per share	\$ 0.01	\$ 0.00
Diluted earnings per share	\$ 0.01	\$ 0.00

# GUESTLOGIX INC.

Notes to Consolidated Financial Statements  
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## 9. Share capital (continued)

(e) Earnings per share (continued):

For the year ended November 30, 2010, approximately 198,451 potentially dilutive stock options and NIL warrants were excluded from the computation of weighted average number of diluted common shares outstanding, as the applicable exercise prices were greater than the average market price of the Company's common shares for the year (2009 - 974,915 and 1,737,527 respectively).

## 10. Income taxes

The following table reconciles the expected income tax recovery at the Canadian Federal and Provincial statutory rate of 31% (2009 – 29%) to the amount recognized in the consolidated statements of operations:

	2010	2009
Income before provision for income taxes	\$ 604,882	\$ 227,156
Expected income tax provision	187,513	65,875
Tax rate changes and other adjustments	(7,663)	199,875
Permanent differences	(415,167)	232,564
Effects of changes in temporary differences not recognized	(27,886)	-
Increase (decrease) in valuation allowance	263,203	(498,314)
Income tax provision reflected in consolidated statement of operations	\$ -	\$ -

The Company's future income tax assets and liabilities as at November 30, 2010 and 2009 are as follows:

	2010	2009
Future income tax assets	\$ 1,132,533	\$ 70,659
Capital assets and lease obligations	149,976	266,674
Financing fees	1,824,139	1,800,747
Non-capital losses and SRED carry forwards	3,106,648	2,138,080
Less: allocated against future income tax liabilities	(704,844)	-
Less: valuation allowance	(2,401,804)	(2,138,080)
Net future income tax assets	\$ -	\$ -

# GUESTLOGIX INC.

Notes to Consolidated Financial Statements  
November 30, 2010 and 2009

## 10. Income taxes (continued)

	2010	2009
Future income tax liabilities	\$ (704,844)	\$ -
Capital assets		
Less: reduction due to allocation of applicable future income tax assets	704,844	-
Net future income tax liabilities	\$ -	\$ -

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, 2010, 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	\$ 204,122
2027	1,290,182
2028	2,237,497
2030	938,039
	\$ 4,669,840

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, 2010 is \$2,627,664 (2009 - \$2,253,451).

# GUESTLOGIX INC.

Notes to Consolidated Financial Statements  
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## 11. Changes in non-cash operating working capital

	2010	2009
Accounts receivable	\$ (1,648,912)	\$ (1,752,660)
Inventory	451,899	(338,797)
Prepaid expenses and other assets	(173,808)	(105,264)
Accounts payable and accrued liabilities	(608,670)	1,289,748
Supplier development loan	106,180	383,469
	\$ (1,873,311)	\$ (523,504)

## 12. Financial instruments

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

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

### Credit risk

GuestLogix is currently dependant on a number of large customers in Europe and the United States (see note 15). At year end, the top 5 accounts receivable balances comprised approximately 74% (2009 - 72%) 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 accounts receivable and contract risks to also be moderated. The Company establishes an allowance for doubtful accounts that corresponds to the specific credit risk of its customers, historical trends and economic circumstances. The allowance as at November 30, 2010 was \$150,000 (2009 - \$NIL).

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

As at November 30, 2010:

Current	31 - 60 days	61-90 days	91 days +	Carrying value
\$ 2,750,902	\$ 581,504	\$ 266,686	\$ 1,890,727	\$ 5,489,819

# GUESTLOGIX INC.

Notes to Consolidated Financial Statements  
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## 12. Financial instruments (continued)

### Credit risk (continued)

As at November 30, 2009:

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

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

### Liquidity risk

The Company believes that at the present time it does not face significant liquidity risk as it has been able to continue to source funding for the point-of-sale hand-held devices.

The Company reported positive cash-flow from operations during 2010 and has a significant cash balance on hand which mitigates liquidity risk.

### Market risk

(a) Interest rate

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

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

# GUESTLOGIX INC.

Notes to Consolidated Financial Statements  
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## 12. Financial instruments (continued)

### Market risk (continued)

#### (a) Interest rate (continued)

##### *Sensitivity analysis*

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

	<b>Impact on net income</b>
	<b>\$</b>
Change of +/- 1% in rate of prime	-/+ 4,600

#### (b) Foreign exchange

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

##### *Sensitivity analysis*

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

	<b>Impact on net income</b>
	<b>\$</b>
Change of +/- 10% in US \$ foreign exchange rate	+/- 604,900
Change of +/- 10% in Euro € foreign exchange rate	+/- 162,700
Change of +/- 10% in GBP £ foreign exchange rate	+/- 22,600
Change of +/- 10% in AUD \$ foreign exchange rate	+/- 12,000

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

# GUESTLOGIX INC.

Notes to Consolidated Financial Statements  
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## 12. Financial instruments (continued)

### Market risk (continued)

- (b) Foreign exchange (continued)

#### *Sensitivity analysis (continued)*

#### *Limitations of sensitivity analysis*

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

## 13. Guarantees

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

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

# GUESTLOGIX INC.

Notes to Consolidated Financial Statements  
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## 13. Guarantees (continued)

Company has not made any payments under such or similar indemnification agreements and therefore no amount has been recorded in the consolidated balance sheets with respect to these agreements.

The Company is contingently liable under certain letters of guarantee aggregating USD \$2,525,000 as at November 30, 2010 (2009 - USD \$2,500,000).

## 14. Commitments

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

2011	\$ 233,212
2012	227,400
2013	94,213
	<hr/>
	\$ 554,825

## 15. Segmented information and customer concentration

### (a) Geographic information:

The Company manages its operations in one business segment, which is providing proprietary transaction-based onboard retail software solutions for the passenger travel industry. All significant equipment is located in Canada, except for the point-of-sale hand-held devices which are deployed to the customer locations. During the year \$18,612,297 of the Company's revenue (2009 - \$14,797,120) was derived from North America, while the remainder of \$7,109,344 (2009 - \$3,757,640) was derived primarily from Europe, the Middle East and Asia Pacific.

### (b) Major customers:

During 2010, the five top customers accounted for 57% of the total revenue (2009 – 73%).

# GUESTLOGIX INC.

Notes to Consolidated Financial Statements  
November 30, 2010 and 2009

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## 16. Capital management

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

To finance its activities, the Company has followed an approach that relies on revenue growth, issuance of common shares and financing through capital leases and term debt. 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, however, in June 2009, the Company entered into a \$2,400,000 non-revolving financing facility agreement to finance point-of-sale hand-held devices. Management believes the Company's positive operating cash-flow will help manage the obligations under this arrangement.

The Capital management objectives for fiscal 2010 remained the same as those of the previous fiscal year.

At November 30, 2010, cash and cash equivalents amounted to \$8,847,386 and accounts receivable amounted to \$5,339,819. GuestLogix' principal 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.

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

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

# GUESTLOGIX INC.

Notes to Consolidated Financial Statements  
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## 17. Contingencies

The Company is involved in certain claims and litigation arising out of the ordinary course and conduct of business. Management assesses such claims and, if considered likely to result in a loss and, when the amount of the loss is quantifiable, provisions for loss are made, based on management's assessment of the most likely outcome. Management does not provide for claims for which the outcome is not determinable or claims where the amount of the loss cannot be reasonably estimated.

In April 2010, the Company filed a complaint against two former employees and a third party alleging, among other things, misappropriation of the Company's confidential information and seeking compensatory damages and injunctive relief. The corporate defendant counterclaimed alleging, among other things, misappropriation of the corporate defendant's confidential information and is seeking compensatory damages.

In July 2010, the Company filed a complaint against a former customer alleging, among other things, breach of contract and seeking compensatory damages. The defendant counterclaimed, alleging, among things, breach of contract and is seeking compensatory relief.

Neither the potential liability nor the outcomes of these legal actions are reasonably determinable at this time, and as such no provision has been accrued for the settlement of the claims, if any.