



Interim Consolidated Financial Statements of

GUESTLOGIX INC.

Three and nine months ended August 31, 2011 and August 31, 2010

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

GUESTLOGIX INC.
Unaudited Interim Consolidated Balance Sheets

	August 31, 2011	November 30, 2010
ASSETS		
Current		
Cash and cash equivalents (note 1)	\$ 7,661,237	\$ 8,847,386
Accounts receivable, net of allowance (note 11)	5,067,350	5,339,819
Inventory	736,300	556,912
Prepaid expenses	1,361,406	403,154
Current portion of deferred cost of equipment sales	1,115,769	1,010,434
Current portion of net finance receivables (note 3(a))	3,166,238	4,334,220
	<u>19,108,300</u>	<u>20,491,925</u>
Restricted cash and cash equivalents (note 2)	978,400	2,616,000
Deferred cost of equipment sales	1,585,671	2,163,010
Net finance receivables (note 3(a))	1,824,539	3,253,347
Capital assets deployed (note 3(b))	5,265,398	8,008,855
Equipment (note 4)	327,169	294,324
Deferred development costs (note 5)	2,914,781	999,654
	<u>\$ 32,004,258</u>	<u>\$ 37,827,115</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 3,602,046	\$ 4,348,854
Current portion of obligations under capital leases (note 6)	1,926,451	2,669,231
Current portion of term loan (note 7)	625,677	800,000
Deferred revenue (note 8)	5,041,526	6,038,608
	<u>11,195,700</u>	<u>13,856,693</u>
Deferred revenue (note 8)	4,188,785	6,716,939
Obligations under capital leases (note 6)	897,435	1,860,900
Term loan (note 7)	-	333,333
	<u>5,086,220</u>	<u>8,911,172</u>
SHAREHOLDERS' EQUITY		
Share capital (note 9(b))	25,975,238	25,929,028
Contributed surplus	2,381,780	2,026,868
Warrants (note 9(d))	169,728	145,257
Share issuance costs	(3,196,293)	(3,196,293)
Deficit	(9,608,115)	(9,845,610)
	<u>15,722,338</u>	<u>15,059,250</u>
	<u>\$ 32,004,258</u>	<u>\$ 37,827,115</u>

Guarantees (note 12)
 Commitments (note 13)
 Contingencies (note 16)

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

GUESTLOGIX INC.
Unaudited Interim Consolidated Statements of Operations

	Three months ended August 31,		Nine months ended August 31,	
	2011	2010	2011	2010
REVENUE	\$ 6,226,699	\$ 6,803,495	\$ 18,727,041	\$ 19,260,880
OPERATING EXPENSES				
Cost of equipment sales	875,603	1,074,816	2,590,203	3,055,444
Research and development	471,043	196,079	1,269,543	670,674
Customer delivery and support	282,221	548,287	940,622	1,552,230
Infrastructure support	1,489,935	1,368,744	4,563,331	3,440,955
Sales and marketing	557,915	493,160	1,609,670	1,560,374
General and administrative	1,141,208	1,524,691	3,027,444	3,656,835
Stock-based compensation	123,000	95,000	369,000	289,580
Amortization of capital assets deployed	1,182,614	1,322,153	3,633,875	3,912,889
Amortization of equipment	47,291	24,090	108,681	68,530
	6,170,830	6,647,020	18,112,369	18,207,511
INCOME FROM OPERATIONS	55,869	156,475	614,672	1,053,369
Other income (expenses)				
Foreign exchange gain (loss)	122,334	170,299	(68,915)	22,956
Interest earned	3,078	6,428	7,432	19,274
Interest expense (note 6)	(65,940)	(105,883)	(231,739)	(366,411)
Term loan interest and fees (note 7)	(15,128)	(88,453)	(75,407)	(284,849)
	44,344	(17,609)	(368,629)	(609,030)
NET INCOME AND COMPREHENSIVE INCOME FOR THE PERIOD	\$ 100,213	\$ 138,866	\$ 246,043	\$ 444,339
BASIC AND DILUTED EARNINGS PER SHARE (note 9(e))	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.01
WEIGHTED AVERAGE NUMBER OF COMMON SHARES USED IN BASIC EARNINGS PER SHARE (note 9(e))	64,856,611	63,948,437	64,844,667	63,947,051
WEIGHTED AVERAGE NUMBER OF COMMON SHARES USED IN DILUTED EARNINGS PER SHARE (note 9(e))	65,120,105	65,924,972	65,353,650	66,010,065

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

GUESTLOGIX INC.**Unaudited Interim Consolidated Statements of Shareholders' Equity**

For the period ended August 31, 2011

	Number of Shares	Share Capital	Contributed Surplus	Warrants	Share Issuance Costs	Deficit	Shareholders' Equity
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	-	-	105,000	-	-	-	105,000
Share purchase options exercised	141,604	24,447	-	-	-	-	24,447
Net income and comprehensive income for the period	-	-	-	-	-	252,791	252,791
Balance, February 28, 2010	63,783,393	25,563,920	1,673,806	288,540	(3,104,656)	(10,197,701)	14,223,909
Stock based compensation expense	-	-	89,580	-	-	-	89,580
Share purchase options exercised	133,558	113,610	(59,210)	-	-	-	54,400
Share purchase warrants exercised	29,400	44,274	-	(8,995)	-	-	35,279
Refund of share issuance costs	-	-	-	-	21,001	-	21,001
Net income and comprehensive income for the period	-	-	-	-	-	52,682	52,682
Balance, May 31, 2010	63,946,351	25,721,804	1,704,176	279,545	(3,083,655)	(10,145,019)	14,476,851
Stock based compensation expense	-	-	95,000	-	-	-	95,000
Share purchase options exercised	22,416	48,140	(6,398)	-	-	-	41,742
Net income and comprehensive income for the period	-	-	-	-	-	138,866	138,866
Balance, August 31, 2010	63,968,767	25,769,944	1,792,778	279,545	(3,083,655)	(10,006,153)	14,752,459
Stock based compensation expense	-	-	127,317	-	-	-	127,317
Share purchase options exercised	752,774	94,787	(12,719)	-	-	-	82,068
Share purchase warrants exercised	50,000	64,297	-	(14,796)	-	-	49,501
Expiry of warrants	-	-	119,492	(119,492)	-	-	-
Listing fees for TSX	-	-	-	-	(112,638)	-	(112,638)
Net income and comprehensive income for the period	-	-	-	-	-	160,543	160,543
Balance, November 30, 2010	64,771,541	25,929,028	2,026,868	145,257	(3,196,293)	(9,845,610)	15,059,250
Stock based compensation expense	-	-	123,000	-	-	-	123,000
Share purchase options exercised	36,641	21,499	(4,279)	-	-	-	17,220
Net income and comprehensive income for the period	-	-	-	-	-	(43,479)	(43,479)
Balance, February 28, 2011	64,808,182	25,950,527	2,145,589	145,257	(3,196,293)	(9,889,089)	15,155,991
Stock based compensation expense	-	-	123,000	-	-	-	123,000
Share purchase options exercised	30,448	19,108	(4,798)	-	-	-	14,310
Net income and comprehensive income for the period	-	-	-	-	-	189,309	189,309
Balance, May 31, 2011	64,838,630	\$ 25,969,635	\$ 2,263,791	\$ 145,257	\$ (3,196,293)	\$ (9,699,780)	\$ 15,482,610
Stock based compensation expense	-	-	123,000	-	-	-	123,000
Share purchase options exercised	33,760	20,878	(5,011)	-	-	-	15,867
Shares repurchased and cancelled under the Normal Course Issuer Bid	(43,500)	(15,275)	-	-	-	(8,548)	(23,823)
Revaluation of extended warrants	-	-	-	24,471	-	-	24,471
Net income and comprehensive income for the period	-	-	-	-	-	100,213	100,213
Balance, August 31, 2011	64,828,890	\$ 25,975,238	\$ 2,381,780	\$ 169,728	\$ (3,196,293)	\$ (9,608,114)	\$ 15,722,338

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

GUESTLOGIX INC.
Unaudited Interim Consolidated Statements of Cash Flows

	Three months ended August 31,		Nine months ended August 31,	
	2011	2010	2011	2010
CASH FLOW FROM OPERATING ACTIVITIES				
Net Income for the period	\$ 100,213	\$ 138,866	\$ 246,043	\$ 444,339
Items not involving cash:				
Amortization of capital assets deployed	1,182,614	1,322,153	3,633,875	3,912,889
Amortization of equipment	47,291	24,090	108,681	68,530
Amortization of deferred cost of equipment sales	278,041	247,109	800,859	643,599
Amortization of deferred development cost	-	17,837	-	17,837
Revaluation of extended warrants	24,471	-	24,471	-
Stock-based compensation expense	123,000	95,000	369,000	289,580
Unrealized foreign exchange	(64,892)	(394,509)	(235,366)	(116,812)
Deferred revenue net of deferred cost of sales	(470,270)	(371,811)	(1,257,301)	308,866
Changes in non-cash operating working capital (note 10)	9,484	(211,923)	(1,464,206)	(1,682,288)
	<u>1,229,952</u>	<u>866,812</u>	<u>2,226,056</u>	<u>3,886,540</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Decrease in restricted cash (note 2)	64,400	-	1,517,600	-
Deferred development costs	(626,348)	(221,979)	(1,915,127)	(436,022)
Purchase of capital assets deployed	-	(881,209)	(666,120)	(1,877,330)
Purchase of equipment	(59,754)	(8,663)	(68,419)	(116,505)
	<u>(621,702)</u>	<u>(1,111,851)</u>	<u>(1,132,066)</u>	<u>(2,429,857)</u>
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from capital lease sale and leaseback	305,634	-	305,634	743,265
Repurchase of common shares for cancellation	(23,823)	-	(23,823)	-
Proceeds from exercise of options and warrants	15,867	41,742	47,397	155,868
Repayment of term loan, net (note 7)	(162,623)	(200,000)	(507,656)	(666,667)
Repayment of capital lease obligations, net	(699,641)	(805,160)	(2,101,691)	(2,368,610)
Refund of share issuance costs	-	-	-	21,001
	<u>(564,586)</u>	<u>(963,418)</u>	<u>(2,280,139)</u>	<u>(2,115,143)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	43,664	(1,208,457)	(1,186,149)	(658,460)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	7,617,573	9,985,677	8,847,386	9,435,680
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 7,661,237	\$ 8,777,220	\$ 7,661,237	\$ 8,777,220
SUPPLEMENTAL CASH FLOW INFORMATION				
Interest paid	\$ 81,068	\$ 126,197	\$ 272,166	\$ 433,788
Interest received	\$ 3,078	\$ 6,428	\$ 7,432	\$ 19,274
SUPPLEMENTAL DISCLOSURES RELATING TO NON-CASH OPERATING AND INVESTING ACTIVITIES				
Additions to capital lease obligations to finance the acquisition of capital assets deployed	\$ 305,634	\$ 743,265	\$ 529,932	\$ 743,265
Purchase of equipment for deployment in accounts payable	\$ 41,301	\$ 485,841	\$ 41,301	\$ 485,841
SUPPLEMENTAL DISCLOSURES RELATING TO CASH AND CASH EQUIVALENTS				
CASH	\$ 3,637,236	\$ 3,516,974	\$ 3,637,236	\$ 3,516,974
SHORT-TERM DEPOSITS UP TO 90 DAYS	\$ 4,024,001	\$ 5,260,246	\$ 4,024,001	\$ 5,260,246

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

GUESTLOGIX INC.

Notes to Unaudited Interim Consolidated Financial Statements
August 31, 2011 and August 31, 2010

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. 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 and entertainment industries.

1. Significant accounting policies

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

Revenue recognition

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

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

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

GUESTLOGIX INC.

Notes to Unaudited Interim Consolidated Financial Statements
August 31, 2011 and August 31, 2010

1. Significant accounting policies (continued)

Revenue recognition (continued)

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

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

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

GuestLogix also earns revenues from professional services and software hosting and support services. Where the arrangement is based on an hourly rate, the fair value of the professional services is recognized as the services are performed, based on the agreed hourly rate.

Revenue from a fixed price professional services contract is recognized on a proportional performance basis, which requires GuestLogix to make estimates and is subject to the risks and uncertainties inherent in projecting future events. A number of internal and external factors can influence estimates, including the nature of the services being performed, the complexity of the customer's environment and the utilization and efficiency of the GuestLogix' professional services team. Recognized revenues are subject to revisions as the contract progresses to completion. Revisions in profit estimates are charged to income in the period in which the facts giving rise to the revision become known. Should there be an insufficient basis to estimate the progress towards the completion, revenue is recognized when the project is complete or when

GUESTLOGIX INC.

Notes to Unaudited Interim Consolidated Financial Statements
August 31, 2011 and August 31, 2010

1. Significant accounting policies (continued)

Revenue recognition (continued)

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, 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 are recorded in the consolidated statements of operations. The carrying value of these instruments approximates their fair value due to their short-term nature.

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

GUESTLOGIX INC.

Notes to Unaudited Interim Consolidated Financial Statements
August 31, 2011 and August 31, 2010

1. Significant accounting policies (continued)

Capital assets deployed

Assets that are deployed for use by customers are recorded at cost. Amortization is provided on a straight-line basis over the terms of the respective arrangements which range from 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 August 31, 2011, the Company has not recorded an impairment loss.

Foreign currency translation

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

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

GUESTLOGIX INC.

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

Future income taxes (continued)

settled. Future income tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that the assets will be realized.

Stock-based compensation

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

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

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

Deferred revenue

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

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

Deferred revenue (continued)

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

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

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

Leases

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

Share issuance costs

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

Earnings (loss) per share

Basic 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 are 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 on the loss per share of the exercise of stock options and warrants is anti-dilutive. In periods when the Company reports a net loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive and therefore, basic and diluted loss per share is the same.

GUESTLOGIX INC.

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

Measurement uncertainty

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

Cash and cash equivalents

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

Included in cash and cash equivalents is:

	August 31, 2011	November 30, 2010
Cash	\$3,637,236	\$ 5,267,508
Short-term deposits	4,024,001	3,579,878
	<u>\$ 7,661,237</u>	<u>\$ 8,847,386</u>

Inventory

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

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1. Significant accounting policies (continued)

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 will be adopting International Financial Reporting Standards ('IFRS') on December 1, 2011, and thus will not be adopting the accounting changes summarized in EIC 175.

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

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

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 August 31, 2011, the Company had restricted cash and cash equivalents of \$978,400 (November 30, 2010 - \$2,616,000), 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 investments.

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:

	August 31, 2011	November 30, 2010
2011	\$ 993,352	\$ 4,334,220
2012	2,622,380	2,281,848
2013	875,651	540,746
2014	474,743	334,416
2015	24,651	96,337
	<u>\$ 4,990,777</u>	<u>\$ 7,587,567</u>

GUESTLOGIX INC.

Notes to Unaudited Interim Consolidated Financial Statements
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3. Net finance receivables and capital assets deployed (continued)

(a) Net finance receivables (continued)

The average interest rate implicit in these leases ranges from 5.1% to 10.6% (November 30, 2010 – 5.34% to 12.5%).

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

August 31, 2011	Cost	Accumulated amortization	Net book value
Capital assets deployed	\$ 13,136,029	\$ 7,870,631	\$ 5,265,398

November 30, 2010	Cost	Accumulated amortization	Net book value
Capital assets deployed	\$ 21,461,797	\$ 13,452,942	\$ 8,008,855

4. Equipment

August 31, 2011	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 223,399	\$ 101,014	\$ 122,385
Furniture and fixtures	380,980	176,196	204,784
Total equipment	\$ 604,379	\$ 277,210	\$ 327,169

November 30, 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

Included in equipment is equipment under capital lease with a cost of \$262,383 (November 30, 2010 - \$280,177) and accumulated amortization of \$154,259 (November 30, 2010 - \$157,326).

GUESTLOGIX INC.

Notes to Unaudited Interim Consolidated Financial Statements
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5. Deferred development costs

Software development costs consist of internal and third party labour costs of personnel directly engaged in development activities along with other costs directly attributable to 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 August 31, 2011 were \$2,914,781 (November 30, 2010 - \$999,654).

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.

In the nine-month period ended August 31, 2011, hand-held, point-of-sale payment devices totalling \$529,932 (2010 - \$743,265) were financed by way of capital leases.

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

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

	August 31, 2011	November 30, 2010
2011	\$ 596,376	\$ 2,939,781
2012	1,734,550	1,564,914
2013	586,831	388,169
2014	80,181	-
2015	3,207	-
	3,001,145	4,892,864
Less: amount representing interest (at 5.1% to 10.4%)	177,259	362,733
	2,823,886	4,530,131
Less: current portion	1,926,451	2,669,231
	\$ 897,435	\$ 1,860,900

Interest expense related to these obligations for the three and nine months ended August 31, 2011 amounted to \$65,940 and \$231,739 respectively (2010 - \$105,883 and \$366,411).

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Notes to Unaudited Interim Consolidated Financial Statements
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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 had an original term of 36 months and was secured through a General Security Agreement and a Registered and Perfected Security interest covering the devices specified in the agreement. In January 2011, the remaining obligations under the term loan were repaid in full, and the Company entered into a new loan agreement in the amount of \$1,000,000 covering the devices specified in the original agreement.

	August 31, 2011	November 30, 2010
2011	\$ 165,995	\$ 800,000
2012	459,682	333,333
	625,677	1,133,333
Less: current portion	625,677	800,000
	\$ -	\$ 333,333

Principal repayments of \$66,666 were made equally over the 36 month term of the original agreement. The interest rate on the term loan was 3% per annum plus the rate of prime. The administration fee was 1.25% per month of the amount outstanding under the financing facility. Principal repayments under the new loan, together with interest, of \$59,250 are to be paid in 18 equal monthly consecutive payments. The interest rate on the new loan is 8.24% per annum. The loan is secured through a general security agreement.

Interest expense and loan service fees related to these obligations for the three and nine months ended August 31, 2011 amounted to \$15,128 and \$75,407 respectively (2010 - \$88,453 and \$284,849).

8. Deferred revenue

Deferred revenue reported as at August 31, 2011 was \$9,230,311 (November 30, 2010 - \$12,755,547), with current and long-term portions of \$5,041,526 and \$4,188,785 respectively (November 30, 2010 - \$6,038,608 and \$6,716,939).

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 Unaudited Interim Consolidated Financial Statements
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9. Share capital

(a) Authorized:

Unlimited number of voting common shares

(b) Issued and outstanding:

	Number of common shares	Amount
Balance, November 30, 2009	63,641,789	\$25,539,473
Issuance of shares on exercise of options (i)	1,050,352	280,984
Issuance of shares on exercise of warrants (ii)	79,400	108,571
Balance, November 30, 2010	64,771,541	25,929,028
Issuance of shares on exercise of options (iii)	100,849	61,485
Shares repurchased and cancelled under the Normal Course Issuer Bid (iv)	(43,500)	(15,275)
Balance, August 31, 2011	64,828,890	\$25,975,238

- (i) 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.
- (ii) 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.
- (iii) During the nine months ended August 31, 2011, the Company issued 100,849 common shares upon the exercise of options for total consideration of \$47,397. The value previously attributed to the warrants of \$14,088 was reallocated to share capital.
- (iv) In August 2011, the Company received approval from the Toronto Stock Exchange ("TSX") to launch a Normal Course Issuer Bid ("NCIB") that enables the Company to purchase and cancel up to 3,846,805 common shares, subject to a maximum

GUESTLOGIX INC.

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

(b) Issued and outstanding (continued):

- (iv) purchase of \$2.0 million during the 12-month period from August 9, 2011 and expiring August 8, 2012. The NCIB allows for the purchase on a daily basis of up to 16,312 common shares, except where purchases are made in accordance with “block purchases” exemptions under applicable TSX policies. In August 2011, the Company repurchased 43,500 common shares for a total cost of \$23,823. On repurchase of the common shares, the difference between the purchase price and the average book value of the common shares was recorded in accumulated deficit, amounting to \$8,548.

(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 August 31, 2011 was 9,724,334 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 for the three and nine month periods ended August 31, 2011 of \$0.39 and \$0.48 respectively, with the following assumptions:

Risk-free rate of return	2.56%
Expected volatility	65.05%
Dividend yield	NIL%
Average expected life of the options	5 years

The following is a summary of the stock options outstanding and the weighted average exercise price, as at August 31, 2011:

GUESTLOGIX INC.

Notes to Unaudited Interim Consolidated Financial Statements
August 31, 2011 and August 31, 2010

9. Share capital (continued)

(c) Stock options (continued)

	Number of Options Outstanding	Weighted Average Exercise Price
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
Granted	2,637,206	0.90
Exercised	(100,849)	0.47
Cancelled	(1,496,486)	0.91
Outstanding, August 31, 2011	5,167,513	\$ 0.88
Exercisable, August 31, 2011	2,106,271	\$ 0.80

The Company recognized \$123,000 and \$369,000 of stock-based compensation expense for stock options issued to employees, officers, directors and consultants during the three and nine months ended August 31, 2011 (2010 - \$95,000 and \$289,580).

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at August 31, 2011 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
\$0.47-0.74	2,344,662	\$0.64	2.54 years	1,570,149	\$0.61
\$0.80-1.24	2,419,957	\$1.05	3.79 years	264,894	\$1.32
\$1.25-1.80	402,894	\$1.30	3.52 years	271,228	\$1.33
	5,167,513	\$0.88	3.20 years	2,106,271	\$0.80

GUESTLOGIX INC.

Notes to Unaudited Interim Consolidated Financial Statements
August 31, 2011 and August 31, 2010

9. Share capital (continued)

(d) Warrants:

The following is a summary of outstanding warrants as at August 31, 2011 and November 30, 2010 and changes during the nine-month period ended August 31, 2011 and the year ended November 30, 2010:

	August 31, 2011		November 30, 2010	
	Number of Warrants	Amount	Number of Warrants	Amount
Exercise price of US \$0.726 expiring August 16, 2013 to October 1, 2013 (i)	727,047	\$ 80,919	727,047	\$ 64,849
Exercise price of US \$0.907 expiring August 16, 2013 to October 1, 2013 (i)	540,480	88,809	540,480	80,408
	1,267,527	\$ 169,728	1,267,527	\$ 145,257

(i) Warrants issued and outstanding in conjunction with US \$653,626 in convertible loans in 2006 totalled 1,267,527. The warrants have exercise prices of US \$0.726 and US \$0.907 per share and had original expiry dates between August 16, 2011 and October 1, 2011.

In July 2011, the Company extended the expiry of 1,267,527 exercisable warrants by an additional two years, with new expiry dates ranging from August 16, 2013 to October 1, 2013. The fair value of the expiry extension was \$24,471, and was determined using the Black-Scholes model with the following weighted-average assumptions:

Risk-free rate of return	1.48%
Expected volatility	49.47%
Dividend yield	NIL%
Average expected life of the options	2 years

GUESTLOGIX INC.

Notes to Unaudited Interim Consolidated Financial Statements
August 31, 2011 and August 31, 2010

9. Share capital (continued)

(e) Earnings per share:

The following table sets forth the computation of basic and diluted earnings per share for the three and nine month periods ended August 31, 2011 and 2010:

	Three months ended August 31,		Nine months ended August 31,	
	2011	2010	2011	2010
Numerator:				
Net income attributable to common shareholders				
- basic and diluted	\$ 100,213	\$ 138,866	\$ 246,043	\$ 444,339
Denominator				
Weighted average common shares outstanding – basic	64,856,611	63,948,437	64,844,667	63,947,051
Effect of dilutive securities:				
Stock options	263,494	1,452,678	405,286	1,496,363
Warrants	-	523,857	103,697	566,651
Weighted average common shares outstanding – diluted	65,120,105	65,924,972	65,353,650	66,010,065
Basic earnings per share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.01
Diluted earnings per share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.01

For the three and nine months ended August 31, 2011, 1,367,269 and 525,289 potentially dilutive stock options (2010 – 19,000 and 19,000) and 1,267,527 and 540,480 warrants (2010 – Nil and Nil) 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 period.

10. Changes in non-cash operating working capital

	Three months ended August 31,		Nine months ended August 31,	
	2011	2010	2011	2010
Accounts receivable	\$ 482,807	\$ (745,964)	\$ 394,492	\$ (1,030,724)
Inventory	(291,157)	421,603	(179,388)	517,974
Prepaid expenses	(68,732)	39,737	(958,252)	(328,432)
Accounts payable and accrued liabilities	(113,434)	72,701	(721,058)	(841,106)
	\$ 9,484	\$ (211,923)	\$ (1,464,206)	\$ (1,682,288)

GUESTLOGIX INC.

Notes to Unaudited Interim Consolidated Financial Statements
August 31, 2011 and August 31, 2010

11. Financial instruments

Financial instruments of GuestLogix consist of cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, 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 14). At the period end, the top 5 accounts receivable balances comprised approximately 58% (November 30, 2010 - 74%) of the total accounts receivable. As GuestLogix expands its offerings and increases distribution of its products, management anticipates the dependency on these customers to decrease and its 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 August 31, 2011 was \$250,000 (November 30, 2010 - \$150,000).

The following table provides information regarding the aging of accounts receivable. Balances over 60 days are past due, but are not impaired:

As at August 31, 2011:

Current	31 - 60 days	61-90 days	91 days +	Carrying value
\$ 3,034,571	\$ 489,605	\$ 272,743	\$ 1,520,431	\$ 5,317,350

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

The definition of amounts that are past due is determined by reference to terms agreed with individual customers. The Company continues to conduct business with them on an ongoing basis. Accordingly, management expects that balances are fully collectible in the future.

GUESTLOGIX INC.

Notes to Unaudited Interim Consolidated Financial Statements
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11. Financial instruments (continued)

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 its point-of-sale hand-held devices and its development initiatives. The Company reported positive cash-flow from operations during the nine months ended August 31, 2011, 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 up to 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.

(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' 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.

Sensitivity analysis

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

	Impact on net income \$
Change of +/- 10% in US \$ foreign exchange rate	+/- 378,900
Change of +/- 10% in Euro € foreign exchange rate	+/- 210,100
Change of +/- 10% in GBP £ foreign exchange rate	+/- 73,600
Change of +/- 10% in AUD \$ foreign exchange rate	+/- 34,300

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Notes to Unaudited Interim Consolidated Financial Statements
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11. Financial instruments (continued)

- (b) Foreign exchange (continued)

Sensitivity analysis (continued)

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

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 changes in foreign exchange rates occur, causing the impact on the Company's results to differ from that shown above.

12. Guarantees

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

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

GUESTLOGIX INC.

Notes to Unaudited Interim Consolidated Financial Statements
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12. Guarantees (continued)

difficulties in assessing the amount of liability, which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Company has not made any payments under such or similar indemnification agreements and therefore no amount has been recorded in the consolidated balance sheets with respect to these agreements.

The Company is contingently liable under certain letters of guarantee aggregating US \$1,000,000 as at August 31, 2011 (November 30, 2010 – US \$2,525,000).

13. Commitments

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

2011	\$ 93,880
2012	429,630
2013	321,658
2014	232,931
2015	226,659
	<hr/>
	\$ 1,304,758

14. 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 and entertainment industries. 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 three and nine months ended August 31, 2011, \$4,539,347 and \$13,783,893 of the Company's revenue (2010 - \$5,201,604 and \$14,760,261) was derived from North America, while the remainder of \$1,687,352 and \$4,943,148 (2010 - \$1,601,891 and \$4,500,619) was derived primarily from Europe, the Middle East and Asia Pacific.

(b) Major customers:

During the three and nine months ended August 31, 2011, the five top customers accounted for 57% and 58% of the total revenue respectively (2010 – 62% and 62%).

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15. 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 capital management objectives for fiscal 2011 remain the same as those of the previous fiscal year.

At August 31, 2011, cash and cash equivalents amounted to \$7,661,237 and accounts receivable amounted to \$5,067,350. GuestLogix' principle source of liquidity going forward is 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.

16. 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 they are considered likely to result in a loss and 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.

GUESTLOGIX INC.

Notes to Unaudited Interim Consolidated Financial Statements
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16. Contingencies (continued)

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 is seeking compensatory damages. The defendant counterclaimed, alleging, among other 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.