

**New International Infopet Systems Ltd.**  
(incorporated under the laws of Ontario)

**Financial Statements**

**October 31, 2010 and 2009**

## **Auditors' Report**

To the Shareholders of  
New International Infopet Systems Ltd.

We have audited the balance sheets of New International Infopet Systems Ltd. as at October 31, 2010 and 2009 and the statements of income and comprehensive income, changes in shareholders' equity, and cash flows for each of 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 financial statements present fairly, in all material respects, the financial position of the company as at October 31, 2010 and 2009 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada  
January 21, 2011

**"McCarney Greenwood LLP"**

McCarney Greenwood LLP  
Chartered Accountants  
Licensed Public Accountants

# New International Infopet Systems Ltd.

## Balance Sheets

Page 2

	October 31	
	2010	2009
<b>ASSETS</b>		
<b>Current asset</b>		
Cash	\$ <u>1,828</u>	\$ <u>1,225</u>
	1,828	1,225
Long term investment (Note 5)	<u>1</u>	<u>1</u>
	<u>\$ 1,829</u>	<u>\$ 1,226</u>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 7,861	\$ 7,861
Due to related parties (Note 8)	<u>191,486</u>	<u>191,486</u>
	<u>199,347</u>	<u>199,347</u>
<b>Shareholders' Deficiency</b>		
Share capital (Note 6)	1,586,504	1,586,504
Contributed surplus	224,527	224,527
Deficit	<u>(2,008,549)</u>	<u>(2,009,152)</u>
	<u>(197,518)</u>	<u>(198,121)</u>
	<u>\$ 1,829</u>	<u>\$ 1,226</u>

See accompanying notes to the financial statements.

Approved by the Board "Jack Greenberg" Director "Zoolficarali Kassum" Director

# New International Infopet Systems Ltd.

## Statements of Income (Loss) and Comprehensive Income (Loss)

Page 3

	Year ended October 31	
	2010	2009
<b>Revenue</b>		
Consulting fees (Note 8)	\$ <u>8,000</u>	\$ <u>7,000</u>
<b>Expenses</b>		
Office	1,538	1,439
Professional fees	<u>5,859</u>	<u>5,709</u>
	<u>7,397</u>	<u>7,148</u>
<b>Net income (loss) and comprehensive income (loss) for the year</b>	<u>603</u>	<u>(148)</u>

---

Basic and diluted income (loss) per share (Note 6(b))	<u>\$ 0.00</u>	<u>\$ (0.00)</u>
---	----------------	------------------

See accompanying notes to the financial statements.

# New International Infopet Systems Ltd.

## Statements of Changes in Shareholders' Equity

Page 4

	Year ended October 31	
	2010	2009
<b>Share Capital</b>		
Balance at beginning of year	\$ <u>1,586,504</u>	\$ <u>1,586,504</u>
<b>Balance at end of year</b>	\$ <u>1,586,504</u>	\$ <u>1,586,504</u>
<b>Contributed Surplus</b>		
Balance at beginning of year	\$ <u>224,527</u>	\$ <u>224,527</u>
<b>Balance at end of year</b>	\$ <u>224,527</u>	\$ <u>224,527</u>
<b>Accumulated deficit</b>		
Balance at beginning of year	\$ (2,009,152)	\$ (2,009,004)
Net income (loss)	<u>603</u>	<u>(148)</u>
<b>Balance at end of year</b>	\$ <u>(2,008,549)</u>	\$ <u>(2,009,152)</u>

See accompanying notes to the financial statements.

# New International Infopet Systems Ltd.

## Statements of Cash Flows

Page 5

	Year ended October 31	
	2010	2009
<b>Cash flows from operating activities</b>		
Net income (loss) for the year	\$ 603	\$ (148)
Changes in non-cash working capital		
Decrease in accounts payable and accrued liabilities	<u>-</u>	<u>(150)</u>
Cash flows used in operating activities	<u>603</u>	<u>(298)</u>
<b>Increase (decrease) in cash during the year</b>	603	(298)
<b>Cash, beginning of year</b>	<u>1,225</u>	<u>1,523</u>
<b>Cash, end of year</b>	<u>\$ 1,828</u>	<u>\$ 1,225</u>

See accompanying notes to the financial statements.

# **New International Infopet Systems Ltd.**

## **Notes to Financial Statements**

**For the years ended October 31, 2010 and 2009**

**Page 6**

### **1. Nature of Operations and Going Concern Assumption**

New International Infopet Systems Ltd. ("the Company"), was incorporated under the laws of the Province of Ontario on March 9, 1965.

These financial statements are prepared using generally accepted accounting principles that are applicable to a going concern which assumes the Company will continue to operate throughout its next fiscal period subsequent to October 31, 2010. The use of these principles may be inappropriate since there is significant doubt about the Company's ability to continue as a going concern. Significant doubt exists because the Company is in a net liability position. The future viability of the Company is currently dependent upon the Company's ability to obtain sufficient cash from external financing, and generating increased revenues. In the past, the Company has been successful in obtaining financing from related parties. The Company will likely require continued support. These financial statements do not reflect any adjustments which would be necessary if the going concern assumption was not appropriate.

The Company has accumulated losses and cash flows from operations which are negative and which raises doubt as to the validity of the going concern assumption. As at October 31, 2010, the Company had an accumulated deficit of \$2,008,549. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company's ability to continue operations and fund its liabilities is dependent on management's ability to secure additional financing and cash flow. Management is pursuing such additional sources of financing and cash flow and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statement.

### **2. Summary of Significant Accounting Policies**

#### **Measurement Uncertainty**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

# New International Infopet Systems Ltd.

## Notes to Financial Statements For the years ended October 31, 2010 and 2009

Page 7

### 2. Summary of Significant Accounting Policies (continued)

#### **Comprehensive Income (Loss)**

The Company adopted the CICA Section 1530, "Comprehensive Income" during the fiscal year ended October 31, 2007. Under these standards, the Statement of Comprehensive Income (Loss), was introduced that will provide for certain gains and losses arising from changes in fair value, to be temporarily recorded outside the income statement. Upon adoption of Section 1530, the Company incorporated the Statement of Comprehensive Income by creating a "Statement of Income and Comprehensive Income". The application of this standard did not result in comprehensive income being different from net income for the periods presented. Should the Company recognize any other comprehensive income in the future, the cumulative changes in other comprehensive income would be recognized in Accumulated Other Comprehensive Income, which would be presented as a new category within shareholders' deficiency on the balance sheets.

#### **Financial Instruments and Comprehensive Income (Loss)**

Under Section 3251, "Equity", Section 3855, "Financial Instruments - Recognition and Measurement", Section 3862 "Financial Instruments - Disclosures" and Section 3863, "Financial Instruments - Disclosure and Presentation", all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of the changes in the fair values of financial instruments depends on their initial classification. Available-for-sale financial instruments are measured at fair value and all unrealized gains and losses are measured at fair value and are included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, held to maturity investments and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, de-recognition, impairment write-downs and foreign exchange translation adjustments are recognized immediately. Held-for-trading investments are recognized at fair value, with any resulting gains and losses reflected in net income for the period in which they arise. Transaction costs related to financial instruments will be expensed in the period incurred.

#### **Capital Disclosures**

On November 1, 2007, the Company adopted CICA Handbook Section 1535, "Capital Disclosures". Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in Note 11 to these financial statements.



# New International Infopet Systems Ltd.

## Notes to Financial Statements For the years ended October 31, 2010 and 2009

Page 8

### 2. Summary of Significant Accounting Policies (continued)

#### **Financial Instruments - Disclosures and Financial Instruments - Presentation**

On November 1, 2007, the Company adopted CICA Handbook Section 3862, "Financial Instruments - Disclosures" along with Section 3863, "Financial Instruments - Presentation". These new Sections replace Handbook Section 3861, "Financial Instruments — Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

#### **Financial Instruments - Recognition and Measurement**

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No.166, Accounting Policy Choice for Transaction Costs (EIC-166). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company has adopted EIC-166 effective November 1, 2007 which requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, "Financial Instruments - Recognition and Measurement". The Company evaluated the impact of EIC-166 and determined that no adjustments were required.

#### **Income Taxes**

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income taxes are recognized for the future income tax consequences attributed to differences between the financial statement carrying value of assets and liabilities and their respective income tax basis. Future income tax assets and liabilities are measured using substantially enacted income tax rates expected to apply to taxable income when the asset is realized or the liability is settled. The effect on future income tax assets and liabilities of a change in the tax rates is included in income in the period in which the change occurs. Future income tax assets are evaluated and, if realization is not considered "more likely than not", a valuation allowance is provided.

#### **Accounting Changes**

The Company adopted the revised CICA Section 1506, "Accounting Changes" during the fiscal year ended October 31, 2007. This section provides expanded disclosures for changes in accounting policies, accounting estimates and corrections of errors. It also requires disclosure about the nature and impact of new accounting standards that have been issued but are not yet effective.

# New International Infopet Systems Ltd.

## Notes to Financial Statements For the years ended October 31, 2010 and 2009

Page 9

### 2. Summary of Significant Accounting Policies (continued)

#### Stock Option Compensation

The CICA Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments, requires that compensation for option awards to employees be recognized in the financial statements at fair value for options granted in fiscal years beginning on or after January 1, 2004. The Company adopted this section prospectively for new option awards granted on or after October 31, 2003.

#### Goodwill and Intangibles

In February 2008, the CICA approved Handbook 3064, "Goodwill and Intangible Assets: which replaces the existing Handbook Section 3062, "Goodwill and Other Intangible Assets" and 3450 Research and Development Costs". The standards provide guidance on the recognition, measurement and disclosure requirements for goodwill and intangible assets. This section was adopted by the Company for its financial statements beginning on November 1, 2008.

#### Going Concern Disclosures

The CICA has amended Section 1400, "General Standard of Financial Statement Presentation" to include requirements to assess and disclose the Company's ability to continue as a going concern. The Company will adopt this amended section in fiscal year beginning November 1, 2009. The adoption of this section is not expected to have an impact on the Company's financial statements.

#### New Accounting Standards

##### Categories of Financial Assets and Liabilities

In June 2009, the Canadian Accounting Standards Board issued an amendment to CICA Section 3862, "Financial Instruments – Disclosures" in an effort to make Section 3862 consistent with International Financial Reporting Standards Section 7 – Disclosures ("IFRS 7"). The purpose was to establish a framework for measuring fair value in GAAP and expand disclosures about fair value measurements. To make the disclosures an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (Level 1) quoted prices (unadjusted) in active markets for identical assets or liabilities; (Level 2) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and (Level 3) inputs for the asset or liability that are not based on observable market data (unobservable inputs). These standards apply to interim and annual financial statements relating to fiscal years ending after September 30, 2009. The Company has included disclosures recommended by the new Handbook section in Note 3 in its financial statements.

## 2. Summary of Significant Accounting Policies (continued)

### **Credit Risk and the Fair Value of Financial Assets and Financial Liabilities**

In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 20, 2009. The Company is continually evaluating the effects of this standard. The adoption of this new section did not have an impact on the Company's financial statements.

### **Future Accounting Standards**

#### **Business Combinations, Consolidated Financial Statements and Non-controlling Interests**

Business Combinations, Consolidated Financial Statements and Non-controlling Interests – The CICA issued three new accounting standards in January 2009: section 1582, Business Combinations, section 1601, Consolidated Financial Statements, and section 1602, Non-controlling interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Section 1582 replaces section 1581, and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to International Financial Reporting Standard IFRS 3 – Business Combinations. The section applies 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.

Sections 1601 and 1602 together replace 1600 – Consolidated Financial Statements. Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 - Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. The adoption of these new sections is not expected to have any significant impact on the Company financial statements.

# New International Infopet Systems Ltd.

## Notes to Financial Statements

For the years ended October 31, 2010 and 2009

Page 11

### 2. Summary of Significant Accounting Policies (continued)

#### **Multiple Deliverable Revenue Arrangements**

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 periods 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 period, it must be applied retrospectively from the beginning of the Company’s fiscal period of adoption. The Company expects to adopt EIC 175 effective January 1, 2011. The Company does not believe the standard will have a material impact on its consolidated financial statements.

#### **International Financial Reporting Standards (“IFRS”)**

On February 13, 2008, the Accounting Standards Board confirmed that the transition date to IFRS from Canadian GAAP will be January 1, 2011 for publicly accountable enterprises. Therefore the Company will be required to report its results in accordance with IFRS starting in 2011, with comparative IFRS information for the 2010 fiscal year. The eventual changeover to IFRS represents changes due to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company’s reported financial position and results of operations.

The Company is assessing the potential impacts of this changeover and is developing its IFRS changeover plan, which will include project structure and governance, resourcing and training, analysis of key GAAP differences and a phased plan to assess accounting policies under IFRS as well as potential exemptions to the initial adoption of IFRS as permitted by IFRS Statement 1.

### 3. Financial Instruments

The carrying amounts of accounts payable and accrued liabilities approximate their fair values because of the short-term maturities of these items. Due to related parties have no specific terms of repayment.

### 3. Financial Instruments (continued)

#### Fair Value Disclosure

The fair value measurement of assets and liabilities recognized on the balance sheet are categorized into levels within a fair value hierarchy based on the nature of valuation inputs.

The fair value hierarchy has the following levels:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: Inputs for the asset or liability that are not based on observable market data

The fair value hierarchy for financial instruments measured at fair value is Level 1 for cash, accounts payable and due to related parties are classified as Level 3.

The carrying amounts of accounts payable and accrued liabilities approximates their fair values because of the short-term maturities of the items. The advances from related companies are non-interest bearing with no specific terms of repayment and due on demand. The fair values of these amounts have not been disclosed because the cash flow stream of the related party amounts is not determinable.

### 4. Financial Risks

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate and foreign currency risks). Risk management is carried out by the Company's management with guidance from the Audit Committee. It is management's opinion that the Company is not exposed to significant financial risks.

#### Credit risk:

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held through a large Canadian financial institution and management believes that the credit risk concentration with respect to cash is not significant.

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

# New International Infopet Systems Ltd.

## Notes to Financial Statements

For the years ended October 31, 2010 and 2009

Page 13

### 4. Financial Risks (continued)

#### Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due, or can only do so at excessive cost. The Company's approach to managing liquidity risk is to ensure that it will have sufficient cash and cash equivalents to meet liabilities when due. The Company is exposed to liquidity risk because it does not have sufficient cash to meet its short-term obligations. As at October 31, 2010 and 2009, the Company had a cash balance of \$1,828 and \$1,225 respectively to settle current liabilities of \$199,347 (2009 - \$199,347). All of the Company's financial liabilities have maturities of less than 30 days and are subject to normal trade terms.

#### Market risk:

##### (i) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to a limited interest rate risk since the Company's cash account does not earn any interest.

##### (ii) Foreign currency risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting. The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

#### Sensitivity analysis:

GAAP requires disclosure of a sensitivity analysis that is intended to illustrate the sensitivity of the Company's financial position, performance and fair value of cash flows associated with the Company's financial instruments to changes in market variables. The sensitivity analysis provided discloses the effect on income at October 31, 2010 assuming that a reasonably possible change in the relevant risk variable has occurred at October 31, 2010 and has been applied to the risk exposures in existence at that date to show the effects of reasonably possible changes. The reasonably possible changes in market variables used in the sensitivity analysis were determined based on implied volatilities (where available) or historical data.

# New International Infopet Systems Ltd.

## Notes to Financial Statements

For the years ended October 31, 2010 and 2009

Page 14

### 4. Financial Risks (continued)

The sensitivity analysis provided is hypothetical and should be used with caution as the impacts provided are not necessarily indicative of the actual impacts that would be experienced as the Company's actual exposure to market rates may change. Changes in fair values or cash flows based on a variation in a market variable cannot be extrapolated because the relationship between the change in market variable and the change in a particular value or cash flows may not be linear. In addition, the effect of a change in a particular market variable on fair values or cash flows is calculated without considering interrelationships between the various market rates or mitigating actions that would be taken by the Company.

<b>Financial assets</b>	<b>Carrying amount October 31, 2010</b>	<b>Interest rate risk - 1% income</b>	<b>Interest rate risk + 1% income</b>
Cash	\$1,828	(\$18)	\$18

As of October 31, 2010, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

During 2008 market events caused significant volatility in the international credit markets and other financial systems and the deterioration of global economic conditions causing a loss of confidence in the broader U.S. and global credit and financial markets. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted company valuations and will impact the performance of the global economy going forward.

### 5. Long Term Investment

The Company owns 1,000 common shares of International Infopet Systems Inc., a privately owned company registered in Delaware, United States. This holding represents a one-third interest in that corporation.

The Company exercises significant influence over the investee and uses the equity method to account for its investment. During 2004, the investment became permanently impaired and was written down to a nominal amount of \$1. Any subsequent increase in value will be recognized only when the investment becomes profitable.

# New International Infopet Systems Ltd.

## Notes to Financial Statements For the years ended October 31, 2010 and 2009

### 6. Share Capital

(a) **Authorized:**

Unlimited Common shares

**Issued:**

1,068,400 Common shares

	<u>2010</u>	<u>2009</u>
	\$ <u>1,586,504</u>	\$ <u>1,586,504</u>

(b) **Basic and diluted income (loss) per share**

The following table sets forth the computation of basic and diluted income (loss) per share:

	<u>2010</u>	<u>2009</u>
Numerator:		
Net income (loss) for the year	\$ <u>603</u>	\$ <u>(148)</u>
Numerator for basic and diluted income (loss) per share	\$ <u>603</u>	\$ <u>(148)</u>
Denominator:		
Weighted average number of Common shares	<u>1,068,400</u>	<u>1,068,400</u>
Denominator for basic and diluted income (loss) per share (i)	<u>1,068,400</u>	<u>1,068,400</u>
Basic income (loss) per share	<u>\$ 0.00</u>	<u>\$ (0.00)</u>
Diluted income (loss) per share	<u>\$ 0.00</u>	<u>\$ (0.00)</u>

(i) The Company had no convertible shares, stock options or warrants outstanding during the current or prior years.

### 7. Income Taxes

There are no future income tax liabilities.

The Company has future income tax assets as follows:

	<u>2010</u>	<u>2009</u>
Future income tax asset		
Non-capital losses carried forward	\$ 208	\$ 358
Valuation allowance for future tax asset	<u>(208)</u>	<u>(358)</u>
Net future income tax asset	<u>\$ -</u>	<u>\$ -</u>



# New International Infopet Systems Ltd.

## Notes to Financial Statements For the years ended October 31, 2010 and 2009

Page 16

### 7. Income Taxes (continued)

At October 31, 2010, the Company had non-capital losses carried forward of \$ 831 which may be utilized to reduce future year's taxable income. These losses expire as follows:

2027	379
2028	304
2029	<u>148</u>
	<u>\$ 831</u>

The income tax benefit of these carry forward non-capital losses has not been recognized in these financial statements as the realization thereof is not considered more likely than not. The Company's income tax expense for each of the years ended October 31, 2010 and October 31, 2009 is \$Nil. The Company's actual income tax expense for each of the years is made up as follows:

	<u>2010</u>	<u>2009</u>
Income (loss) before income taxes	\$ <u>603</u>	\$ <u>(148)</u>
Income tax provision (recovery) at the combined federal and provincial rates of 31.33% (2009 - 33.08%)	\$ 189	\$ (49)
Non-capital losses utilized	(189)	-
Taxable benefit not recognized	<u>-</u>	<u>49</u>
Actual income tax expense (recovery)	<u>\$ -</u>	<u>\$ -</u>

### 8. Due to Related Parties / Related Party Transactions

Amounts due to related parties at the Company's year end are as follows:

	<u>2010</u>	<u>2009</u>
Dapaul Management Limited (as trustee) (i)	\$ 157,586	\$ 157,586
857710 Ontario Limited (ii)	32,445	32,445
Due to president (iii)	<u>1,455</u>	<u>1,455</u>
	<u>\$ 191,486</u>	<u>\$ 191,486</u>

- (i) The president of the Company owns 100% of Dapaul Management Limited. The amount due is non-interest bearing and payable on demand.
- (ii) 857710 Ontario Limited is a corporation controlled by a director and officer of the Company. The amount is unsecured, non-interest bearing, and without definite terms of repayment.

# **New International Infopet Systems Ltd.**

## **Notes to Financial Statements**

**For the years ended October 31, 2010 and 2009**

**Page 17**

### **8. Due to Related Parties / Related Party Transactions (continued)**

- (iii) The amount is due to the president of the Company. The amount is unsecured, non-interest bearing, and without definite terms of repayment.

During the fiscal year ended October 31, 2010, the Company received \$8,000 (2009 - \$7,000) from the Company's president for consulting services rendered to him.

These transactions were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### **9. Economic Dependence**

The Company is economically dependent on the related parties identified in Note 8 for the financing of its ongoing operations.

### **10. Segmented Information**

Since the Company's operations comprise a single reporting segment, amounts disclosed in the financial statements for revenue, expenses, net income (loss) for the year, and basic and diluted income (loss) per share also represent segment amounts.

Except for the investment in International Infopet Systems Inc., described in Note 5, all of the Company's assets and operations are in Canada.

### **11. Management of Capital**

The Company manages and adjusts its capital structure based on available funds and in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Director does not establish quantitative return on capital criteria.

As at October 31, 2010, the Company had capital resources consisting mainly of cash. The Company's primary source of funds comes from consulting fees and loans from related parties.

There were no changes in the Company's approach to capital management during the year ended October 31, 2010. The Company is not subject to externally imposed capital requirements.