XPEL Technologies Corp.

Financial Statements

(Expressed in United States Dollars)

For the Years Ended December 31, 2010 and 2009

Collins Barrow
Chartered Accountants

Collins Barrow Toronto LLP
Collins Barrow Place
11 King Street West
Suite 700, Box 27
Toronto, Ontario
M5H 4C7 Canada

T. 416.480.0160
F. 416.480.2646

www.collinsbarrow.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of XPEL Technologies Corp.

We have audited the accompanying financial statements of XPEL Technologies Corp. which comprise the balance sheets as at December 31, 2010 and 2009 and the statements of operations, deficit, comprehensive income and accumulated other comprehensive income and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of XPEL Technologies Corp. as at December 31, 2010 and 2009, and its financial performance and its cash flows for the then ended in accordance with Canadian generally accepted accounting principles.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
April 22, 2011
Toronto, Ontario

XPEL Technologies Corp.
Balance Sheets
(Expressed in United States Dollars)
As at December 31, 2010 and 2009

	2010	2009
Assets		
Current		
Cash	**$ 157,833**	$ 122,694
Accounts receivable	**365,102**	262,501
Inventory	**359,375**	222,888
Prepaid expenses and sundry assets	**40,117**	54,986
Promissory note	**-**	321,071
Current portion of future income tax asset (Note 16)	**91,392**	-
Total current assets	**1,013,819**	984,140
Property, plant and equipment (Note 4)	**216,069**	245,244
Intangible assets (Note 5)	**341,095**	340,847
Future income tax asset (Note 16)	**109,670**	-
Total assets	**$ 1,680,653**	$ 1,570,231
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 648,101**	$ 827,831
Deferred warranty revenue and deposits	**15,750**	20,287
Current portion of long-term debt (Note 6)	**-**	43,448
Current portion of note payable (Note 7)	**-**	87,673
Total current liabilities	**663,851**	979,239
Deposits on shares (Note 18)	**15,985**	15,985
Total liabilities	**679,836**	995,224
Shareholders' Equity		
Capital stock (Note 10)	**6,619,133**	6,619,133
Contributed surplus (Note 11)	**2,165,130**	2,101,111
Warrant capital (Note 12)	**-**	64,019
Deficit	**(7,783,446)**	(8,209,256)
Total shareholders' equity	**1,000,817**	575,007
Total liabilities and shareholders' equity	**$ 1,680,653**	$ 1,570,231

Commitments and contingencies (Note 18)

Approved by the Board **"Richard Crumly"** Director **(Signed)** **"John Constantine"** Director **(Signed)**

See accompanying notes

XPEL Technologies Corp.
Statements of Operations and Deficit
(Expressed in United States Dollars)
Years Ended December 31, 2010 and 2009

	2010	2009
Revenue		
Installation, kit and material sales	**$ 2,461,057**	$ 2,144,971
Design access fees	**1,553,492**	1,554,150
Other revenue	**115,415**	135,444
Total operating revenues	**4,129,964**	3,834,565
Expenses		
Cost of installation, kit and material sales	**1,900,609**	1,629,132
General and administrative	**1,570,535**	1,678,976
Interest on long-term debt	**15,509**	33,335
Gain on sale of capital assets	**(19,760)**	(318)
Amortization of property, plant and equipment	**54,902**	53,285
Amortization of intangible assets	**276,011**	299,109
Loss on equity accounted investment (Note 8)	**107,410**	-
Total expenses	**3,905,216**	3,693,519
Earnings from continuing operations	**224,748**	141,046
Loss from discontinued operations, net of tax (Note 9)	**-**	(707,458)
Earnings (loss) before income taxes	**224,748**	(566,412)
Future tax recovery (Note 16)	**201,062**	-
Net earnings (loss)	**425,810**	(566,412)
Deficit, beginning of year	**(8,209,256)**	(7,642,844)
Deficit, end of year	**$ (7,783,446)**	$ (8,209,256)

Earnings (loss) per share		
Basic and diluted - from continuing operations (Note 15)	**$ 0.02**	$ 0.01
Basic and diluted - from discontinued operations (Note 15)	**-**	(0.03)
Basic and diluted (Note 15)	**$ 0.02**	$ (0.02)

XPEL Technologies Corp.
Statements of Comprehensive Income (Loss) and Accumulated Other Comprehensive Income (Loss)
For the Years Ended December 31, 2010 and 2009
(Expressed in United States Dollars)

		2010		2009
Net earnings (loss) from continuing operations	**$**	**425,810**	$	(566,412)
Other comprehensive income				
Reclassification adjustment for loss on disposal of self-sustaining foreign operations		**-**		112,927
Comprehensive earnings (loss)	**$**	**425,810**	$	(453,485)
Accumulated other comprehensive loss, beginning of year	**$**	**-**	$	(112,927)
Other comprehensive income		**-**		112,927
Accumulated other comprehensive income, end of year	**$**	**-**	$	-

See accompanying notes

XPEL Technologies Corp.
Statements of Cash Flows
(Expressed in United States Dollars)
Years Ended December 31, 2010 and 2009

	2010	2009
Cash provided by (used in)		
Operations		
Net earnings from continuing operations	**$ 425,810**	$ 141,046
Add (deduct) items not affecting cash		
Amortization of property, plant and equipment	**54,902**	55,890
Amortization of intangible assets	**276,011**	299,109
Stock-based compensation	**-**	8,533
Gain on sales of capital assets	**(19,760)**	(318)
Future tax recovery	**(201,062)**	-
Loss on equity accounted investment	**107,410**	-
	643,311	504,260
Changes in non-cash working capital items		
Accounts receivable	**(102,601)**	(56,936)
Inventory	**(136,487)**	(11,673)
Prepaid expenses and sundry assets	**14,869**	(2,193)
Accounts payable and accrued liabilities	**(179,730)**	(146,190)
Deferred warranty revenue and deposits	**(4,537)**	(32,207)
Net cash provided by operating activities	**234,825**	255,061
Investing		
Purchase of property, plant and equipment	**(54,812)**	(21,138)
Proceeds from sale of property, plant and equipment	**48,845**	16,662
Collection of promissory note	**321,071**	213,838
Intangible assets	**(276,259)**	(255,045)
Security lease deposit recovery	**-**	50,988
Equity accounted investment	**(107,410)**	-
Net cash (used in) provided by investing activities	**(68,565)**	5,305
Financing		
Repayment of long-term debt	**(43,448)**	(71,357)
Repayment of note payable	**(87,673)**	(120,561)
Net cash used in financing activities	**(131,121)**	(191,918)
Cash from discontinued operations	**-**	(20,514)
Net change in cash	**35,139**	47,934
Cash, beginning of year	**122,694**	74,760
Cash, end of year	**$ 157,833**	$ 122,694

Supplemental Disclosure

Cash paid for interest	**$ 15,509**	$ 33,335

See accompanying notes

1. NATURE OF OPERATIONS

XPEL Technologies Corp. (the "Company") is based in San Antonio, Texas and manufactures and distributes after-market automotive products. The focus of the Company is the aftermarket for automotive paint and headlight protection products which it serves through its offerings of bulk paint protection film (PPF) and pre-cut PPF and headlight protection kits.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The financial statements include the operations of the Company and its wholly-owned subsidiary XPEL Canada Corp. ("XPEL Canada") up to the date of disposal (Note 9). All intercompany transactions and balances have been eliminated.

Inventory

Inventory, which is comprised primarily of materials, is recorded at the lower of cost and net realizable value, with cost determined on a first in, first out basis. Reversals of previous write-downs to net realizable value are permitted when there is a subsequent increase in the value of inventories.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is calculated over the estimated useful lives of the assets on a declining balance basis as follows:

Furniture and fixtures	- 20%
Computer equipment	- 20%
Motor vehicles	- 20%
Shop equipment	- 20%
Leasehold improvements	- 20%

Intangible Assets

Intangible assets with a finite life are recorded at cost and are amortized on a straight-line basis over the estimated useful life of the assets using the following rates:

Design templates	- 2 years
Patents	- 10 years

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Research and Development

Research costs are charged to operations when incurred. Development costs are expensed in the year incurred unless they meet the criteria under Canadian generally accepted accounting principles for deferral and amortization. Amortization commences with the successful production or use of the product. Development costs deferred to date are related to design templates. During the year the Company deferred $276,259 of costs associated with the design templates. These costs are being amortized over a period of two years from commencement of commercial use.

Revenue Recognition

The Company recognizes revenue at the time persuasive evidence of an agreement exists, the price is fixed and determinable, the product or service is delivered to the customer and collectibility is reasonably assured.

(i) Revenue from installations, kit and material sales is recognized upon the delivery of the goods and performance of the service.

(ii) Revenue from design access fees is recognized at the time the design is delivered.

(iii) Other revenue consists of fees for training programs, the sale of equipment and the sale of extended warranties. Revenue earned from training programs is recognized when the services are rendered and the revenue from the sale of equipment is recognized when the equipment is shipped. Revenue earned from the sale of extended warranty programs is recognized in income on a straight-line basis over the contract period.

Product Warranty Costs

A liability for estimated warranty expense is established by a charge against cost of goods sold. The subsequent costs incurred for warranty claims serve to reduce the product warranty liability.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Temporary differences between the income tax basis of an asset or liability and its carrying amount on the consolidated balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using enacted or substantively enacted income tax rates expected to apply in the years that the assets or liabilities are expected to be realized or settled. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated based on the weighted average number of shares outstanding. The treasury stock method is used to compute the dilutive effect of options, warrants and similar instruments.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of Long-Lived Assets

Long-lived assets are comprised of property, plant and equipment and intangible assets with finite useful lives and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment losses are recognized when the carrying amounts of long-lived assets exceed the sum of the undiscounted cash flows expected to result from their use and eventual disposition and are measured as the amounts by which the long-lived assets' carrying amounts exceed their fair values.

Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 amount of revenue and expenses during the year. Actual results could differ from those estimates.

Significant estimates made by the Company include allowances for potentially uncollectable accounts receivable, useful life of property, plant and equipment and intangibles, valuation of warranty provision, valuation allowance for future income tax assets, valuation of intangible assets for impairment, fair value of stock options and warrants issued, and fair value of financial instruments.

Foreign Currency Translation of Self-sustaining foreign operations

The US dollar is the functional and reporting currency of the Company.

(a) Foreign currency translation

Monetary assets and liabilities denominated in foreign currency have been translated into United States dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when assets were acquired or obligations incurred. Revenue and expenses are translated at the rates in effect at the time of the transaction. Gains or losses on translation are recorded in operations.

(b) Self-sustaining foreign operations

Assets and liabilities have been translated into United States dollars at exchange rates in effect at the balance sheet date. Revenue and expenses are translated at the rates in effect at the time of the transaction. Gains or losses on translation are recorded in Other Comprehensive Income. The assets, liabilities, revenues and expenses of XPEL Canada have been translated up to the date of disposition (Note 9). The Company has recorded a reclassification adjustment for the loss on disposal of XPEL Canada.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments

All financial instruments are recorded initially at fair value. In subsequent periods, all financial instruments are measured based on the classification adopted for the financial instrument: held-to-maturity, loans and receivables, held for trading, available-for-sale or other liability, as described below:

Financial Assets

Held for trading assets are subsequently measured at fair value with the change in the fair value recognized in net income during the period.

Held-to-maturity assets are subsequently measured at amortized cost using the effective interest rate method.

Loans and receivables are subsequently measured at amortized cost using the effective interest rate method.

Available-for-sale assets are subsequently measured at fair value with the changes in fair value recorded in other comprehensive income, except for equity instruments without a quoted market price which are measured at cost.

Financial Liabilities

Held for trading liabilities are subsequently measured at fair value with the change in the fair value recognized in net income during the period.

Other liabilities are subsequently measured at amortized cost using the effective interest rate method.

The Company has classified its financial instruments as follows:

Financial Instrument	Classification
Cash	Held for trading
Accounts receivable	Loans and receivables
Promissory note	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities
Note payable	Other liabilities

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Comprehensive Income

Comprehensive income measures net earnings for the period plus other comprehensive income. Other comprehensive income consists of changes to unrealized gains and losses on available-for-sale financial assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments of self-sustaining foreign operations during the period. Amounts reported as other comprehensive income are accumulated in a separate component of shareholders' equity as Accumulated Other Comprehensive Income.

Stock-Based Compensation and Other Stock-Based Payments

The Company applies a fair value based method of accounting to all stock-based payments. Accordingly, stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued or liabilities incurred, whichever is more reliably measurable. Stock-based compensation is charged to operations over the vesting period and the offset is credited to contributed surplus. Consideration received upon the exercise of stock options is credited to share capital and the related contributed surplus is transferred to share capital.

The fair value of stock options and warrants is determined by the Black-Scholes option pricing model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares and an expected life of the option or warrant issued. The fair value of direct awards of stock is determined by the quoted market price of the Company's stock.

3. RECENT ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET APPLIED

(a) In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable entities will be required to adopt International Financial Reporting Standards ("IFRS"). The Company must prepare its interim and annual financial statements in accordance with IFRS for periods beginning on January 1, 2011. Management is still assessing the impact this will have on the Company's financial statements.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

(Expressed in United States Dollars)

4. PROPERTY, PLANT AND EQUIPMENT

December 31, 2010	**Cost**	**Accumulated Amortization**	**Net**
Furniture and fixtures	$ 126,489	$ 72,874	$ 53,615
Computer equipment	198,981	101,114	97,867
Motor vehicles	145,599	104,142	41,457
Shop equipment	40,337	22,082	18,255
Leasehold improvements	18,730	13,855	4,875
	$ 530,136	**$ 314,067**	**$ 216,069**

December 31, 2009	Cost	Accumulated Amortization	Net
Furniture and fixtures	$ 175,749	$ 95,022	$ 80,727
Computer equipment	189,947	94,250	95,697
Motor vehicles	145,599	93,776	51,823
Shop equipment	25,808	18,186	7,622
Leasehold improvements	18,730	9,355	9,375
	$ 555,833	$ 310,589	$ 245,244

5. INTANGIBLE ASSETS

December 31, 2010	**Cost**	**Accumulated Amortization**	**Net**
Design templates	$ 1,121,680	$ 850,585	$ 271,095
Patent	100,000	30,000	70,000
	$ 1,221,680	$ 880,585	$ 341,095

December 31, 2009	Cost	Accumulated Amortization	Net
Design templates	$ 845,421	$ 584,574	$ 260,847
Patent	100,000	20,000	80,000
	$ 945,421	$ 604,574	$ 340,847

(Expressed in United States Dollars)

6. LONG-TERM DEBT

	2010	2009
Total long-term debt	$ -	$ 43,448
Less: Current portion	-	43,448
	$ -	$ -

The Company had various financing arrangements for office equipment and vehicles. As at December 31, 2009, the weighted average effective interest rate for the above long-term debt obligations was 17.13%.

7. NOTE PAYABLE

	2010	2009
Note payable	$ -	$ 87,673
Less: Current portion	-	87,673
	$ -	$ -

As at December 31, 2010, the note payable was fully paid off. The note payable bore an interest at 8%, was unsecured and was repayable in twenty-four equal monthly payments of $10,960 starting on August 1, 2008.

8. EQUITY ACCOUNTED INVESTMENT

During the year, the Company invested in and provided advances to XPEL Distribution Company (XDC), a new entity in which the Company had a 30% interest that distributed XPEL Paint Protection products and accessories. On December 31, 2010, an agreement was made amongst the arm's length shareholders of XDC to dissolve the Company.

9. DISCONTINUED OPERATIONS

On September 1, 2009, the Company disposed of its subsidiary XPEL Canada, based in Calgary, Alberta, Canada, back to its founder and President. Under the terms of the sale XPEL received net proceeds of $737,071 United States Dollars (USD) consisting of cash of approximately $221,700 Canadian Dollars (CDN), intercompany balances converted to a guaranteed, interest free promissory note due December 2010 of approximately $587,700CDN. The Company incurred costs of $28,363USD related to the sale of the subsidiary. As at December 31, 2009, the remaining balance was due in twelve equal monthly payments of $30,714CDN, net of withholding taxes. As at December 31, 2010, there is no remaining balance.

(Expressed in United States Dollars)

9. DISCONTINUED OPERATIONS (Cont'd)

The following table sets forth the results of operations associated with the subsidiaries, reported as discontinued operations:

	2010	2009
Revenue	**$ -**	$ 1,982,333
Expenses	**-**	1,963,276
Earnings before undernoted items	**-**	19,057
Tax recovery (expense)	**-**	111,205
Gain (loss) on disposal of subsidiary	**-**	(837,720)
Discontinued operations	$ -	$ (707,458)

10. CAPITAL STOCK

Authorized

100,000,000 common shares with par value of $0.001 per share
10,000,000 preferred shares with par value of $0.001 per share

Issued and outstanding - common shares

	Number of Shares	**Value**
Balance, January 1, 2009	25,720,950	$ 6,619,133
Balance, December 31, 2009 and 2010	25,720,950	$ 6,619,133

11. CONTRIBUTED SURPLUS

	2010	2009
Contributed surplus beginning of year	**$ 2,101,111**	$ 1,022,561
Stock-based compensation expense (Note 14)	**-**	8,533
Value of expired warrants (Note 12)	**64,019**	1,070,017
	$ 2,165,130	$ 2,101,111

(Expressed in United States Dollars)

12. WARRANT CAPITAL

	2010	2009
Warrant capital beginning of year	**$ 64,019**	$ 1,134,036
Value of expired warrants (Note 11)	**(64,019)**	(1,070,017)
	$ -	$ 64,019

13. STOCK OPTIONS AND WARRANTS

(a) Stock Options

The Company has an Incentive Stock Option Plan (the "Plan"). The Plan provides for options to be granted to the benefit of employees, directors and third parties. The maximum number of shares allocated to and made available to be issued under the Plan shall not exceed 20% of the common shares issued and outstanding (on a non-diluted basis) at any time. The exercise price of options granted under the Stock Option Plan will be determined by the directors, but will at least be equal to the closing trading price of the common shares on the last trading day prior to the grant and otherwise the fair market price as determined by the Board of Directors. The term of any option granted shall not exceed five years. Except as otherwise provided elsewhere in the Stock Option Plan, the options shall be cumulatively exercisable in installments over the option period at a rate to be fixed by the Board of Directors. The Company will not provide financial assistance to any optionee in connection with the exercise of options.

The Company had issued stock options to acquire common shares as follows:

	2010		2009	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	**612,635**	**$ 1.01**	1,661,016	$ 0.57
Cancelled/expired	**(325,000)**	**$ 0.63**	(1,020,381)	$ 0.30
Forfeited	**-**	**$ -**	(28,000)	$ 1.00
Outstanding, end of year	**287,635**	**$ 1.44**	612,635	$ 1.01
Exercisable	**287,635**	**$ 1.44**	612,635	$ 1.01

(Expressed in United States Dollars)

13. STOCK OPTIONS AND WARRANTS (Cont'd)

(a) Stock Options (Cont'd)

The Company had the following stock options outstanding at December 31, 2010:

Number of Options	Exercise Price	Expiry Date
162,635 [a]	$1.41	January 18, 2011
125,000 [a]	$1.48	January 20, 2011
287,635		

(a) These options expired unexercised subsequent to year end.

The above options were not included in the computation of diluted net earnings per share as they are anti-dilutive.

(b) Warrants

The Company had issued warrants to acquire common shares as follows:

	2010		2009	
	Number of Warrants	**Weighted Average Exercise Price**	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	**267,773**	**$ 1.06**	1,590,580	$ 2.10
Expired	**(267,773)**	**$ 1.06**	(1,322,807)	$ 2.31
Outstanding, end of year	**-**	**$ -**	267,773	$ 1.06

14. STOCK-BASED COMPENSATION

The total stock-based compensation expense relating to options recognized in the period was $NIL (2009 - $8,533).

15. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share has been calculated based on weighted average number of common shares outstanding at December 31, 2010 of 25,720,950 (2009 - 25,720,950).

(Expressed in United States Dollars)

16. INCOME TAXES

Income Tax Expense

The provision for income taxes differs from the United States federal statutory rate as follows:

	2010	2009
Income (loss) before income taxes	**$ 224,748**	$ 141,046
Statutory rate	**34.0 %**	34.0 %
	$ 76,414	$ 47,956
Non-deductible expenses and other permanent differences	**37,800**	250,544
Change in estimates	**(80,076)**	-
Change in valuation allowance relating to continuing operations	**(235,200)**	(298,500)
Future tax recovery	**$ (201,062)**	$ -

Future Taxes

The temporary differences that give rise to future income tax assets and future income tax liabilities are presented below:

	2010	2009
Future tax assets (liabilities)		
Amounts related to tax losses	**$ 1,540,100**	$ 1,544,900
Property, plant, equipment and intangibles	**(135,100)**	(105,600)
	1,405,000	1,439,300
Less: valuation allowance	**(1,203,938)**	(1,439,300)
	201,062	-
Less: current portion	**(91,392)**	-
	$ 109,670	$ -

(Expressed in United States Dollars)

16. INCOME TAXES (Cont'd)

Tax Losses

The Company has capital losses of approximately $3,558,900 available to apply against future capital gains. The Company has tax losses of approximately $2,750,300 available to apply against future taxable income. The full potential tax benefit relating to these losses has not been reflected in these financial statements. If not utilized, the non-capital losses will expire as follows:

2025	$ 583,100
2026	879,900
2027	344,100
2028	943,200
	$ 2,750,300

17. RELATED PARTY TRANSACTIONS

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount which is the amount of consideration established and approved by the related parties. Related party transactions have been listed below, unless they have been disclosed elsewhere in the financial statements.

During the year, the Company had sales in the amount of $46,000 to a Company in which XPEL had a 30% interest, as disclosed in Note 8.

In 2009, consulting fees in the amount of $15,000 were paid to a company owned by a former officer and director of the Company.

18. COMMITMENTS AND CONTINGENCIES

(a) Lease Commitment

The Company has entered into lease agreements for premises. The combined future minimum payments are as follows:

2011	$ 83,161
2012	134,632
2013	148,447
2014	154,367
2015, and thereafter	317,674
	$ 838,281

18. COMMITMENTS (Cont'd)

(b) Commitment to issue shares

In connection with a private placement in 2008, the Company received cash of $15,985 for units which have not yet been issued. The Company has committed to issuing approximately 64,000 units as a result of the cash received from this private placement. Each unit consists of one common shares and one warrant to purchase one common share at a price of $0.50 per share for a period of twenty four months. These units were issued subsequent to the year end as disclosed in Note 22(b).

(c) Contingencies

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and former employees. Management believes that adequate provisions have been recorded in the accounts where required.

19. CAPITAL MANAGEMENT

The Company's objectives in terms of capital management are to maintain a sound financial position and to ensure financial flexibility in order to maintain its capacity for growth. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Company's capital is composed of its shareholders' equity and its primary uses are to finance acquisitions, increase working capital and fund capital expenditures for expansion and/or research and development. The Company currently has positive working capital. The Company has operated for an extended period of time with negative working capital. Should the Company be unable to preserve its positive working capital position, the Company may seek to raise capital for its short-term needs through all available means. There were no changes in the Company's approach to capital management during the year ended December 31, 2010.

20. FINANCIAL INSTRUMENTS

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

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

20. FINANCIAL INSTRUMENTS (Cont'd)

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed to reflect changes in market conditions and the Company's activities. The Company aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Company's audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. Management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, where available, and vendor and bank references. While the Company does not require collateral in respect of trade and other receivables, on certain product lines, the Company requires a valid credit card as back-up for any amount purchased on terms. The Company has no significant concentration of credit risk arising from customers. Out of total receivables of $337,306, past due receivables in excess of 90 days as of the balance sheet date were approximately $9,500. The Company is actively pursuing its efforts to collect these receivables.

The Company has cash. The Company's current policy is to invest excess cash in money market accounts in credit worthy banking institutions. The Company periodically monitors the accounts and is satisfied with the credit ratings of its banks.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

20. FINANCIAL INSTRUMENTS (Cont'd)

Currency Risk

The Company's functional currency is the US dollar. Certain of the Company's monetary assets, liabilities, revenues, and expenses are denominated in Canadian dollars and therefore subject to gains and losses due to fluctuations in these currencies. In respect of these monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level.

The Company has the following balances in Canadian dollars:

		2010		2009
Note receivable	**$**	**-**	$	336,000
Accounts payable and accrued liabilities		**20,000**		52,500
	$	**20,000**	$	388,500

A 5% change in the Canadian dollar against the US dollar currency would affect equity and net income by approximately $900. This analysis assumes that all other variables remain constant.

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

22. SUBSEQUENT EVENTS

(a) XPEL Technologies Corp. entered into a US$150,000 revolving line of credit agreement with The Bank of San Antonio to support its continuing working capital needs.

The company must satisfy certain loan covenants on a continuing basis. The Bank of San Antonio has been granted a security interest in substantially all of the company's current and future assets. The line has a variable interest rate of the Wall Street Journal prime rate plus 2 per cent with a floor of 6 per cent and matures on March 28, 2012.

(b) On January 11, 2011, the TSX Venture Exchange has given final approval on an arrangement for the Company to exchange US$16,000 in outstanding debt to one shareholder for 64,000 common shares of the Company at a price of US$0.25. Following the issuance, the Company will have 25,784,950 common shares outstanding.