



GROUPWORKS FINANCIAL CORP.
QUARTERLY REPORT
FOR THE QUARTER ENDED NOVEMBER 30, 2007

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January 24, 2008

Notice to Shareholders

The attached unaudited consolidated financial statements have not been reviewed by the Company’s external auditors.

GROUPWORKS FINANCIAL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") and accompanying unaudited financial statements of Groupworks Financial Corp. (the "Company"), covers the three month periods ended November 30, 2007. Certain balances have been provided for discussion purposes only. This MD&A should be read in conjunction with the interim unaudited financial statements as filed. The Company's Prospectus dated April 2007 and interim unaudited financial statements for fiscal 2007 are available at www.sedar.com.

All financial information is presented in Canadian dollars and in accordance with Canadian generally accepted accounting principles ("GAAP") unless otherwise noted. Certain totals, subtotals and percentages may not reconcile due to rounding. The information in this MD&A is presented as at January 24, 2008 unless otherwise noted.

This MD&A contains "forward-looking statements" within the meaning of applicable securities laws, such as statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Use of words such as "may", "will", "expect", "believe", or other words of similar effect may indicate a "forward-looking" statement. These statements are not guarantees of future performance and are subject to numerous risks and uncertainties, including those described in our publicly filed documents (available on SEDAR at www.sedar.com) and in this MD&A under the heading "Risks and Uncertainties". Those risks and uncertainties include income tax matters, ability to maintain profitability and manage organic or acquisition growth, reliance on information systems and technology, reputational risk, dependence on key clients, reliance on key professionals and general economic conditions. Many of these risks and uncertainties can affect our actual results and could cause our actual results to differ materially from those expressed or implied in any forward-looking statement made by us or on our behalf. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. All forward-looking statements in this MD&A are qualified by these cautionary statements. These statements are made as of the date of this MD&A and, except as required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Additionally, we undertake no obligation to comment on analyses, expectations or statements made by third parties in respect of the Company, its financial or operating results or its securities.

This discussion also makes reference to certain non-GAAP measures such as EBITDA, EBITDA margin and Adjusted EBITDA, to assist investors in assessing the financial performance of the Company. Non-GAAP measures do not have any standard meaning prescribed by GAAP and therefore, may not be comparable to similar measures presented by other issuers.

Amounts set forth in this MD&A are stated in thousands of dollars except for per share and issued and outstanding share data, and unless otherwise noted.

FORMATION AND OWNERSHIP STRUCTURE OF THE COMPANY

The Company was formed in July 2006 in order to consolidate various pension and benefits advisory businesses under a single corporate structure. The Company issued 4,358,334 common shares and raised \$795.0 through various private placements and also arranged for \$1.0 million of short term debt which was drawn down for acquisitions as needed. On September 1, 2006, the Company acquired, the Investment Guild Insurance Agency Inc. and Buffett, Taylor & Associates Insurance Agencies Inc. ("Buffett Taylor") both of which operate established pension and benefits consulting and outsourcing service businesses in Canada (See Acquisitions below). On May 1, 2007 the Company amalgamated with its wholly owned subsidiaries the Investment Guild and Buffett, Taylor and continued as Groupworks Financial Corp.

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On May 28, 2007 the Company closed its initial public offering (the "Offering") for approximately \$3.8 million before agent fees, by issuing 6.3 million units. On June 7, 2007 the Offering was completed when Jones Gable & Company Limited (the "Agent") exercised its over allotment option for an additional 600,000 units for gross proceeds of approximately \$0.4 million to the Company. Agent, legal and accounting fees related to the offering totaled \$0.7 million for net overall proceeds of approximately \$3.5 million. Each unit consists of one Common Share and one-half of one share purchase warrant of the Company (each whole such purchase warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire, subject to adjustments pursuant to the warrant indenture under which the Warrants have been issued, one Common Share at a price of \$1.00 until May 27, 2009, provided the closing price of Common Shares on the principal stock exchange on which such shares trade exceeds \$1.20 for 20 consecutive trading days, then the Warrant term shall automatically be reduced and the Warrants will expire on the date 30 days following the issuance of a press release announcing the reduced Warrant term.

On July 5, 2007 the Company completed the acquisition of Gallivan & Associates Student Networks Inc. ("Gallivan") which operates a student benefits advisory business across Canada. Gallivan operates as a wholly owned subsidiary of Groupworks (See Acquisitions below).

Directors and management of the Company currently own approximately 36.09% of the issued and outstanding Common Shares calculated as of November 28, 2007. Specifically, Mr. Jeffery Case, President and Director and Mr. Michael Thomas, Secretary-Treasurer and Director, each own 5.93%, Mr. Derrick March, former CEO and current Director, owns 3.81%, Mr. Sean Cleary, Chairman owns 4.01% and Mr. Mark Monaghan, Director holds 4.59% of the issued and outstanding Common Shares. John Gallivan, President of Gallivan & Associates Student Networks Inc. ("Gallivan"), currently owns approximately 10.79% of the issued and outstanding shares of the Company.

BUSINESS OVERVIEW

The Company is a pension and benefits consulting and outsourcing firm, providing services to organizations in various industries. Its clients are primarily small and medium-sized organizations, which typically utilize its services on a recurring or contracted basis over a long term. The Company focuses on the integrated design and delivery of retirement, employee compensation and benefit programs. The Company also services the post secondary education sector by providing medical and dental benefits advisory services to students. The Company has over 50 professionals and support staff with three main offices in Ontario (Markham, Whitby and Waterloo).

The Company derives revenue primarily from commissions paid by its clients' insurance companies, which is common practice for the group benefits consulting business. These commissions are typically disclosed to the client and are based on a percentage of the premiums paid by the client to the insurance company. The Company assumes no underwriting risk as the insurance policy is underwritten by the insurance company. For some benefit consulting engagements, revenue may be derived from fees charged to clients for pension and benefits consulting and outsourcing in lieu of commissions described above. The fees may be earned on an hourly or per employee/student basis. The Company currently derives approximately 52% of its revenues from commissions paid by the insurance companies and the remaining 48% based on fees for service which are contracted for periods of one to seven years. The largest operating expense of the Company is compensation and related costs which includes salaries, commissions, bonuses, stock options, group benefits, and payroll taxes. Other operating expenses include occupancy costs, technology costs (equipment leases, telecommunications and software), non-recoverable client service costs (such as printing, travel and third-party professional services), training, marketing, office costs, professional services (legal and audit) and insurance.

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Significant External Factors

The insurance brokerage market is highly competitive and is composed of a large number of companies of varying size and scope of services. Insurance companies themselves also offer their products through other methods, including insurance agents and direct distribution channels, which are competitive with the insurance brokerage industry and the Company.

The Company earns its revenues from a diverse base of clients in various industries. In fiscal 2007, approximately 26% of the Company's revenues were generated from the public sector in the form of municipalities, regions, townships, and school boards, all considered significant and stable employers. The Company also services an industry involving retail, wholesale distribution and production clientele. Approximately 23% of its revenues are generated from this industry segment. With the acquisition of Gallivan, the revenues derived from the above noted sectors will decrease to approximately 13% and 12% respectively and approximately 49% of the revenues will be earned from students in post secondary institutions throughout Canada.

Apart from these and the risk factors noted under the heading "Risks and Uncertainties", management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations.

Acquisitions

The Company's business plan, as described above, is to acquire additional businesses which are complementary to the existing businesses. Management has identified and is pursuing a number of group benefit and pension advisory businesses across Canada. In fiscal 2007, the Company closed three acquisitions:

The Investment Guild

The Investment Guild which was established in 1981 specializes in corporate benefits, association plan benefits and flexible benefits. The shares were purchased for consideration of \$2,778.2 involving; short-term debt, issuance of common shares of Groupworks and a vendor take-back loan.

Buffett, Taylor

Buffett, Taylor established in 1981 based Whitby Ontario, specializes in group benefits in the public, private and non-for-profit sectors. 100% of the shares of Buffett Taylor were purchased from Buffett, Taylor & Associates Insurance Agencies Ltd. in exchange for \$3,161.4. The present value of the consideration given was \$2,900.6 and was settled with cash, vendor take-debt debt and common shares of Groupworks.

Gallivan

On July 5, 2007, the Company purchased the shares of Gallivan & Associates Student Networks Inc. ("Gallivan"), a group benefits advisory company based in Waterloo, Ontario, that specializes in University and College student health and dental benefits in Canada. The aggregate purchase price paid for Gallivan was \$5,893.6 and was settled with cash, vendor take-debt debt and common shares of Groupworks.

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ANALYSIS OF THE FIRST QUARTER OF FISCAL 2008

The following summary financial information is derived from the Company's unaudited consolidated financial statements for the three month period ended November 30, 2007.

Overview

During its first quarter, the Company successfully integrated the operations of Gallivan and as a result more than tripled its revenues in the quarter and further improving its operating margin over the same period last year to 20.2%. EBITDA margin was also positive at \$25, up \$189 from the same period last year. The Company continues to pursue its strategy of aggregating small and medium sized group benefit and pension advisory service businesses.

Management met its expectations in the first quarter and continues to maintain its outlook, without the impact of any additional acquisitions, of approximately \$6.3 million in annualized revenues and annualized EBITDA margin before head office costs of \$2.0 million.

Net income (loss) details for the first quarter ended November 30, 2007: (amounts derived from the unaudited interim financial statements).

	Q1	
	2008	2007
Revenue	1,258	350
Operating costs (i)	1,004	436
Operating margin	254	(86)
Operating margin %	20.2%	(24.5)%
Head office costs (ii)	229	78
EBITDA (iii)	25	(164)
Less:		
Stock-based compensation expense	63	59
Depreciation of capital assets	22	8
Amortization of intangibles	133	58
Amortization of deferred costs	5	2
Interest expense	39	101
Income taxes	(84)	(91)
Net income (loss)	(153)	(301)

- (i) Represent operating expenses of the acquired businesses and are part of the expense disclosed in the unaudited interim financial statements.
- (ii) Represent general and administrative expenses incurred at the corporate head office and are part of the expense disclosed in the unaudited interim financial statements.
- (iii) Management defines EBITDA as earnings before interest, taxes, depreciation and amortization, stock-based compensation and other non cash charges. Management believes that in addition to net income (loss), EBITDA is a useful supplemental measure for investors of earnings before debt service, capital asset charges and taxes. This earnings measure should not be construed as an alternative to net income or as an alternative to cash flow from operating, investing and financing activities or the Company's liquidity. EBITDA does not have a standardized meaning prescribed by generally accepted accounting principal (GAAP) and therefore the Company's method of calculating EBITDA may not be comparable to similar measures presented by other companies or issuers.

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Selected summary financial information for the three months ended November 30, 2007 is as follows: (amounts derived from the unaudited interim financial statements).

	Q1	
	2008	2007
Income Statement Information		
Revenue	1,258	350
EBITDA (see note (iii) above)	25	(164)
Net income (loss)	(153)	(301)
Balance Sheet Information		
Total assets	14,291	6,971
<hr/>		
Total debt	3,567	4,486
Other liabilities (excl. future taxes)	1,451	291
Shareholders' equity	7,378	1,327
Total liabilities and shareholders' equity	14,291	6,971
<hr/>		
Weighted average shares outstanding – basic	15,731,155	5,691,667
– fully diluted	21,082,320	7,096,667
Income (loss) per share	\$ (0.01)	\$ (0.05)
Fully diluted income (loss) per share	\$ (0.01)	\$ (0.04)

Revenue

Revenue for the three months ended November 30, 2007 was \$1,258.3 up from \$350.5 in the first quarter of fiscal 2007. Included in the significant increase is \$812.7 contributed by the Gallivan acquisition. The remaining \$445.6 that was recorded is up \$95.1 from a year ago in the same period due mainly to the conversion of one client from a fee based contract to commissions. On the renewal of the client's benefit plan, an additional \$60.1 was recognized in the first quarter versus a monthly fee in fiscal 2007. A further \$30.2 of the increase resulted from bonuses earned from insurance carriers that was accrued to the previous owners in fiscal 2007 and adjusted to the purchase price. During the first quarter, there was one client account cancellation and one new client added. The impact on revenue was negligible. Organic growth experienced in the first quarter on the existing base, excluding Gallivan, was approximately 1.3% annually.

Salaries, Commissions and Benefits Expenses

Salaries, benefits and commissions for the three months ended November 30, 2007 were \$907.9 up from \$408.1 during the same period in fiscal 2007. Approximately \$389.9 of the increase is due to the acquisition of Gallivan subsequent to first quarter last year. Similarly, a further \$97.6 of the increase relates to four additional employees in the first quarter of fiscal 2008 over 2007 and salary increase of about 3%. The Chief Financial Officer, Investor Relations and Business Development, Manager and two sales positions were added after the first quarter in fiscal 2007. Approximately \$9.1 of the increase was on the account of commissions. The first quarter also included an increase in stock-based compensation of \$3.1 to \$62.6 from \$59.5 in the first quarter of fiscal 2007.

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Other Operating Expenses

Other operating expenses for the first quarter or three months ended November 30, 2007 were \$387.7 versus \$165.6 for the same period a year ago. This is significantly above the previous year mainly due to the consolidation of Gallivan and increased first quarter activity. Of the \$222.1 increase, Gallivan represents \$148.6 and the remaining \$73.5 is made up of additional head office costs including new facility lease costs of \$36.0 and accounting, legal, insurance and other public company costs of \$37.5.

Interest Expense

Interest expense for the first quarter or three months ended November 30, 2007 was \$38.7 compared to \$100.8 in the first quarter of fiscal 2007. The decrease of approximately \$62.1 is mainly due to \$28.9 of lower accretive interest charges (non cash) on the vendor take-back debt related to the Combined Investment Guild and Buffett, Taylor acquisitions, the elimination of \$25.0 of interest due to the repayment of \$1 million of short term debt, and \$15.0 of warrant option costs related to the short term debt. The decrease is partially offset by additional interest on the vendor take-back debt issued on the Gallivan acquisition.

Depreciation and Amortization

Depreciation and amortization for the quarter ended November 30, 2007 was \$160.5 including \$133.1 for intangibles, \$24.5 for capital asset depreciation and \$5.0 of acquisition fee amortization. This is up \$92.6 from a year ago, due mainly to the Gallivan acquisition which added \$75.0 in intangible amortization. The depreciation increased by \$14.9 due to the addition of leasehold improvements and furniture in the second quarter of fiscal 2007.

Income Tax Expense

For the quarter ended November 30, 2007 the current income tax recovery was \$36.7 compared to a recovery of \$87.4 in the first quarter of fiscal 2007. The decrease in the recovery is due mainly to the addition of the Gallivan acquisition. The future tax recovery of \$47.1 also reflects the impact of the Gallivan acquisition.

Net Income

As a result of the revenue and expenses described above, the net loss for the first quarter was \$152.8 down from the \$301.1 loss during the same period in fiscal 2007. This is consistent with the seasonal nature of the operations, the change in the capital structure of the combined company and resulting interest and amortization charges.

LIQUIDITY AND CAPITAL RESOURCES

For the year ended November 30, 2007, cash used by operating activities was \$644.9. This is due mainly to approximately \$509.5 of accrued bonuses being paid to the former owners of Gallivan and outlined in the purchase and sale agreement. The working capital left behind in Gallivan was sufficient to meet this obligation and fund other working capital needs. Except for the Gallivan bonus payment, the cash used in the first quarter is consistent with the same period a year ago and seasonal nature of the revenues.

Investing activities were down in the first quarter of fiscal 2008 compared to 2007 when the Company closed its first two acquisitions. Capital spending was negligible as were residual trailing acquisition fees.

Similarly, the Company's financing activities were significantly less in the first quarter of fiscal 2008 than in the first quarter of fiscal 2007. The company utilized \$22.1 of cash to reduce long term vendor take-back debt by \$16.7 and bank indebtedness by \$5.2. In the first quarter of fiscal 2007, the Company's

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financing activities consisted mainly of acquisition stock issuance \$800, short term debt, \$ 1 million and vendor take-back financing of \$3.4 million. On December 3, 2007, the first anniversary payment due on the Vendor take back loan relating to the purchase of Buffett, Taylor Inc. was settled. The remainder of the first anniversary payment of \$351.0, included in long term debt (note 13) was settled with an offset of amounts receivable from Buffett Taylor Ltd., a cash payment of \$220.0 and the issuance of 100,776 common shares at \$0.51 per share. The first anniversary payment due on the Investment Guild vendor take-back debt is \$300.0 and will be paid in the second quarter.

Acquisition debt after discounting and purchase price adjustments is \$3,546.4 at November 30, 2007 relatively unchanged from the year-end balance at August 31, 2007. The balance is also slightly higher than at the same time a year ago of \$3,390.7. The purchase price adjustment and repayments during fiscal 2007 were essentially offset by the value vendor take-back debt was recorded on the acquisition of Gallivan in the fourth quarter of fiscal 2007.

Future expected payments are as follows:

	Total	Payments due by period		
		2008	2009 to 2012	Beyond 2012
Short term portion	\$ 1,373.1	\$ 1,373.1	\$ -	\$ -
Long term debt	2,173.3	-	2,173.3	-
Operating leases	1,670.8	290.6	964.8	415.4
	\$ 5,217.2	\$ 1,663.7	\$ 3,138.1	\$ 415.4

The Company will utilize cash on hand to finance its operations and make vendor take-back debt principal payments through the second quarter of 2008. Management further anticipates generating sufficient cash from operations to finance working capital needs. The Company will continue to pursue its acquisition strategy and management will assess the need for debt and equity financing to satisfy both cash required at closing and acquisition costs.

SEASONALITY

The business of the Company in 2008 is expected to generate, without the impact of additional acquisitions, a higher number of renewals and consequently more revenues during the second and third quarters. During the year, it is estimated that on a consolidated basis, approximately 23% of the revenue of the Company was earned from an industry involving retail, wholesale distribution and production clientele that consists of over 300 independent companies. The majority of the revenue earned from that industry clientele results in increased revenues in the third quarter.

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RELATED PARTY TRANSACTIONS

During the year, the Company had significant activity with shareholders and directors of the company. All the transactions are in the normal course of operations and are measured at the exchanged amount, which is the consideration agreed to by the parties. The related party transactions are as follows:

	Fiscal 2008	Fiscal 2007
Revenue (i)	\$ 30.7	\$ 12.3
Expenses		
Salaries, wages & benefits (ii)	\$ 111.1	\$ 58.3
Commissions (iii)	47.7	39.3
General and administrative (iv)	8.5	-
Interest expense (v)	33.9	27.4
Accounts receivable (i)	\$ 10.5	\$ 3.4
Due from related parties (vi)	139.7	-
Commission advances (iii)	105.3	72.1
Accounts payable & accrued liabilities (vii)	\$ 29.8	\$ -
Current portion of long term debt (viii)	1,022.0	420.7
Long term debt (viii)	1,179.9	1,149.3

- (i) Revenue is earned from a client that has two directors and shareholders who are also directors and shareholders of the Company.
- (ii) Salaries, wages and benefits paid to the Chief Executive Officer who is both a shareholder and director of the Company, and to the President of a subsidiary who is an officer and shareholder of the Company.
- (iii) Commission payments totaling \$74.4 were made during the quarter (Fiscal 2007 - \$111.4) to Directors of the Company who are also employees, of which \$105.3 (Fiscal 2007 - \$72.1) is owed to the Company and included in commission advances in the financial statements.
- (iv) Consulting fees are paid to a vendor that has two directors and shareholders who are also directors and shareholders of the Company.
- (v) Cash interest payments of \$5.9 (Fiscal 2007 - \$14.7) were made to certain directors and shareholders of the Company. Accretive interest of \$ 6.5 (Fiscal 2007 - \$12.7) (included in the long term loan balance) also accrued to these individuals during the quarter. Interest of \$21.4 (Fiscal 2007 - nil) on the vendor take back loan was accrued to the benefit of the President of a subsidiary who is an officer and shareholder of the Company.
- (vi) Represents post closing working capital adjustments to be repaid by the former owners who are also directors and shareholders of the Company.
- (vii) Represents \$21.4 (Fiscal 2007 - nil) of accrued interest on the vendor take back loan payable to the President of a subsidiary who is an officer and shareholder of the Company and \$8.4 (Fiscal 2007 - nil) of consulting fees payable to a vendor that has two directors and shareholders who are also directors and shareholders of the Company.

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(viii) Represents vendor take back debt on acquisitions owed to certain directors and shareholders of the Company.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements, in accordance with GAAP, requires management to make estimates and assumptions that affect the reported values of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known. Accordingly, actual results could differ from these estimates. The accounting policies and estimates that are critical to the Company's business relate to:

Revenue recognition

The Company earns commission revenue as payment for the provision of benefits consulting services to clients, as a percentage of insurance premiums paid by our clients. Commission revenue is received annually, semi-annually, quarterly or monthly. Annual fees are typically paid at the beginning of the insurance policy period and are recognized as income at the later of the billing or effective date of the policy, net of a provision for return commissions due to policy cancellations.

The Company also earns fee-for-service revenue based on hourly rates and the time spent delivering those services. The Company may earn contracted revenue based on negotiated fixed amounts, rather than the time spent. Revenue is recognized in the period that the service is rendered, irrespective of when it is invoiced. Unbilled fees are recorded at the lower of unbilled hours worked at standard billing rates and the amount which management estimates can be recovered upon invoicing. Expenses are recognized as incurred. Revenue does not include reimbursements for recoverable expenses, such as employee travel expenses, outside printing and third party professional services. Reimbursements are accounted for as a reduction to expenses.

Amortization of finite-life intangible assets

Under GAAP, finite-life intangible assets are amortized over their estimated useful lives. Management estimates that the estimated useful life of the customer relationships and contracts acquired is 10 years. The Company amortizes the cost of these finite-life intangible assets on a straight-line basis over 10 years. Management tests for recoverability of the carrying value of these intangible assets annually or whenever events or changes in circumstances indicate that their carrying value may not be recoverable.

Allowance for doubtful accounts

A provision for accounts receivable resulting from the potential risk that the receivable will not be collected has been recorded. Management continually monitors past due accounts to assess the likelihood of collection to estimate the required provision.

Future income tax

The Company uses the asset and liability method of accounting for income taxes. Future income tax assets are recognized only to the extent that management determines it is more likely than not that the future income tax assets will be realized.

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FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Groupworks' financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities whose carrying values approximate fair values due to their short-term nature. The Company is not engaged in hedging activities and does not own other instruments that may be settled by the delivery of non-financial assets. In management's view, the Company is not exposed to significant interest or credit risks arising from financial instruments.

RISKS AND UNCERTAINTIES

The results of operations, business prospects and financial condition of the Company are subject to a number of risks and uncertainties and are affected by a number of factors outside the control of management of the Company as outlined below.

Specialized Skill and Knowledge

The group insurance business requires considerable expertise and experience including an understanding of benefits plan design, legislative issues and parameters, provincial medicare programs, human resource matters, payroll, tax matters, financial products, financial planning, underwriting and costing of insurance products, relationships and credibility with insurance carriers/suppliers, licensing, and the ability to generate and maintain relationships with clients and prospective clients.

The Company requires a specialized group of individuals with extensive group insurance experience both from the carrier and brokerage perspectives as well as experience in mergers and acquisitions. In this regard, the Company currently has a number of well experienced employees possessing an average of approximately 14 years of industry experience, and holding various professional designations including CEBS, CLU and CFP designations. However, individuals with extensive group insurance experience are scarce, and in the event that the Company is unable to attract or retain such employees, it may have a material adverse effect on the business of the Company.

Seasonality

The business of the Company is seasonal as it generally experiences decreased revenues during the late summer, primarily due to vacation schedules and a generally lower level of business activity during such time period. Accordingly, plan anniversaries generally occur at other times during the year.

Regulation

Licensing is required under the laws of the Province of Ontario in order to carry on the business of insurance within the province. The Financial Services Commission of Ontario ("FSCO") is the self-regulatory body which provides a variety of licensing and registration services to stakeholders in the insurance sector in Ontario. In this regard, FSCO has established the Life License Qualification Program (LLQP), which is a self-study program designed to be recognized as a common standard for life, health and travel insurance advisors.

In addition, individuals engaged in the insurance advisory industry may opt to pursue a variety of additional professional qualifications, such as (i) the Chartered Life Underwriter (CLU) designation, specializing in the areas of income replacement, risk management, estate planning, and wealth transfer; (ii) the Certified Financial Planner (CFP) designation, concerning personal financial planning, investment products and investing strategies; and (iii) the Certified Employee Benefits Specialist (CEBS) designation. These designations as well as others are granted by independent governing bodies such as

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the Financial Planners Standards Council, the Financial Advisors Association of Canada and The International Foundation, and are independently regulated by such bodies.

In addition, although there are currently restrictions on the ability of Canadian banks to market insurance products in competition with the Company, such legislation is currently under review. Accordingly, dependent upon the nature of legislative reforms, Canadian banks may in the future be able to offer products which are competitive with the products offered by the Company.

Termination of Contracts

Group insurance contracts are generally re-negotiated on an annual basis with clients, pursuant to which insurance premium pricing increases or decreases. Accordingly, there can be no guarantee that insurance contracts sold through the Company in the past will be renewed on a go-forward basis. The Company does, however, generate approximately 60% of its revenues on contracts for services which extend for three to seven years. The advisor/consultant acts as a paid intermediary during this renewal process and throughout the year. Advisors are paid for their services as earned or are paid in advance from time to time. In the event that a contract is terminated by a client and the advisor has been paid in advance for the year, then the advisor will rebate the amount paid but not earned to the insurance company.

In addition, renewal negotiations have historically resulted in increased premiums or decreased benefit coverage, or a combination thereof. The majority of the contracts negotiated have a commission based structure that is related to the premium payable pursuant to the contract in question. Accordingly, sales commissions may increase in the ensuing year based upon any increases in contract premiums payable, although the extent of such increases in sales commissions may be curtailed by the use of grading commission structures which do not necessarily increase in tandem with premiums.

Competitive Conditions

The insurance brokerage market is highly competitive and is composed of a large number of companies of varying size and scope of services. Insurance companies themselves also offer their products through other methods, including insurance agents and direct distribution channels, which are competitive with the insurance brokerage industry and the Company

OUTLOOK

Management believes that the Company's ongoing cash flow from operations will be sufficient to allow it to meet ongoing requirements for capital expenditures and working capital. Our active acquisition strategy will, however, require the Company to seek additional debt and equity financing during fiscal 2008. The Company's future needs may, however, change, and in such event the Company's ability to satisfy its obligations will be dependent upon its future financial performance, which in turn will be subject to a number of risks and uncertainties, including elements beyond the Company's control. See "Risks and Uncertainties" as outlined above.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com.

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Consolidated Balance Sheet

At November 30

	2008	2007
ASSETS		
CURRENT		
Cash	\$ 474,142	\$ -
Accounts receivable	676,304	259,277
Income taxes recoverable	7,103	90,869
Due from related parties (note 11)	139,686	-
Commission advances (note 11)	116,300	72,089
Prepaid expenses and other	39,815	-
	1,453,350	422,235
DEFERRED ACQUISITION COSTS (note 3)	179,435	138,424
CAPITAL ASSETS (note 4)	738,752	1,154,804
FUTURE INCOME TAXES (note 14)	226,334	-
INTANGIBLE ASSETS (note 5)	4,909,375	2,266,875
GOODWILL (note 1)	6,783,648	2,988,810
	\$ 14,290,894	\$ 6,971,148

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT		
Bank indebtedness (note 6)	\$ 20,586	\$ 95,559
Accounts payable and accrued liabilities	855,538	291,227
Deferred revenue	548,152	-
Current portion of long term debt (note 13)	1,373,084	1,059,125
Short term debt	-	1,000,000
	2,797,360	2,445,911
DEFERRED RENT LIABILITY	47,065	-
LONG-TERM DEBT (note 13)	2,173,339	2,331,598
FUTURE INCOME TAXES (note 14)	1,895,116	866,586
	6,912,880	5,644,095
SHAREHOLDERS' EQUITY		
Share capital (note 9(a) (b))	7,784,080	1,595,000
Contributed surplus (note 10)	186,669	58,958
Deficit	(592,735)	(326,903)
	7,378,014	1,327,053
	\$ 14,290,894	\$ 6,971,148

TRUST ACCOUNTS (note 8)

COMMITMENTS AND CONTINGENCIES (note 15)

SUBSEQUENT EVENTS (note 18)

ON BEHALF OF THE BOARD OF DIRECTORS

“Sean Cleary”

Sean Cleary, Chairman of the Board

“Michael Thomas”

Michael Thomas, Director

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

GROUPWORKS FINANCIAL CORP.

Consolidated Statement of Income (Loss) and Deficit For The Quarter Ended November 30

	2008	2007
FEES		
Commissions	\$ 379,598	\$ 287,762
Fees	871,713	51,500
Other	7,010	11,195
	1,258,321	350,457
EXPENSES		
Salaries and benefits (notes 10 and 11)	\$ 859,477	\$ 368,808
Commissions (note 11)	48,406	39,271
General and administrative	283,891	120,911
Advertising and promotion	103,840	44,674
	1,295,614	573,664
INCOME (LOSS) BEFORE UNDERNOTED ITEMS	(37,293)	(223,207)
OTHER EXPENSES		
Interest expense (note 13)	(38,675)	(100,828)
Depreciation of capital assets (note 4)	(22,448)	(7,504)
Amortization of intangible assets (note 5)	(133,125)	(58,125)
Amortization of deferred costs (note 3)	(4,965)	(2,321)
	(199,213)	(168,778)
INCOME (LOSS) BEFORE INCOME TAXES	(236,506)	(391,985)
INCOME TAXES (RECOVERED)		
Current (note 14)	(36,654)	(87,372)
Future (note 14)	(47,085)	(3,464)
	(83,739)	(90,836)
NET INCOME (LOSS)	(152,767)	(301,149)
DEFICIT - BEGINNING OF PERIOD	(439,968)	(25,754)
DEFICIT - END OF PERIOD	\$ (592,735)	\$ (326,903)
Earnings (loss) per share – basic	\$ (0.01)	\$ (0.05)
Earnings (loss) per share – fully diluted	\$ (0.01)	\$ (0.04)

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

GROUPWORKS FINANCIAL CORP.

Consolidated Statement of Cash Flow For The Quarter Ended November 30

	2008	2007
OPERATING ACTIVITIES		
Net income (loss)	\$ (152,767)	\$ (301,149)
Items not affecting cash:		
Depreciation of capital assets	22,448	7,504
Amortization of intangible assets	133,125	58,125
Amortization of deferred costs	4,965	2,321
Amortization of interest	15,620	64,834
Future income taxes	(47,085)	(3,464)
Stock-based compensation expense	62,599	59,458
	\$ 38,905	\$ (112,371)
Changes in non-cash working capital:		
Accounts receivable	\$ 241,458	\$ (43,482)
Commission advances	(37,579)	(72,089)
Accounts payable and accrued liabilities	(678,979)	100,869
Deferred revenue	(144,140)	-
Deferred rent liability	29,304	-
Income taxes recoverable	(105,877)	(90,869)
Prepaid expenses	11,961	10,695
	\$ (683,852)	\$ (94,875)
Cash flow provided (used) by operating activities	\$ (644,947)	\$ (207,245)
INVESTING ACTIVITIES		
Purchase of capital assets	\$ (5,740)	\$ (4,117)
Deposit for acquisition	-	50,000
Acquisitions	-	(5,678,933)
Deferred financing fees	-	(52,900)
Acquisition fees	(2,696)	(92,845)
Cash flow used by investing activities	\$ (8,436)	\$ (5,778,795)
FINANCING ACTIVITIES		
Increase (decrease) in bank indebtedness	\$ (5,147)	\$ 32,085
Short term debt	-	1,000,000
Proceeds from long-term debt	-	3,390,723
Repayment of long-term debt	(16,965)	-
Common stock issued	-	800,000
Contributed surplus	-	(500)
Cash flow provided by financing activities	\$ (22,112)	\$ 5,222,308
INCREASE (DECREASE) IN CASH FLOW	\$ (675,495)	\$ (763,732)
Cash - beginning of period	1,149,637	763,732
CASH - END OF PERIOD	\$ 474,142	\$ -

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

GROUPWORKS FINANCIAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED NOVEMBER 30, 2007

1. BASIS OF PRESENTATION

Groupworks Financial Corp. ["Groupworks"] was incorporated under the Ontario Business Corporations Act on July 5, 2006 and is a professional services firm that provides advice and implementation services in the area of corporate benefits and pension plans.

On September 1, 2006 Groupworks, the "Company" purchased all of the shares of The Combined Investment Guild Insurance Agency Inc. ("Combined Investment Guild") and Buffett, Taylor & Associates Insurance Agencies Inc. ("Buffett, Taylor Inc."). On May 1, 2007 the Combined Investment Guild and Buffett, Taylor Inc. were amalgamated with Groupworks and continued under the Ontario Business Corporations Act as Groupworks Financial Corp. On July 5, 2007, Groupworks purchased all the shares of Gallivan & Associates Student Networks Inc. ("Gallivan") by purchasing all the shares of 1246689 Ontario Limited ("124") which owns 80% of the common voting shares of Gallivan and the remaining 20% was purchased from a third party. The results of operations and financial position of Gallivan and 124 have been consolidated with those of Groupworks effective July 1, 2007.

The comparative figures for Fiscal 2007 represent the financial position and results for the quarter ended November 30, 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements, which have been prepared in accordance with Canadian generally accepted accounting principles, reflect the accounting policies set out below.

Revenue recognition

Commissions are recognized when earned at the effective or renewal date of the policy, net of provision for return commissions due to policy cancellation and adjustments. The provision is determined by management based on historical data.

Capital assets

Capital assets are initially recorded at cost. Repairs and maintenance are charged to operations as incurred. Amortization is computed using the straight line or diminishing balance method over the remaining estimated useful life of the capital assets as outlined below:

Computer software	4 years straight line
Computer equipment	30% diminishing balance
Furniture and fixtures	20% diminishing balance
Leasehold improvements	straight line over the term of the lease
Building	4% diminishing balance

Deferred costs

The cost incurred in the acquisition of assets or operations are deferred and amortized over the same period as intangibles acquired. The cost of obtaining short and long-term debt is deferred and amortized on a straight line basis over the term of the debt to which they relate.

GROUPWORKS FINANCIAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED NOVEMBER 30, 2007

Intangible assets

Intangible assets with a finite life are recorded at cost and are amortized on a straight line basis over the period of expected future benefit. Customer relationships and contracts are amortized on a straight line basis over 10 years.

Goodwill

At the acquisition date, goodwill is recorded at the excess of the purchase price of an acquired business over the fair value of the net assets acquired. On an annual basis, management will review the carrying amount of goodwill for possible impairment by conducting a two-step test. In the first step, fair value of the reporting unit, as determined by discounted cash flows, is compared to its carrying value. If the fair value is less than the carrying value, a second step will be conducted whereby the fair value of goodwill is determined on the same basis as a business combination. If fair value of goodwill is less than its carrying value, goodwill will be written down to its estimated fair value.

Long-lived assets

Long-lived assets comprise capital assets and intangible assets subject to amortization. Long-lived assets are reviewed annually for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of evaluating the recoverability of long-lived assets, the recoverability tests are performed using undiscounted future net cash flows of the asset. The amount of the impairment is measured as the difference between the carrying value and the fair value of the asset and recognized by way of an additional current period amortization charge.

Income taxes

The liability method is used to account for income taxes whereby future tax assets and liabilities are determined based on temporary differences between the carrying amount and the tax basis of assets and liabilities. Future income tax assets and liabilities are measured using the substantially enacted tax rates that will be in effect when these differences are expected to reverse. 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

Groupworks has a stock-based compensation plan which is described in note 10. Any consideration paid by employees upon the exercise of any stock options increases share capital. Groupworks does not repurchase stock options once granted.

Compensation costs attributable to all stock options granted are measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of the option, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses recognized for the period reported. By their nature, these estimates are subject to measurement uncertainty and are reviewed periodically and adjustments, if necessary, are made in the period in which they are identified. Actual results may differ from these estimates.

GROUPWORKS FINANCIAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED NOVEMBER 30, 2007

3. DEFERRED ACQUISITION COSTS

	Cost	Accumulated amortization	Fiscal 2008 Net book value	Fiscal 2007 Net book value
Deferred acquisition costs	\$ 198,572	\$ 19,137	\$ 179,435	\$ 138,424

4. CAPITAL ASSETS

	Cost	Accumulated amortization	Fiscal 2008 Net book value	Fiscal 2007 Net book Value
Computer software	\$ 31,248	\$ 6,150	\$ 25,098	\$ 65,258
Computer equipment	101,623	16,820	84,803	21,864
Furniture and fixtures	158,709	20,512	138,197	23,559
Leasehold improvements	52,754	5,620	47,134	-
Building	457,143	13,623	443,520	1,044,123
	\$ 801,477	\$ 62,725	\$ 738,752	\$ 1,154,804

Cost includes the fair value of the capital assets acquired as part of the acquisitions (note 3) and additions, net of dispositions made during the quarter.

5. INTANGIBLE ASSETS

	Cost	Accumulated amortization	Fiscal 2008 Net book value	Fiscal 2007 Net book value
Customer relationships	\$ 2,325,000	\$ 290,625	\$ 2,034,375	\$ 2,266,875
Customer contracts	3,000,000	125,000	2,875,000	-
	\$ 5,325,000	\$ 415,625	\$ 4,909,375	\$ 2,266,875

Cost represents fair value of intangible assets acquired with each entity purchased. Intangible assets' amortization is not deductible for tax purposes.

6. BANK INDEBTEDNESS

Groupworks' banking facility provided for four distinct lines of credit.

A maximum \$100,000 operating line of credit which bears interest at prime plus 0.5% with no specific repayment terms. As at November 30, 2007, there is no outstanding balance.

A maximum \$250,000 real estate credit facility which is secured by Groupworks' real estate assets. The facility is a diminishing (non-revolving) line of credit with no further ability to draw on, no scheduled principal payments and interest due monthly. Interest is charged at prime plus 1%. As at November 30, 2007 there is no outstanding balance.

GROUPWORKS FINANCIAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED NOVEMBER 30, 2007

A maximum \$250,000 operating line of credit which bears interest at prime plus 0.75% with no specific repayment terms. As at November 30, 2007, there is no outstanding balance.

A maximum \$100,000 small business loan bearing interest at prime plus 0.75% repayable in monthly principal installments of \$1,715.51 plus interest, due November 2008. As at November 30, 2007 the balance outstanding is \$20,586.

The various debt facilities are secured by first collateral position over real estate assets held by Groupworks and Gallivan and a general security agreement over Groupworks' and Gallivan's assets.

7. SHORT TERM DEBT

The \$1,000,000 demand loan was issued September 1, 2006 and was repaid May 28, 2007 and bore interest at 8%.

8. INSURANCE PREMIUM LIABILITIES AND RELATED CASH OR CASH EQUIVALENTS

In its capacity as consultants, the Company collects premiums from the insured individual or group(s) and remits premiums, net of agreed deductions, such as taxes and commissions, to insurance underwriters. These are considered flow-through items for the Company held in segregated trust accounts and, as such, the cash and investment balances relating to these liabilities are deducted from the related liability and not included in the consolidated balance sheet of the Company.

As at November 30, 2007, the insurance premium liabilities are:

Payable to insurance companies	\$	2,715,753
Less related cash or cash equivalents		2,715,753
	\$	-

9. SHARE CAPITAL AND WARRANTS

(a) SHARE CAPITAL

Authorized: Unlimited common voting shares

	<u>Number</u>	<u>Price/ Average Price</u>	<u>Fiscal 2008 Net Amount</u>	<u>Fiscal 2007 Net Amount</u>
Opening balance issued and outstanding	15,731,155	\$ 0.49	\$ 7,784,080	\$ 795,000
Issued during the year:				
Acquisition of The Investment Guild				800,000
Total issued during the year			\$ -	\$ 800,000
Ending balance issued and outstanding	15,731,155	\$ 0.49	\$ 7,784,080	\$1,595,000

GROUPWORKS FINANCIAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED NOVEMBER 30, 2007

(b) WARRANTS

	Fiscal 2008		Fiscal 2007	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding at beginning of period	3,891,000	\$ 0.95	-	\$ -
Granted for short-term debt	-		85,000	0.60
Outstanding at end of period	3,891,000	\$ 0.95	85,000	\$ 0.60

Each Unit issued (6,300,000 – initial public offering and 600,000 – over-allotment) as part of the initial public offering consisted of one common share of Groupworks and one-half of one share purchase warrant of Groupworks (each whole such purchase warrant, a “Warrant”). Each Warrant entitles the holder thereof to acquire, subject to adjustments pursuant to the warrant indenture under which the Warrants have been issued, one Common Share at a price of \$1.00 until May 27, 2009, provided the closing price of Common Shares on the principal stock exchange on which such shares trade exceeds \$1.20 for 20 consecutive trading days, then the Warrant term shall automatically be reduced and the Warrants will expire on the date 30 days following the issuance of a press release announcing the reduced Warrant term.

Pursuant to the Agency Agreement, the Agent received Compensation Warrants entitling the Agent to purchase such number of Common Shares equal to 7% of 6,300,000 units sold during the initial public offering and an additional 42,000 upon exercising the over-allotment option both at a price of \$0.60 per Common Share for a period of 24 months from the date of such issuance (May 27, 2009 and June 6, 2009, respectively).

As partial consideration for the Demand Loan, Groupworks issued to the lender 85,000 share purchase warrants (note 7), each entitling the holder to acquire one Common Share at an exercise price of \$0.60 until September 1, 2007. The warrant option was exercised on August 31, 2007. \$15,316 was recognized in the books of the Company as interest expense with a corresponding increase in contributed surplus when granted. The amount was transferred to share capital on August 31, 2007 when the warrant options were exercised.

10. STOCK BASED COMPENSATION

On September 1, 2006 Groupworks adopted a stock option plan to reserve a maximum of 2,000,000 common shares for options to be granted to directors, officers, employees and service providers of Groupworks on terms that the directors of Groupworks may determine within the limitations set forth in the Stock Option Plan or by security regulators. The stock options are vested as to 25% at the date of the grant and 25% every six months thereafter. (see note 18)

GROUPWORKS FINANCIAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED NOVEMBER 30, 2007

Options granted, outstanding and exercisable are as follows: (no options were exercised in the period)

	Date	Expiry date	Number of Options	Weighted average exercise price	Weighted average remaining contractual life (years)	Options exercisable
Opening balance – September 1, 2007			1,400,000	\$ 0.60	4.26	680,000
Vested in the period						330,000
Granted in fiscal 2008:						
	18-Sep-07	17-Sep-12	75,000	\$ 0.67	4.80	18,750
Ending balance			1,475,000	\$ 0.61	4.06	1,028,750

Groupworks applies the fair value method using the Black-Scholes option pricing model to account for stock options granted to employees, directors and service providers of the Company.

During the quarter ended November 30, 2007, the Company approved a total of 75,000 options to purchase common shares of the Company to a director of which 18,750 have vested resulting in a stock-based compensation expense of \$3,141. During the period, a further 330,000 options vested resulting in stock-based compensation expense of \$59,458 for a total of \$62,599, with a corresponding increase in contributed surplus, which will be transferred to share capital when the options are exercised.

	Fiscal 2008	Fiscal 2007
Risk-free interest rate	4.16%	4.20
Dividend yield	0.00%	0.00%
Volatility factor of expected market price of the Company's shares	24.28%	24.00
Weighted average value of options granted during the year	\$ 0.1837	\$ 0.18

11. RELATED PARTY TRANSACTIONS

In addition to transactions disclosed elsewhere in the financial statements, the financial statements include the following transactions and balances with directors and officers or shareholders. All transactions are in the normal course of operations and are measured at the exchange amount, which is the consideration amount agreed to by the parties:

	Fiscal 2008	Fiscal 2007
Revenue (i)	\$ 30,663	12,329
Expenses		
Salaries, wages & benefits (ii)	\$ 111,149	\$ 58,333
Commissions (iii)	47,660	39,271
General and administrative (iv)	8,468	-
Interest expense (v)	33,871	27,359
Accounts receivable (i)	\$ 10,473	3,425
Due from related parties (vi)	139,686	-
Commission advances (iii)	105,300	72,089
Accounts payable & accrued liabilities (vii)	\$ 29,849	\$ -
Current portion of long term debt (viii)	1,022,041	420,723
Long term debt (viii)	1,179,942	1,149,274

GROUPWORKS FINANCIAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED NOVEMBER 30, 2007

- (i) Revenue is earned from a client that has two directors and shareholders who are also directors and shareholders of the Company.
- (ii) Salaries, wages and benefits paid to the Chief Executive Officer who is both a shareholder and director of the Company and to the President of a subsidiary who is an officer and shareholder of the Company.
- (iii) Commission payments totaling \$74,240 were made during the quarter (Fiscal 2007 - \$111,360) to Directors of the Company who are also employees, of which \$105,300 (Fiscal 2007 - \$72,089) is owed to the Company and included in commission advances in the financial statements.
- (iv) Consulting fees are paid to a vendor that has two directors and shareholders who are also directors and shareholders of the Company.
- (v) Cash interest payments of \$5,947 (Fiscal 2007 - \$14,703) were made to certain directors and shareholders of the Company. Accretive interest of \$ 6,542 (Fiscal 2007 - \$12,656) (included in the long term loan balance) also accrued to these individuals during the quarter. Interest of \$21,381 (Fiscal 2007 - nil) on the vendor take back loan was accrued to the benefit of the President of a subsidiary who is an officer and shareholder of the Company.
- (vi) Represents post closing working capital adjustments to be repaid by the former owners who are also directors and shareholders of the Company.
- (vii) Represents \$21,381 (Fiscal 2007 - nil) of accrued interest on the vendor take back loan payable to an officer of the Company who is also a shareholder and \$8,468 (Fiscal 2007 - nil) of consulting fees payable to a vendor that has two directors and shareholders who are also directors and shareholders of the Company.
- (viii) Represents vendor take back debt on acquisitions (note 13) owed to certain directors and shareholders of the Company.

12. FINANCIAL INSTRUMENTS

Fair Value

Groupworks' carrying value of cash, accounts receivable, commission advances, bank indebtedness and accounts payable and accrued liabilities approximate their fair values due to the immediate or short term maturity of these instruments.

The carrying value of the long term debt and due to related parties approximate their fair values as the interest rates are consistent with the current rates offered to Groupworks for debt with similar terms (non-interest bearing as stated in note 14).

Business Risks

Credit risk arises from the potential that a counter party will fail to perform its obligations. Groupworks is exposed to credit risk from customers. In order to reduce its credit risk, Groupworks reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. Groupworks has a significant number of customers which minimizes concentration of credit risk.

It is management's opinion that Groupworks is not exposed to significant interest and currency risk arising from these financial instruments.

GROUPWORKS FINANCIAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED NOVEMBER 30, 2007

13. LONG-TERM DEBT

	Fiscal 2008	Fiscal 2007
Vendor take back loan bearing interest at 7% per annum, and amortized over 15 years. The loan matures on September 1, 2021 and is secured by assets of Groupworks and is subordinated to the bank indebtedness. This amount is due to shareholders and employees of Groupworks.	\$ 333,436	\$ 846,790
Vendor take back loan bearing no interest per annum, repayable in two installments of \$264,264 and \$400,000. The loan matures on September 1, 2008 and is secured by the assets of The Combined Investment Guild. The loan has been discounted by 7% to arrive at the fair value which is the present value of the future cash flows. This amount is due to shareholders and employees of Groupworks. The loan is subject to adjustments related to specific performance measures of the acquired business.	635,136	723,207
Vendor take back loan bearing no interest per annum, repayable in three equal installments of \$551,043. The loan matures on September 1, 2009 and is guaranteed by The Combined Investment Guild. The loan has been discounted by 7% to arrive at the fair value which is the present value of the future cash flows. Upon completion of an initial public offering, Groupworks has the option to settle up to \$800,000 of the loan by issuing common shares at a value equal to their fair market value at the time of each installment payment. The loan is subject to adjustments related to specific performance measures of the acquired business.	1,356,055	1,820,726
Vendor take back loan bearing interest of 7% per annum, repayable in two installments due July 5, 2008 and July 5, 2009. The loan is secured by the assets of Gallivan & Associates Student Networks Inc. This amount is due to shareholders of Groupworks. The loan is subject to adjustments related to specific performance measures of the acquired business.	1,221,796	-
	3,546,423	3,390,723
Less current portion	1,373,084	1,059,125
Long term debt	\$ 2,173,339	\$ 2,331,598

GROUPWORKS FINANCIAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED NOVEMBER 30, 2007

Principal repayment terms are approximately:

2008	\$	1,373,084
2009		1,505,359
2010		562,611
2011		87,101
2012		18,268
	\$	3,546,423

Interest expense in the period consists of the following:

	Fiscal 2008	Fiscal 2007
Accretive interest on discounted vendor take-back loans	\$ 15,620	\$ 44,518
Short term loan (note 7)	-	25,000
Vendor take-back loan interest	27,329	14,703
Warrant options cost	-	15,316
Bank indebtedness	424	1,291
Interest income	(4,698)	-
	\$ 38,675	\$ 100,828

14. INCOME TAXES

The provision for (recovery of) income taxes differs from the provision computed at the statutory rates due to the various adjustments outlined below:

	Fiscal 2008	Fiscal 2007
Loss subject to income taxes	\$ (236,506)	\$ (391,985)
Statutory tax rate	36.12%	36.12%
Recovery of income taxes at statutory tax rates	\$ (85,426)	(141,585)
Adjustments to income taxes		
Temporary differences		
Intangible assets amortization	49,878	20,995
Equity issuance costs	(6,256)	(2,395)
Financing fees	(6,155)	(4,526)
Depreciation	1,074	208
Other	475	22,651
Current period adjustments		
Non deductible interest	5,512	16,080
Non deductible expenses	4,244	1,200
Current income taxes	\$ (36,654)	\$ (87,372)
Recovery of future income taxes	\$ (47,085)	\$ (3,464)

GROUPWORKS FINANCIAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED NOVEMBER 30, 2007

Significant components of future income tax assets and liabilities as at November 30 are as follows:

	Fiscal 2008	Fiscal 2007
Future income tax assets		
Equity issue costs	\$ 226,334	\$ -
Future income tax liabilities		
Asset basis differences	115,025	244,336
Amortization - customer relationships and contracts	1,773,266	622,250
Deferred costs	6,825	-
	\$ 1,895,116	\$ 866,586

15. COMMITMENTS AND CONTINGENCIES

Groupworks leases premises under long term leases that expire on August 31, 2010, December 31, 2010 and April 30, 2015

Groupworks has long term leases related to various office premises and office equipment. Future minimum lease payments as at November 30, 2007 are as follows:

2008	\$ 290,612
2009	292,288
2010	317,173
2011	203,145
2012	152,214
Thereafter	415,350
	\$ 1,670,782

In the ordinary course of business, the Company is involved in litigation and other claims. It is management's opinion that the ultimate outcome of these matters will not have a material adverse effect on the financial position or operating results of the Company.

16. CASH FLOW SUPPLEMENTARY INFORMATION

	Fiscal 2008	Fiscal 2007
Interest paid	\$ 6,372	\$ 15,994
Income taxes paid	\$ 48,684	\$ -

17. PENSION PLAN

Certain employees of the Company's Buffett Taylor Division participate in a defined contribution pension plan. Contributions to the plan by the Company totaled \$5,677 in the quarter (2007 - \$7,435). The amount is included in the salaries, wages and benefits expense in these financial statements.

GROUPWORKS FINANCIAL CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED NOVEMBER 30, 2007

18. SUBSEQUENT EVENTS

Stock-based Compensation

On January 4, 2008, at the Annual Special Meeting of the Shareholders, the shareholders approved an amendment to the stock option plan (see note 10), reducing the maximum common shares reserved for issuance from 2,000,000 common shares to 1,573,115 common shares, being 10% of the presently issued and outstanding common share capital of the Company. Under the plan, the number of common shares reserved for issuance in aggregate shall not exceed 10% of the total number of issued and outstanding common shares on a non-dilutive basis.

Payment of Vendor Take Back Loan

On December 3, 2007, the first anniversary payment due on the Vendor take back loan relating to the purchase of Buffett, Taylor Inc. was settled. The remainder of the first anniversary payment of \$351,043, included in long term debt (note 13) was settled with an offset of amounts receivable from Buffett Taylor Ltd., a cash payment of \$220,000 and the issuance of 100,776 common shares at \$0.51 per share.