



GROUPWORKS FINANCIAL CORP.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2008

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January 27, 2009

Notice to Shareholders

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

UNAUDITED CONSOLIDATED BALANCE SHEET

AT NOVEMBER 30, 2008

	November 30, 2008	August 31, 2008 (Audited)
ASSETS		
CURRENT		
Cash	\$ 650,490	\$ 654,732
Accounts receivable	501,691	658,155
Commission advances (note 11)	21,227	-
Prepaid expenses and other sundry assets	74,271	53,557
	1,247,679	1,366,444
CAPITAL ASSETS (note 3)	263,419	676,282
FUTURE INCOME TAXES (note 14)	152,367	176,693
INTANGIBLE ASSETS (note 4)	4,536,447	4,674,537
GOODWILL (notes 1 and 5)	6,912,501	6,912,501
	\$ 13,112,413	\$ 13,806,457
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Bank indebtedness (note 6)	\$ -	\$ 5,146
Accounts payable and accrued liabilities (note 11)	705,349	884,403
Deferred revenue	852,177	685,624
Commissions payable (note 11)	-	66,747
Income taxes payable	339,916	272,446
Current portion of long-term debt (note 13)	1,813,207	1,590,653
	3,710,649	3,505,019
DEFERRED LEASE INDUCEMENTS	68,378	39,073
LONG-TERM DEBT (note 13)	-	789,133
FUTURE INCOME TAXES (note 14)	1,502,355	1,711,588
	5,281,382	6,044,813
SHAREHOLDERS' EQUITY		
Share capital (note 8(a) (b))	7,761,509	7,785,835
Contributed surplus	269,936	266,795
Deficit	(200,414)	(290,986)
	7,831,031	7,761,644
	\$ 13,112,413	\$ 13,806,457

TRUST ACCOUNTS (note 7)

COMMITMENTS AND CONTINGENCIES (note 15)

SUBSEQUENT EVENTS (note 18)

ON BEHALF OF THE BOARD OF DIRECTORS“Sean Cleary”

Sean Cleary, Chairman of the Board

“John Gallivan”

John Gallivan, CEO and Director

**UNAUDITED CONSOLIDATED STATEMENT OF NET INCOME (LOSS),
COMPREHENSIVE INCOME (LOSS) AND DEFICIT**

FOR THE FIRST QUARTER ENDED NOVEMBER 30

	Fiscal 2009	Fiscal 2008
REVENUE		
Commissions	\$ 784,187	\$ 379,598
Fees	636,611	871,713
Other	821	7,010
	1,421,619	1,258,321
EXPENSES		
Salaries and benefits (note 11)	812,055	796,878
General and administrative	268,962	283,891
Commissions (note 11)	65,575	48,406
Advertising and promotion	139,028	103,840
Stock-based compensation (note 9)	3,141	62,599
	1,288,761	1,295,614
INCOME (LOSS) BEFORE UNDERNOTED ITEMS	132,858	(37,293)
OTHER EXPENSES		
Interest expense (note 3)	(17,838)	(38,675)
Depreciation of capital assets (note 3)	(17,950)	(22,448)
Amortization of intangible assets (note 4)	(138,090)	(138,090)
	(173,878)	(199,213)
INCOME (LOSS) BEFORE INCOME TAXES	(41,020)	(236,506)
INCOME TAXES (RECOVERED)		
Current (note 14)	77,641	(36,654)
Future (note 14)	(209,233)	(47,085)
	(131,592)	(83,739)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	90,572	(152,767)
DEFICIT - BEGINNING OF PERIOD	(290,986)	(439,968)
DEFICIT - END OF PERIOD	\$ (200,414)	\$ (592,735)
Earnings (loss) per share		
– Basic	\$ 0.01	\$ (0.01)
– Diluted	0.01	(0.01)
Weighted average number of shares outstanding:		
– Basic	15,831,931	15,731,155
– Diluted	21,272,931	21,082,320

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

UNAUDITED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

FOR THE FIRST QUARTER ENDED NOVEMBER 30

	<u>Share Capital</u>		<u>Contributed Surplus</u>	<u>Deficit</u>
	<u>Shares</u>	<u>Amount</u>		
BALANCE, AUGUST 31, 2006	4,358,334	\$ 795,000	\$ -	\$ (25,754)
Shares issued – Initial Public Offering	6,900,000	4,140,000	-	-
Shares issued – Acquisition of The Investment Guild	1,333,333	800,000	-	-
Shares issued – Acquisition of Gallivan	3,054,488	2,443,590	-	-
Warrant options exercised	85,000	51,000	-	-
Stock issuance costs	-	(460,826)	-	-
Warrant options cost	-	15,316	-	-
Stock-based compensation (<i>note 9</i>)	-	-	124,070	-
Net loss for the year	-	-	-	(414,214)
BALANCE, AUGUST 31, 2007	15,731,155	\$ 7,784,080	\$ 124,070	\$ (439,968)
Shares issued – Debt for share exchange	100,776	51,396	-	-
Stock issuance costs	-	(49,641)	-	-
Stock-based compensation (<i>note 9</i>)	-	-	142,725	-
Net earnings for the year	-	-	-	148,982
BALANCE, AUGUST 31, 2008	15,831,931	\$ 7,785,835	\$ 266,795	\$ (290,986)
Stock issuance costs	-	(24,326)	-	-
Stock-based compensation (<i>note 9</i>)	-	-	3,141	-
Net earnings for the period	-	-	-	90,572
BALANCE, NOVEMBER 30, 2008	15,831,931	\$ 7,761,509	\$ 269,936	\$ (200,414)

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

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE FIRST QUARTER ENDED NOVEMBER 30

	Fiscal 2009	Fiscal 2008
OPERATING ACTIVITIES		
Net income (loss)	\$ 90,572	\$ (152,767)
Items not affecting cash:		
Depreciation of capital assets	17,950	22,448
Amortization of intangible assets	138,090	138,090
Accretive interest expense	9,012	15,620
Future income taxes	(209,233)	(47,085)
Stock-based compensation	3,141	62,599
	49,532	38,905
Changes in non-cash working capital:		
Accounts receivable	156,464	241,458
Income taxes recoverable	-	(105,877)
Commission advances	(87,974)	(37,579)
Accounts payable and accrued liabilities	(179,054)	(678,979)
Deferred revenue	166,553	(144,140)
Deferred lease inducements	29,305	29,304
Income taxes payable	67,470	-
Prepaid expenses and other sundry assets	(20,714)	11,961
	132,050	(683,852)
Cash flow provided (used) by operating activities	181,582	(644,947)
INVESTING ACTIVITIES		
Purchase of capital assets	(7,675)	(5,740)
Proceeds from sale of capital assets	402,588	-
Business acquisition fees	-	(2,696)
Cash flow provided (used) by investing activities	394,913	(8,436)
FINANCING ACTIVITIES		
Bank indebtedness	(5,146)	(5,147)
Repayment of long-term debt	(575,591)	(16,965)
Cash flow used by financing activities	(580,737)	(22,112)
DECREASE IN CASH	(4,242)	(675,495)
Cash - beginning of period	654,732	1,149,637
CASH - END OF PERIOD	\$ 650,490	\$ 474,142

CASH FLOW SUPPLEMENTARY INFORMATION (note 16)

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2008

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Groupworks Financial Corp. [the "Company"] 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.

Effective September 1, 2008, the Company amalgamated with its wholly owned subsidiaries, Gallivan & Associates Student Networks Inc. and 1246689 Ontario Limited and continued under the name Groupworks Financial Corp. The comparative figures are consolidated, and include, the accounts of the Corporation and its wholly-own subsidiaries after elimination of intercompany balances and transactions.

The accompanying consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as a going concern.

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. Fee or contracted revenue is recognized in the period it is earned, net of a provision for non recoverable amounts.

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

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 and acquisition costs 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 undiscounted 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.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2008

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.

Deferred lease inducements

Lease inducements comprise rent-free periods and leasehold improvement allowances. Lease inducements are deferred and amortized to rental expense on a straight-line basis over the term of the related lease.

Future Income taxes

The asset and 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 future benefits will ultimately be realized.

Stock-based compensation

The Company uses the fair value based method to account for all stock-based payments. Under this method, compensation cost is charged directly to earnings. Direct awards of stock granted to employees are recorded at fair value on the date of grant and the associated expense is amortized over the vesting period with a corresponding credit to contributed surplus. When stock options are exercised, the proceeds, together with the amount recorded in contributed surplus, are recorded in share capital. The fair value of stock options granted is estimated using the Black-Scholes option pricing model, taking into account amounts that are believed to approximate the volatility of the trading price of the Company's stock and the risk-free interest rate, as determined at the grant date.

Earnings (loss) per share

Basic earnings per share is calculated by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated based on the treasury stock method, by dividing income available to common shareholders, adjusted for the effects of dilutive convertible securities, by the weighted average number of common shares outstanding during the period and all additional common shares that would have been outstanding had all potential dilutive common shares been issued. This method computes the number of additional shares by assuming all dilutive options are exercised. That total number of shares is then reduced by the number of common shares assumed to be repurchased from the total of issuance proceeds, using the average market price of the Company's common shares for the period. The effect of contingently convertible instruments has been included in the computation of diluted earnings per shares.

Measurement uncertainty

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

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTSFOR THE FIRST QUARTER ENDED NOVEMBER 30, 2008

results may differ from these estimates.

Adoption of new accounting standards

Effective on September 1, 2007, the Company adopted Section 3855 “Financial instruments – Recognition and measurement” issued by the Accounting Standards Board (“AcSB”) of the Canadian Institute of Chartered Accountants.

Section 3855 sets out criteria for the recognition and measurement of financial instruments and requires all financial instruments within its scope, including derivatives, to be accounted for either at fair value, or in circumstances where fair value may not be considered the most relevant information, at cost or amortized cost. All financial instruments are classified into one of five categories, with each category possessing specific requirements for initial and subsequent recognition and measurement.

Upon adoption of Section 3855, the Company designated its cash as a held-for-trading, which is accounted for at fair value. Accounts and other amounts receivable are classified as loans and receivables, which are accounted for at amortized costs. Accounts payable and accrued liabilities, long-term debt and other liabilities are classified as other financial liabilities, which are also accounted for at amortized costs. The Company elected to continue to capitalize transaction costs incurred upon the issue of financial liabilities. Amounts paid to lenders and transaction costs are considered in the calculation of the effective interest rate of financial liabilities and are amortized to interest expense using the effective interest method.

The following is a summary of the accounting model the Company has elected to apply to each of its significant categories of financial instruments outstanding at November 30, 2008:

Cash	Held-for-trading
Accounts receivable	Loans and receivables
Commission advances	Loans and receivables
Bank indebtedness	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Deferred Revenue	Other financial liabilities
Commissions payable	Other financial liabilities
Long-term debt	Other financial liabilities
Deferred lease inducements	Other financial liabilities

The adoption of Section 3855 had no effect on the Company’s financial position as at September 1, 2007.

Effective on September 1, 2007 the Company also adopted Section 1530 “Comprehensive income” issued by the AcSB. Comprehensive income is the change in shareholders’ equity during a period from transactions and other events from non-owner sources. Section 1530 requires certain gains and losses that would otherwise be recognized as part of net income (loss) to be presented in “other comprehensive income” until it is considered appropriate to be recognized in net income (loss). Section 1530 also requires the presentation of accumulated other comprehensive income (loss) and its components. Accordingly, the Company now includes comprehensive income (loss) within its consolidated statements of operations and comprehensive income (loss), and a statement of shareholders’ equity as a separate financial statement.

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New accounting standards

Effective on September 1, 2008, the Company adopted the following new accounting standards issued by the Accounting Standards Board (“AcSB”) of the Canadian Institute of Chartered Accountants:

Section 3862 “Financial instruments – Disclosures” replaces the disclosure requirements of Section 3861 “Financial instruments – Presentation and disclosure”. Section 3862 requires additional disclosure of the risks associated with financial instruments and of how those risks are managed.

Section 1535 “Capital disclosures” requires disclosure of information to enable users of the financial statements to evaluate the Company’s objectives, policies and processes for managing capital.

International Financial Reporting Standards (“IFRS”)

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year ended August 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. CAPITAL ASSETS

	Cost	Accumulated amortization	November 30, 2008 Net book value	August 31, 2008 Net book value
Building	\$ -	\$ -	\$ -	\$ 403,750
Furniture and fixtures	164,103	48,902	115,201	121,264
Computer equipment	122,855	44,507	78,348	78,224
Leasehold improvements	57,224	17,998	39,226	42,292
Computer software	48,028	17,384	30,644	30,752
	\$ 392,210	\$ 128,791	\$ 263,419	\$ 676,282

Cost includes the fair value of the capital assets acquired as part of the acquisitions and additions, net of dispositions made during the period.

4. INTANGIBLE ASSETS

	Cost	Accumulated amortization	November 30, 2008 Net book value	August 31, 2008 Net book value
Customer contracts	\$ 3,000,000	\$ 425,000	\$ 2,575,000	\$ 2,650,000
Customer relationships	2,325,000	523,125	1,801,875	1,860,000
Acquisition costs	198,572	39,000	159,572	164,537
	\$ 5,523,572	\$ 987,125	\$ 4,536,447	\$ 4,674,537

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

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2008

5. GOODWILL

	November 30, 2008 Net book value	August 31, 2008 Net book value
Goodwill, beginning of period	\$ 6,912,501	\$ 6,783,648
Adjustment to Purchase Price:	-	128,853
Goodwill, end of period	\$ 6,659,438	\$ 6,912,501

During Fiscal 2008, the purchase price for certain acquisitions was adjusted to reflect better than anticipated revenue levels being achieved.

6. BANK INDEBTEDNESS

The Company's banking facility provided for two 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, 2008, there is no outstanding balance (2008 – \$nil).

A maximum \$100,000 small business fixed asset 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, 2008, there is no outstanding balance (2008 – \$20,586).

The debt facilities are secured by a general security agreement over the Company's assets.

7. 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 are deducted from the related liability and not included in the consolidated balance sheet of the Company.

As at November 30, 2008, the insurance premium liabilities are:

	November 30, 2008	August 31, 2008
Payable to insurance companies and insured individuals or groups	\$ 2,689,678	\$ 1,609,753
Less related cash or cash equivalents	2,689,678	1,609,753
	\$ -	\$ -

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FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2008

8. SHARE CAPITAL AND WARRANTS

(a) SHARE CAPITAL

Authorized: Unlimited common voting shares

	Number of Common Shares	Price/ Average Price	November 30, 2008 Amount	August 31, 2008 Amount
Opening balance issued and outstanding	15,731,155	\$ 0.49	\$ 7,785,835	\$ 7,784,080
Issued during the year:				
Debt for share exchange (i)	100,776	\$ 0.51	-	51,396
Total issued during the period	100,776		\$ -	\$ 51,396
Less: Units issue costs, net of future taxes	-		(24,326)	(49,641)
Ending balance issued and outstanding	15,831,931	\$ 0.49	\$ 7,761,509	\$ 7,785,835

(i) On December 3, 2007, 100,776 common shares at \$0.51 per share were issued to settle a portion of the vendor take back loan relating to the purchase of Buffett, Taylor.

(b) WARRANTS

	November 30, 2008		August 31, 2008	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding at beginning of period	3,891,000	\$ 0.95	3,891,000	\$ 0.95
Outstanding at end of period	3,891,000	\$ 0.95	3,891,000	\$ 0.95

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 the Company 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.

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).

9. STOCK BASED COMPENSATION

On September 1, 2006 the Company 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 the Company on terms that the directors of the Company 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

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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the grant and 25% every six months thereafter.

On January 4, 2008, at the Annual Special Meeting of the Shareholders, the shareholders approved an amendment to the stock option plan, 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.

Changes in stock options are as follows:

	Three months ended November 30, 2008		Year ended August 31, 2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	1,254,000	\$ 0.59	1,400,000	\$ 0.60
Awarded	-	-	150,000	0.53
Cancelled	-	-	-	-
Expired	-	-	(296,000)	0.60
Outstanding, end of period	1,254,000	\$ 0.59	1,254,000	\$ 0.59
Exercisable, end of period	1,177,750	\$ 0.60	1,159,000	\$ 0.60

The following table sets forth information relating to stock options outstanding as at November 30, 2008 (no options were exercised in the period):

Expiry	Range of exercise prices	Number Outstanding at November 30, 2008	Weighted Average remaining contractual life (in years)	Weighted average exercise price	Number exercisable at November 30, 2008	Weighted average exercise price
Nov 23, 2011	\$ 0.60	1,024,000	2.98	\$ 0.60	1,024,000	\$ 0.60
Jun 27, 2012	0.64	80,000	3.58	0.64	60,000	0.64
Sep 17, 2012	0.67	75,000	3.80	0.67	56,250	0.67
Feb 27, 2013	0.38	75,000	4.25	0.38	37,500	0.38
	\$0.38 to \$0.67	1,254,000	3.14	\$ 0.59	1,177,750	\$ 0.60

The Company 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, 2008, 18,750 stock options vested resulting in stock-based compensation expense of \$3,141, with a corresponding increase in contributed surplus. No options were granted during the quarter ended November 30, 2008.

	August 31, 2008
Risk-free interest rate	4.10%
Dividend yield	0.00%
Volatility factor of expected market price of the Company's shares	25% - 40%
Weighted average value of options granted during the period	\$ 0.17 - \$ 0.21

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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The Black-Scholes option pricing model was developed for use in estimating the fair value of stock options that have no vesting provisions and are fully transferable. Option pricing models require the input of highly subjective assumptions including the expected price volatility. The Company uses expected volatility rates which are based upon historical volatility rates. Changes in the subjective input assumptions can materially affect the fair value estimate.

10. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide opportunities for growth to shareholders and benefits for other stakeholders and to maintain financial flexibility in, or to take advantage of, organic growth and new acquisition opportunities as they arise.

In the management of capital, the Company includes cash, bank financing, vendor take back debt and shareholders' equity in the definition of capital. The Company manages its capital structure and can adjust it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust capital structure, the Company may issue new shares, issue new debt, renegotiate vendor take back debt or issue new debt to replace existing debt with different characteristics. The Company's acquisition strategy includes the issuance of debt and shares. The Company uses its operating line of credit during the year to finance cash flows related to seasonal changes in non-cash working capital items.

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:

	For the three months ended	
	November 30, 2008	November 30, 2007
Revenue (i)	\$ 18,337	\$ 30,663
Expenses		
Salaries, wages & benefits (ii)	55,371	111,149
Commissions (iii)	56,227	47,660
General and administrative (iv)	2,694	8,468
Interest expense (v)	14,253	33,871
	As at	
	November 30, 2008	August 31, 2008
Accounts receivable (i)	18,337	23,253
Commission advances (iii)	28,227	-
Accounts payable & accrued liabilities (vi)	56,056	44,599
Commissions payable (iii)	-	66,747
Current portion of long-term debt (vii)	426,478	1,039,610
Long-term debt (vii)	587,203	274,140

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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- (i) Consulting fee revenue of \$18,337 earned from a client that has two directors and shareholders who are also directors and shareholders of the Company is receivable at year end (August 31, 2008 – \$23,253).
- (ii) Salaries, wages and benefits paid to the Chief Executive Officer who is both a shareholder and director of the Company.
- (iii) Commission payments totaling \$84,454 were made during the period (2008 - \$74,240) to Directors of the Company who are also employees, of which \$28,227 (August 31, 2008 – \$nil) 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 \$1,726 (2008 - \$5,947) were made to certain directors and shareholders of the Company. Accretive interest of \$ nil (2008 - \$26,168) (included in the long term loan balance) also accrued to these individuals during the quarter. Interest of \$12,527 (2008 - \$21,381) on the vendor take back loans was accrued to the benefit of the Chief Executive Officer and two other directors and shareholders of the Company.
- (vi) Accrued interest on the vendor take back loan amounting to \$55,433 (August 31, 2008 – \$42,905) was payable to the Chief Executive Officer and \$623 (August 31, 2008 - \$1,694) of consulting fees payable to a vendor that has two directors and shareholders who are also directors and shareholders of the Company.
- (vii) Represents vendor take back debt on acquisitions (note 12) owed to the Chief Executive Officer and certain directors of the Company.

12. FINANCIAL INSTRUMENTSFair Value

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

The carrying value of the long term debt approximates its fair value as the interest rates are consistent with the current rates offered to the Company for debt with similar terms.

Carrying value and fair value of financial assets and liabilities are summarized as follows:

Classification	November 30, 2008		August 31, 2008	
	Carrying value	Fair value	Carrying value	Fair value
Held-for-trading	\$ 650,490	\$ 650,490	\$ 654,732	\$ 654,732
Loans and receivables	\$ 522,918	\$ 522,918	\$ 658,155	\$ 658,155
Other financial liabilities	\$ 3,439,111	\$ 3,439,111	\$ 4,060,779	\$ 4,060,779

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FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2008

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. Financial assets and financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. The Company's long term debt (vendor take back debt) bears interest at fixed rates. The carrying value of the long term debt approximates its fair value as the interest rates are consistent with the current rates offered to the Company for debt with similar terms. The Company's credit facilities bear variable interest rates, but the facilities are not material and are not currently being utilized. Reasonable fluctuations in market interest rates would not have a material impact on the Company's net income and comprehensive income.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk from customers. In order to reduce its credit risk, the Company 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. Over the past 27 months, the Company has not experienced any bad debt write offs and accordingly its allowance at November 30, 2008 is nil. On average 70% of the accounts receivable balance is comprised of commissions due from large national Insurance Companies.

It is management's opinion that the Company is not exposed to price and currency risk arising from these financial instruments.

Pursuant to their respective payment terms, consolidated accounts receivable are aged as follows as at November 30, 2008:

In line with payment terms	\$	350,377
Under 31 days past due		70,263
31-60 days past due		29,073
61-90 days past due		16,370
Over 91 days past due		35,608
		501,691
Allowance for doubtful accounts		-
Total	\$	501,691

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2008

Liquidity Risk

Liquidity risk is the risk that the Company would not be able to meet its financial obligations as they come to maturity or can only do so at excessive costs. Based on the Company's ability to generate cash flows through its ongoing operations, management believes that cash flows are sufficient to cover its known operating and capital requirements, as well as its debt servicing costs. The Company however, could not, without restructuring its vendor take back debt as outlined in the subsequent event note (note 18), meet its current and longer term commitments related to the vendor take back debt. Therefore, management evaluates that the Company's liquidity risk is moderate at this time. The liquidity risk is considered to be moderate due to the fact that the Company was successful at extending \$987,203 of vendor take back debt to August 2010. The Company manages its cash resources through ongoing financial forecasts and anticipated cash flows.

The maturity dates of the Company's financial liabilities as at November 30, 2008 are as follows:

	Maturing in the next 12 months	Maturing in 13 to 36 months	Maturing in 37 to 60 months	Maturing in more than 60 months	Total
Accounts payable and accrued liabilities	\$ 649,916	\$ -	\$ -	\$ -	\$ 649,916
Interest payable on VTB debt	55,433	-	-	-	55,433
Deferred revenue	852,177	-	-	-	852,177
Deferred lease inducements	10,656	31,969	21,313	4,440	68,378
Long-term debt	1,226,004	-	-	-	1,226,004
Interest payments on long-term debt	48,490	-	-	-	48,490
Total	\$2,842,676	\$ 31,969	\$ 21,313	\$ 4,440	\$2,900,398

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2008

13. LONG-TERM DEBT

	November 30, 2008	August 31, 2008
(a) A 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 the Company and is subordinated to the bank indebtedness. This amount is due to shareholders and employees of the Company. The loan has been repaid in full.	\$ -	\$ 300,069
(b) A vendor-take-back loan bearing no interest per annum, with one remaining installment. The loan matures on September 1, 2008 and is secured by the assets of the Company and is subordinated to the bank indebtedness and the vendor take back loan (c) below. 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 the Company (see note 18 (4)).	426,478	426,478
(c) A vendor-take-back loan bearing no interest per annum, with one remaining installment of \$551,043. See note 18 (2). The loan matures on September 1, 2009 and is guaranteed by the Company and is subordinated to the bank indebtedness. The loan has been discounted by 7% to arrive at the fair value which is the present value of the future cash flows. The Company has the option to settle up to \$275,521 of the remaining balance 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.	799,526	1,066,036
(d) A vendor-take-back loan bearing interest of 7% per annum, with one remaining installment. The loan matures on July 5, 2009. The loan is secured by the assets of the Company and is subordinated to the bank indebtedness and the vendor take back loans (b) and (c) above. This amount is due to shareholders of the Company (see note 18 (5)).	587,203	587,203
	1,813,207	2,379,786
Less current portion	1,813,207	1,590,653
Long term debt	\$ -	\$ 789,133
Principal repayment terms are approximately:		
2009	\$	1,813,207
	\$	1,813,207

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2008

Interest expense in the period consists of the following:

	2009	2008
Accretive interest on discounted vendor take-back loans	\$ 9,012	\$ 15,620
Vendor take-back loan interest	14,253	27,329
Bank indebtedness	54	424
Interest income	(5,481)	(4,698)
	\$ 17,838	\$ 38,675

14. INCOME TAXES

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

	2009	2008
Income (loss) subject to income taxes	\$ (41,020)	\$ (236,506)
Statutory tax rate	33.50%	36.12%
Income taxes at statutory tax rates	\$ (13,741)	\$ (85,426)
Adjustments to income taxes		
Temporary differences		
Intangible assets amortization	46,260	49,878
Equity issuance costs	(11,510)	(6,256)
Financing fees	(2,217)	(6,155)
Depreciation	190	1,074
Other	-	475
Current period adjustments		
Recapture of capital cost allowance	54,325	-
Non deductible interest	3,019	5,512
Capital gain (loss) on sale of assets	(2,404)	-
Non deductible expenses	3,720	4,244
Current income taxes	\$ 77,642	\$ (36,654)
Recovery of future income taxes	\$ (209,233)	\$ (47,085)

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

	November 30, 2008	August 31, 2008
Future income tax assets		
Equity issue costs	\$ 152,367	\$ 176,693
Future income tax liabilities		
Asset basis differences	\$ 9,575	\$ 54,572
Amortization – customer relationships and contracts	1,466,254	1,629,012
Deferred costs (included in intangible assets)	26,526	28,004
	\$ 1,502,355	\$ 1,711,588

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2008

15. COMMITMENTS AND CONTINGENCIES

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

The Company has long term leases related to various office premises and office equipment. Future minimum lease payments as at November 30, 2008 are as follows:

2009	\$	292,225
2010		317,131
2011		203,145
2012		152,214
2013		153,881
Thereafter		261,469
	\$	1,380,065

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

	Three months ended November 30, 2008	Three months ended November 30, 2007
Interest paid	\$ 1,779	\$ 6,372
Income taxes paid	\$ 10,172	\$ 48,684

During the quarters ended November 30, 2008 and 2007, the Company did not have any non-cash transactions.

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 \$6,546 in the quarter (2008 – \$5,677). The amount is included in the salaries, wages and benefits expense in these financial statements.

18. SUBSEQUENT EVENTS

1. On December 4, 2008, the Company received \$300,000 in proceeds pursuant to a loan agreement with a financial institution. The loan bears interest at 7.19% per annum and is repayable over a 48 month term.
2. On December 5, 2008, a payment of \$200,000 was made to satisfy the cash payment required as part of the VTB debt on the Buffett Taylor & Associates Insurance Agencies Inc. acquisition. The balance of the amount that was due on September 1, 2008, \$75,521, has been deferred by agreement with the debt holder.
3. On December 31, 2008, the Company signed a Share Exchange Agreement with the shareholders of People Corporation to acquire 100% of the outstanding common shares of People Corporation for approximately \$5,917,983 including approximately \$110,000 of acquisition costs, (\$4,544,446

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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when net of cash acquired of \$1,373,537). In exchange, the Company will issue 15,831,930 common shares at \$0.25 per share and a \$2,273,664 non-interest bearing promissory note payable in 60 monthly installments beginning at the closing date. The discounted value of the promissory note being approximately \$1,850,000

4. On December 19, 2008, payment of \$26,478 was made relating to the VTB debt relating to the purchase of The Investment Guild Insurance Agency Inc. Further, on January 16, 2009, the Company entered into an agreement to restructure the terms of the balance of the VTB debt. The loan bears interest at 8% per annum plus a 4% per annum penalty and matures on August 31, 2010.
5. On January 5, 2009, the Company entered into an agreement to renegotiate the maturity date of the VTB debt relating to the acquisition of Gallivan & Associates Student Networks Inc. The maturity date has been extended to August 31, 2010.