



GROUPWORKS FINANCIAL CORP.

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE SECOND QUARTER AND SIX MONTHS ENDED FEBRUARY 28, 2009

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APRIL 22, 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 FEBRUARY 28, 2009

	February 28, 2009	August 31, 2008 (Audited)
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$ 290,624	\$ 654,732
Accounts receivable	786,856	658,155
Commission advances (note 12)	80,878	-
Prepaid expenses and other sundry assets	195,305	53,557
	<b>1,353,663</b>	<b>1,366,444</b>
CAPITAL ASSETS (note 4)	251,137	676,282
FUTURE INCOME TAXES (note 15)	142,872	176,693
INTANGIBLE ASSETS (note 5)	4,925,937	4,674,537
GOODWILL (notes 1 and 6)	7,684,385	6,912,501
	<b>\$ 14,357,994</b>	<b>\$ 13,806,457</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT</b>		
Bank indebtedness (note 7)	\$ -	\$ 5,146
Accounts payable and accrued liabilities (note 12)	914,163	884,403
Deferred revenue	590,876	685,624
Commissions payable (note 12)	-	66,747
Income taxes payable	323,533	272,446
Current portion of long-term debt (note 14)	810,835	1,590,653
	<b>2,639,407</b>	<b>3,505,019</b>
DEFERRED LEASE INDUCEMENTS	65,714	39,073
LONG-TERM DEBT (note 14)	1,437,794	789,133
FUTURE INCOME TAXES (note 15)	1,630,979	1,711,588
	<b>5,773,894</b>	<b>6,044,813</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 9(a) (b))	8,030,793	7,785,835
Contributed surplus	278,700	266,795
Retained earnings (deficit)	274,607	(290,986)
	<b>8,584,100</b>	<b>7,761,644</b>
	<b>\$ 14,357,994</b>	<b>\$ 13,806,457</b>

TRUST ACCOUNTS (note 8)

COMMITMENTS AND CONTINGENCIES (note 16)

SUBSEQUENT EVENTS (note 19)

**ON BEHALF OF THE BOARD OF DIRECTORS**“Sean Cleary”

Sean Cleary, Chairman of the Board

“Laurie Goldberg”

Laurie Goldberg, CEO and Director

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

FOR THE SECOND QUARTER AND SIX MONTHS ENDED FEBRUARY 28, 2009

	February 28, 2009		February 29, 2008	
	3 months ended	6 months ended	3 months ended	6 months ended
<b>REVENUE</b>				
Commissions	\$ 1,596,629	\$ 2,380,816	\$ 1,297,919	\$ 1,677,517
Fees	682,269	1,318,880	590,706	1,462,420
Other	923	1,744	13,368	20,377
	<b>2,279,821</b>	<b>3,701,440</b>	<b>1,901,993</b>	<b>3,160,314</b>
<b>EXPENSES</b>				
Salaries and benefits (note 12)	952,618	1,764,673	794,666	1,591,544
General and administrative	281,257	550,219	339,301	623,192
Commissions (note 12)	17,836	83,411	86,807	135,213
Advertising and promotion	81,734	220,762	101,630	205,470
Stock-based compensation (note 10)	8,764	11,905	8,764	71,363
	<b>1,342,209</b>	<b>2,630,970</b>	<b>1,331,168</b>	<b>2,626,782</b>
<b>INCOME BEFORE UNDERNOTED ITEMS</b>	<b>937,612</b>	<b>1,070,470</b>	<b>570,825</b>	<b>533,532</b>
<b>OTHER EXPENSES</b>				
Interest expense (note 14)	(38,458)	(56,295)	(61,138)	(99,813)
Depreciation of capital assets (note 4)	(18,204)	(36,154)	(22,618)	(45,066)
Amortization of intangible assets (note 5)	(147,034)	(285,124)	(138,091)	(276,181)
	<b>(203,696)</b>	<b>(377,573)</b>	<b>(221,847)</b>	<b>(421,060)</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>733,916</b>	<b>692,897</b>	<b>348,978</b>	<b>112,472</b>
<b>INCOME TAXES (RECOVERED)</b>				
Current (note 15)	297,771	375,413	181,104	144,450
Future (note 15)	(38,876)	(248,109)	(47,036)	(94,121)
	<b>258,895</b>	<b>127,304</b>	<b>134,068</b>	<b>50,329</b>
<b>NET INCOME AND COMPREHENSIVE INCOME</b>	<b>475,021</b>	<b>565,593</b>	<b>214,910</b>	<b>62,143</b>
<b>DEFICIT – BEGINNING OF PERIOD</b>	<b>(200,414)</b>	<b>(290,986)</b>	<b>(592,735)</b>	<b>(439,968)</b>
<b>RETAINED EARNINGS (DEFICIT) – END OF PERIOD</b>	<b>\$ 274,607</b>	<b>\$ 274,607</b>	<b>\$ (377,825)</b>	<b>\$ (377,825)</b>
<b>Earnings per share</b>				
– Basic	\$ 0.03	\$ 0.03	\$ 0.01	\$ 0.01
– Diluted	\$ 0.02	\$ 0.03	\$ 0.01	\$ 0.01
<b>Weighted average number of shares outstanding:</b>				
– Basic	16,199,264	16,014,583	15,828,609	15,777,882
– Diluted	21,344,264	21,159,583	21,195,433	21,138,876

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

**UNAUDITED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**

FOR THE SECOND QUARTER AND SIX MONTHS ENDED FEBRUARY 28, 2009

	<u>Share Capital</u>		<u>Contributed</u>	<u>Retained</u>
	<u>Shares</u>	<u>Amount</u>	<u>Surplus</u>	<u>Earnings/ (Deficit)</u>
<b>BALANCE, AUGUST 31, 2007</b>	<b>15,731,155</b>	<b>\$ 7,784,080</b>	<b>\$ 124,070</b>	<b>\$ (439,968)</b>
Shares issued – Debt for share exchange	100,776	51,396	-	-
Stock issuance costs	-	(49,641)	-	-
Stock-based compensation ( <i>note 10</i> )	-	-	142,725	-
Net earnings for the year	-	-	-	148,982
<b>BALANCE, AUGUST 31, 2008</b>	<b>15,831,931</b>	<b>\$ 7,785,835</b>	<b>\$ 266,795</b>	<b>\$ (290,986)</b>
Shares issued – White Willow acquisition	1,140,000	285,000	-	-
Stock issuance costs	-	(40,042)	-	-
Stock-based compensation ( <i>note 10</i> )	-	-	11,905	-
Net earnings for the period	-	-	-	565,593
<b>BALANCE, FEBRUARY 28, 2009</b>	<b>16,971,931</b>	<b>\$ 8,030,793</b>	<b>\$ 278,700</b>	<b>\$ 274,607</b>

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

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOW**

FOR THE SECOND QUARTER AND SIX MONTHS ENDED FEBRUARY 28, 2009

	February 28, 2009		February 29, 2008	
	3 months ended	6 months ended	3 months ended	6 months ended
<b>OPERATING ACTIVITIES</b>				
Net income	\$ 475,021	\$ 565,593	\$ 214,910	\$ 62,143
Items not affecting cash:				
Depreciation of capital assets	18,204	36,154	22,618	45,066
Amortization of intangible assets	147,034	285,124	138,091	276,181
Accretive interest expense	13,938	22,950	35,294	50,914
Future income taxes	(38,876)	(248,109)	(47,036)	(94,121)
Stock-based compensation	8,764	11,905	8,764	71,363
	<b>624,085</b>	<b>673,617</b>	<b>372,641</b>	<b>411,546</b>
Changes in non-cash working capital:				
Accounts receivable	(282,163)	(125,699)	(109,124)	132,334
Due from related parties	-	-	139,686	139,686
Commission advances	(59,651)	(147,625)	50,655	13,076
Accounts payable and accrued liabilities	198,030	18,976	(70,329)	(749,308)
Deferred revenue	(261,301)	(94,748)	(76,791)	(220,931)
Deferred lease inducements	(2,664)	26,641	(2,664)	26,640
Income taxes payable	(74,216)	(6,746)	155,227	49,350
Prepaid expenses and other sundry assets	(116,809)	(137,523)	(253)	11,708
	<b>(598,774)</b>	<b>(466,724)</b>	<b>86,407</b>	<b>(597,445)</b>
Cash flow provided (used) by operating activities	<b>25,311</b>	<b>206,893</b>	<b>459,048</b>	<b>(185,899)</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of capital assets	(5,922)	(13,597)	(6,047)	(11,787)
Proceeds from sale of capital assets	-	402,588	-	-
Business acquisitions	(547,491)	(547,491)	-	-
Cash acquired on business acquisitions	158,881	158,881	-	-
Business acquisition fees	(36,524)	(36,524)	-	(2,696)
Cash flow (used) by investing activities	<b>(431,056)</b>	<b>(36,143)</b>	<b>(6,047)</b>	<b>(14,483)</b>
<b>FINANCING ACTIVITIES</b>				
Bank indebtedness	-	(5,146)	10,813	5,666
Proceeds from long-term debt	300,000	300,000	-	-
Repayment of long-term debt	(247,900)	(823,491)	(616,906)	(633,871)
Stock issuance costs	(6,221)	(6,221)	-	-
Cash flow provided (used) by financing activities	<b>45,879</b>	<b>(534,858)</b>	<b>(606,093)</b>	<b>(628,205)</b>
<b>DECREASE IN CASH FLOW</b>	<b>(359,866)</b>	<b>(364,108)</b>	<b>(153,092)</b>	<b>(828,587)</b>
Cash – beginning of period	650,490	654,732	474,142	1,149,637
<b>CASH – END OF PERIOD</b>	<b>\$ 290,624</b>	<b>\$ 290,624</b>	<b>\$ 321,050</b>	<b>\$ 321,050</b>

CASH FLOW SUPPLEMENTARY INFORMATION (note 17)

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

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SECOND QUARTER AND SIX MONTHS ENDED FEBRUARY 28, 2009

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### 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 owned subsidiary White Willow Benefit Consultants Incorporated ("White Willow") after elimination of intercompany balances and transactions.

As described in note 19(a), effective March 1, 2009 the Company merged with People Corporation and operates it as a wholly owned subsidiary. People Corporation delivers recruiting, strategic HR consulting, employee group benefit consulting, third party benefits administration and career management services. The impact of the merger has not been reflected in these financial statements.

### 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:

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

#### 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

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE SECOND QUARTER AND SIX MONTHS ENDED FEBRUARY 28, 2009

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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.

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 share.

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

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE SECOND QUARTER AND SIX MONTHS ENDED FEBRUARY 28, 2009

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.

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 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 February 28, 2009:

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.

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE SECOND QUARTER AND SIX MONTHS ENDED FEBRUARY 28, 2009

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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. BUSINESS ACQUISITION

White Willow Benefit Consultants Incorporated

Effective January 1, 2009, the Company acquired all the outstanding shares of White Willow Benefit Consultants Incorporated (“White Willow”), a Stouffville, Ontario based group benefits and pension advisory firm in exchange for \$1,165,000. The present value of the consideration given is \$1,201,875 (\$1,042,994 net of acquired cash of \$158,881) and was settled as follows: \$450,000 cash on closing; \$97,491 cash for excess working capital; issuance of 1,140,000 common shares for a value of \$285,000 (\$0.25 per share); and a non-interest bearing vendor take-back loan of \$430,000 discounted at 7% per annum to \$369,384 due in 3 equal annual installments on the successive anniversary dates of closing.

The acquisition has been accounted for using the purchase method and accordingly, the results of operations from January 1, 2009 have been included in these consolidated financial statements and no comparative information is provided. The consideration paid has been allocated to the assets acquired based on their fair values and the excess of the purchase price over the value of the net identifiable assets acquired has been recorded as goodwill, which is not tax deductible. All other acquired intangible assets are subject to amortization.

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE SECOND QUARTER AND SIX MONTHS ENDED FEBRUARY 28, 2009

The allocation of the purchase price of the assets acquired and the liabilities assumed is as follows:

<b>ASSETS</b>	
Accounts receivable	\$ 3,002
Prepaid expenses	4,225
Customer relationships	500,000
	<u>507,227</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	10,784
Income taxes payable	57,833
Future income tax liability	167,500
	<u>236,117</u>
Fair value of net assets acquired	271,110
Discounted purchase price	<u>1,042,994</u>
Total goodwill on purchase	<u>\$ 771,884</u>

## 4. CAPITAL ASSETS

	Cost	Accumulated amortization	February 28, 2009 Net book value	August 31, 2008 Net book value
Building	\$ -	\$ -	\$ -	\$ 403,750
Furniture and fixtures	164,103	55,078	109,025	121,264
Computer equipment	123,880	50,449	73,431	78,224
Leasehold improvements	57,224	21,064	36,160	42,292
Computer software	52,925	20,404	32,521	30,752
	<u>\$ 398,132</u>	<u>\$ 146,995</u>	<u>\$ 251,137</u>	<u>\$ 676,282</u>

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

## 5. INTANGIBLE ASSETS

	Cost	Accumulated amortization	February 28, 2009 Net book value	August 31, 2008 Net book value
Customer contracts	\$ 3,000,000	\$ 500,000	\$ 2,500,000	\$ 2,650,000
Customer relationships	2,825,000	589,584	2,235,416	1,860,000
Acquisition costs	235,096	44,575	190,521	164,537
	<u>\$ 6,060,096</u>	<u>\$ 1,134,159</u>	<u>\$ 4,925,937</u>	<u>\$ 4,674,537</u>

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 SECOND QUARTER AND SIX MONTHS ENDED FEBRUARY 28, 2009

## 6. GOODWILL

	February 28, 2009 Net book value	August 31, 2008 Net book value
Goodwill, beginning of period	\$ 6,912,501	\$ 6,783,648
Acquisition ( <i>note 3</i> )	771,884	-
Adjustment to Purchase Price:	-	128,853
<b>Goodwill, end of period</b>	<b>\$ 7,684,385</b>	<b>\$ 6,912,501</b>

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

## 7. BANK INDEBTEDNESS

The Company's various banking facilities provide 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 February 28, 2009, there is no outstanding balance (August 31, 2008 – \$15,000).

A maximum \$100,000 small business fixed asset loan bearing interest at prime plus 0.75% repayable in monthly principal installments of \$1,716 plus interest. The loan was repaid in full and terminated in November 2008.

The debt facility is secured by a general security agreement over the Company's assets.

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

As at February 28, 2009, the insurance premium liabilities are:

	February 28, 2009	August 31, 2008
Payable to insurance companies and insured individuals or groups	\$ 1,105,381	\$ 1,609,753
Less related cash or cash equivalents	1,105,381	1,609,753
	\$ -	\$ -

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE SECOND QUARTER AND SIX MONTHS ENDED FEBRUARY 28, 2009

## 9. SHARE CAPITAL AND WARRANTS

## (a) SHARE CAPITAL

Authorized: Unlimited common voting shares

	February 28, 2009			August 31, 2008	
	Number of Common Shares	Price/ Average Price	Amount	Number of Common Shares	Amount
<b>Opening balance issued and outstanding</b>	<b>15,831,931</b>	<b>\$ 0.49</b>	<b>\$ 7,785,835</b>	<b>15,731,155</b>	<b>\$ 7,784,080</b>
Issued during the year:					
Debt for share exchange (i)	-	-	-	100,776	51,396
Acquisition of White Willow (ii)	1,140,000	\$ 0.25	285,000	-	-
<b>Total issued during the period</b>	<b>1,140,000</b>		<b>\$ 285,000</b>	<b>100,776</b>	<b>\$ 51,396</b>
Less: Units issue costs, net of future taxes	-		(40,042)	-	(49,641)
<b>Ending balance issued and outstanding</b>	<b>16,971,931</b>	<b>\$ 0.47</b>	<b>\$ 8,030,793</b>	<b>15,831,931</b>	<b>\$ 7,785,835</b>

(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.

(ii) On January 30, 2009, 1,140,000 common shares at \$0.25 per share were issued as partial consideration on the acquisition of White Willow (note 3).

## (b) WARRANTS

	February 28, 2009		August 31, 2008	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding at beginning of period	<b>3,933,000</b>	<b>\$ 0.95</b>	<b>3,933,000</b>	<b>\$ 0.95</b>
Outstanding at end of period	<b>3,933,000</b>	<b>\$ 0.95</b>	<b>3,933,000</b>	<b>\$ 0.95</b>

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).

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE SECOND QUARTER AND SIX MONTHS ENDED FEBRUARY 28, 2009

**10. STOCK BASED COMPENSATION**

On January 4, 2008, at the fiscal 2007 Annual Special Meeting of the Shareholders, the shareholders approved an amendment to the Stock Option Plan such that the number of shares reserved for issuance under the plan and all other of the Company's other previously established or proposed share compensation arrangements in aggregate shall not exceed 10% of the total number of issued and outstanding shares on a non-diluted basis. Options may 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. Options shall not be granted for a term exceeding five years. The stock options are vested as to 25% at the date of the grant and 25% every six months thereafter. On February 12, 2009, at the Annual Special Meeting of the Shareholders, the shareholders reapproved the stock option plan.

Changes in stock options are as follows:

	Three months ended February 28, 2009		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	1,216,500	\$ 0.60	1,159,000	\$ 0.60

The following table sets forth information relating to stock options outstanding as at February 28, 2009 (no options were exercised in the period):

Expiry	Range of exercise prices	Number Outstanding at February 28, 2009	Weighted Average remaining contractual life (in years)	Weighted average exercise price	Number exercisable at February 28, 2009	Weighted average exercise price
Nov 23, 2011	\$ 0.60	1,024,000	2.73	\$ 0.60	1,024,000	\$ 0.60
Jun 27, 2012	0.64	80,000	3.33	0.64	80,000	0.64
Sep 17, 2012	0.67	75,000	3.55	0.67	56,250	0.67
Feb 27, 2013	0.38	75,000	4.00	0.38	56,250	0.38
	\$0.38 to \$0.67	1,254,000	2.89	\$ 0.59	1,216,500	\$ 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 February 28, 2009, 38,750 stock options vested resulting in stock-based compensation expense of \$8,764, with a corresponding increase in contributed surplus. No options were granted during the quarter ended February 28, 2009.

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE SECOND QUARTER AND SIX MONTHS ENDED FEBRUARY 28, 2009

	<b>February 28, 2009</b>	<b>August 31, 2008</b>
Risk-free interest rate	2.44%	4.10%
Dividend yield	0.00%	0.00%
Volatility factor of expected market price of the Company's shares	25% - 60%	25% - 40%
Weighted average value of options granted during the period	\$ 0.00	\$ 0.17 - \$ 0.21

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.

**11. 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.

**12. 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:

	<b>February 28, 2009</b>		<b>February 29, 2008</b>	
	<b>3 months ended</b>	<b>6 months ended</b>	<b>3 months ended</b>	<b>6 months ended</b>
Revenue (i)	\$ 16,406	\$ 34,743	\$ 17,630	\$ 48,293
Expenses				
Salaries, wages & benefits (ii)	81,540	136,911	71,132	182,281
Commissions (iii)	49,085	105,312	80,944	128,604
General and administrative (iv)	3,393	6,087	47,554	56,022
Interest expense (v)	29,861	44,114	33,577	67,448

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FOR THE SECOND QUARTER AND SIX MONTHS ENDED FEBRUARY 28, 2009

	As at	
	February 28, 2009	August 31, 2008
Accounts receivable (i)	\$ 14,152	\$ 23,253
Commission advances (iii)	80,878	-
Accounts payable & accrued liabilities (vi)	79,558	44,599
Commissions payable (iii)	-	66,747
Current portion of long-term debt (vii)	-	1,039,610
Long-term debt (vii)	987,203	274,140

- (i) Consulting fee revenue is earned from a client that has two directors and shareholders who are also directors and shareholders of the Company.
- (ii) Salaries, bonuses and benefits paid to the former Chief Executive Officer and now currently the President who is both a shareholder and director of the Company.
- (iii) Commission payments totaling \$101,736 and \$186,190 for the three months ended February 28, 2009 and six months ended February 28, 2009; respectively, (2008 - \$28,151 and \$102,391) to Directors of the Company who are also employees, of which \$80,878 (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 \$24,000 and \$25,726 for the three months ended February 28, 2009 and six months ended February 28, 2009; respectively, (2008 - \$5,653 and \$11,601) were made to certain directors and shareholders of the Company. Accretive interest of \$ nil for the three months and six months ended February 28, 2009 (2008 - \$6,542 and \$13,084) (included in the long term loan balance) also accrued to these individuals. Interest of \$9,194 and \$18,388 for the three months ended February 28, 2009 and six months ended February 28, 2009; respectively, (2008 - \$21,381 and \$42,763) on the vendor take back loans was accrued to the benefit of the former Chief Executive Officer and now currently the President who is both a shareholder and director of the Company.
- (vi) Accrued interest on the vendor take back loan amounting to \$61,293 (August 31, 2008 - \$42,905) and \$15,660 (2008- \$nil) bonus is payable to the former Chief Executive Officer and now currently the President; and \$2,605 (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 14 (b) and (d)) owed to the former Chief Executive Officer and now currently the President and certain directors of the Company.

**13. FINANCIAL INSTRUMENTS**Fair Value

The Company's carrying value of cash, accounts receivable, bank indebtedness, 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.

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE SECOND QUARTER AND SIX MONTHS ENDED FEBRUARY 28, 2009

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

Classification	February 28, 2009		August 31, 2008	
	Carrying value	Fair value	Carrying value	Fair value
Held-for-trading	\$ 290,624	\$ 290,624	\$ 654,732	\$ 654,732
Loans and receivables	\$ 867,734	\$ 867,734	\$ 658,155	\$ 658,155
Other financial liabilities	\$ 3,819,382	\$ 3,819,382	\$ 4,060,779	\$ 4,060,779

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 February 28, 2009 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 February 28, 2009:

In line with payment terms	\$	399,661
Under 31 days past due		355,541
31-60 days past due		15,020
61-90 days past due		4,936
Over 91 days past due		11,698
		786,856
Allowance for doubtful accounts		-
Total	\$	786,856

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE SECOND QUARTER AND SIX MONTHS ENDED FEBRUARY 28, 2009

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, meet its current and longer term commitments related to the vendor take back debt. 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. Therefore, management evaluates that the Company's liquidity risk is moderate at this time. 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 February 28, 2009 are as follows:

	Carrying amount	Contractual cash flows	Maturing in the next 12 months	Maturing in 13 to 36 months	Maturing in 37 to 60 months	Maturing in more than 60 months
Accounts payable and accrued liabilities	\$ 852,870	\$ 852,870	\$ 852,870	\$ -	\$ -	\$ -
Interest payable on VTB debt	61,293	200,357	152,869	47,488	-	-
Deferred revenue	590,876	590,876	590,876	-	-	-
Deferred lease inducements	65,714	65,714	10,656	21,312	21,312	12,434
Long-term debt	2,248,629	2,248,629	810,835	1,377,616	60,178	-
Interest payments on long-term debt	-	40,855	17,879	20,790	2,186	-
<b>Total</b>	<b>\$ 3,819,382</b>	<b>\$ 3,999,301</b>	<b>\$ 2,435,985</b>	<b>\$ 1,467,206</b>	<b>\$ 83,676</b>	<b>\$ 12,434</b>

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE SECOND QUARTER AND SIX MONTHS ENDED FEBRUARY 28, 2009

## 14. LONG-TERM DEBT

	February 28, 2009	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 matured 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 was refinanced on January 16, 2009 and the balance bears interest at 12% per annum (effective September 2008), payable monthly, and matures on August 31, 2010. This amount is due to shareholders and employees of the Company.	400,000	426,478
(c) A vendor-take-back loan bearing no interest per annum, with one remaining installment of \$627,086. 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. See note 19(b).	608,539	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. The loan was refinanced on January 5, 2009 to extend the maturity date to August 15, 2010. Effective July 5, 2009, the balance of the loan will bear interest at 8% per annum, payable monthly. This amount is due to shareholders of the Company.	587,203	587,203
(e) A loan bearing interest of 7% per annum, repayable in quarterly installments of principal and interest of \$21,422. The loan matures on September 30, 2012.	278,578	-
(f) A vendor-take-back loan bearing no interest per annum, repayable in three equal installments of \$143,333. The loan matures on January 1, 2012 and is secured by the assets of the Company and is subordinated to the bank indebtedness and the vendor-take back loans (b), (c) and (d) above. The loan has been discounted by 8% to arrive at the fair value which is the present value of the future cash flows.	374,309	-
	<b>2,248,629</b>	<b>2,379,786</b>
Less current portion	<b>810,835</b>	<b>1,590,653</b>
Long-term debt	<b>\$ 1,437,794</b>	<b>\$ 789,133</b>

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE SECOND QUARTER AND SIX MONTHS ENDED FEBRUARY 28, 2009

Principal repayment terms are approximately:

2009	\$	810,835
2010		1,184,410
2011		193,206
2012		60,178
	<b>\$</b>	<b>2,248,629</b>

Interest expense in the period consists of the following:

	<b>February 28, 2009</b>		<b>February 29, 2008</b>	
	<b>3 months ended</b>	<b>6 months ended</b>	<b>3 months ended</b>	<b>6 months ended</b>
Accretive interest on discounted vendor take-back loans	\$ 13,938	\$ 22,950	\$ 35,294	\$ 50,914
Vendor take-back loan interest	29,861	44,114	27,034	54,363
Bank indebtedness	2	55	335	759
Interest income	(5,343)	(10,824)	(1,525)	(6,223)
	<b>\$ 38,458</b>	<b>\$ 56,295</b>	<b>\$ 61,138</b>	<b>\$ 99,813</b>

## 15. 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:

	<b>February 28, 2009</b>		<b>February 29, 2008</b>	
	<b>3 months ended</b>	<b>6 months ended</b>	<b>3 months ended</b>	<b>6 months ended</b>
<b>Income subject to income taxes</b>	<b>\$ 733,916</b>	<b>\$ 692,897</b>	<b>\$ 348,978</b>	<b>\$ 112,472</b>
Statutory tax rate	33.50%	33.50%	36.12%	36.12%
Income taxes at statutory tax rates	\$ 245,862	\$ 232,121	\$ 126,051	\$ 40,625
<b>Adjustments to income taxes</b>				
Temporary differences				
Intangible assets amortization	49,256	95,516	46,292	96,170
Stock-based compensation	2,936	3,988	3,166	25,776
Equity issuance costs	(11,579)	(23,089)	(6,257)	(12,513)
Financing fees	(2,489)	(4,707)	(6,155)	(12,310)
Depreciation	5,344	5,535	1,136	2,210
Other	1,052	-	(54)	(22,189)
Current period adjustments				
Recapture of capital cost allowance	-	54,325	-	-
Non deductible interest	4,669	7,688	12,878	18,390
Capital gain (loss) on sale of assets	-	(2,404)	-	-
Non deductible expenses	2,720	6,440	4,047	8,291
<b>Current income taxes</b>	<b>\$ 297,771</b>	<b>\$ 375,413</b>	<b>\$ 181,104</b>	<b>\$ 144,450</b>
<b>Recovery of future income taxes</b>	<b>\$ (38,876)</b>	<b>\$ (248,109)</b>	<b>\$ (47,036)</b>	<b>\$ (94,121)</b>

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE SECOND QUARTER AND SIX MONTHS ENDED FEBRUARY 28, 2009

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

	February 28, 2009		August 31, 2008	
<b>Future income tax assets</b>				
Equity issue costs	\$	142,872	\$	176,693
<b>Future income tax liabilities</b>				
Asset basis differences	\$	10,816	\$	54,572
Amortization – customer relationships and contracts		1,586,364		1,629,012
Deferred costs (included in intangible assets)		33,799		28,004
	\$	1,630,979	\$	1,711,588

## 16. 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 February 28, 2009 are as follows:

2009	\$	146,094
2010		317,095
2011		203,131
2012		152,214
2013		153,881
Thereafter		261,469
	\$	1,233,884

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.

## 17. CASH FLOW SUPPLEMENTARY INFORMATION

	February 28, 2009		February 29, 2008	
	3 months ended	6 months ended	3 months ended	6 months ended
Interest paid	\$ 24,007	\$ 25,786	\$ 5,989	\$ 12,361
Income taxes paid	\$ 370,368	\$ 380,540	\$ 45,650	\$ 94,334

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

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The Company had non-cash transactions as follows:

	February 28, 2009		February 29, 2008	
	3 months ended	6 months ended	3 months ended	6 months ended
<b>INVESTING ACTIVITIES</b>				
Business acquisitions	\$ (654,384)	\$ (654,384)	\$ (42,278)	\$ (42,278)
Cash flow provided (used) by investing activities	(654,384)	(654,384)	(42,278)	(42,278)
<b>FINANCING ACTIVITIES</b>				
Increase in long-term debt	369,384	369,384	42,278	42,278
Repayment of long-term debt	-	-	(51,396)	(51,396)
Common stock issued	285,000	285,000	51,396	51,396
Cash flow provided (used) by financing activities	654,384	654,384	42,278	42,278
<b>INCREASE (DECREASE) IN CASH FLOW</b>	\$ -	\$ -	\$ -	\$ -

## 18. 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 \$13,781 for the 6 months ended February 28, 2009 (2008 – \$13,690). The amount is included in the salaries, wages and benefits expense in these financial statements.

## 19. SUBSEQUENT EVENTS

- (a) On December 31, 2008, the Company signed a Share Exchange Agreement with the shareholders of People Corporation. On March 1, 2009, the Company received all necessary regulatory approvals and closed the transaction acquiring 100% of the outstanding common shares of People Corporation for approximately \$5,917,983 (\$4,544,446 when net of cash acquired of \$1,373,537) including approximately \$110,000 of acquisition costs. In exchange, the Company issued 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. The impact of the merger has not been reflected in these financial statements.
- (b) On March 31, 2009, the Company extinguished the vendor-take-back loan (see note 14(c)) related to the Buffett Taylor acquisition with a payment of \$322,557. The accretive balance of the debt at March 31, 2009 was \$611,543. The resulting pre-tax gain of \$288,986 has not been reflected in these financial statements.