



GROUPWORKS FINANCIAL CORP.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2009

GROUPWORKS FINANCIAL CORP.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2009

TABLE OF CONTENTS

UNAUDITED CONSOLIDATED BALANCE SHEET	2
UNAUDITED CONSOLIDATED STATEMENT OF NET INCOME (LOSS), COMPREHENSIVE INCOME (LOSS) AND RETAINED EARNINGS (DEFICIT)	3
UNAUDITED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY	4
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOW	5
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS	6

JULY 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 MAY 31, 2009

	May 31, 2009	August 31, 2008 (Audited)
ASSETS		
CURRENT		
Cash	\$ 2,429,589	\$ 654,732
Accounts receivable	1,671,915	658,155
Commission advances (note 13)	137,861	-
Prepaid expenses and other sundry assets	235,335	53,557
	4,474,700	1,366,444
CAPITAL ASSETS (note 4)	906,196	676,282
FUTURE INCOME TAXES (note 16)	167,815	176,693
INTANGIBLE ASSETS (note 5)	7,862,585	4,674,537
GOODWILL (notes 1 and 6)	13,560,713	6,912,501
	\$ 26,972,009	\$ 13,806,457
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Bank indebtedness (note 7)	\$ 48,428	\$ 5,146
Accounts payable and accrued liabilities (note 13)	3,550,404	884,403
Deferred revenue	2,910,211	685,624
Commissions payable (note 13)	-	66,747
Income taxes payable	146,241	272,446
Current portion of obligations under capital leases (note 8)	38,410	-
Current portion of long-term debt (note 15)	1,140,233	1,590,653
	7,833,927	3,505,019
DEFERRED LEASE INDUCEMENTS	63,050	39,073
DEFERRED REVENUE	410,945	-
OBLIGATIONS UNDER CAPITAL LEASES (note 8)	14,985	-
LONG-TERM DEBT (note 15)	3,753,431	789,133
FUTURE INCOME TAXES (note 16)	2,586,985	1,711,588
	14,663,323	6,044,813
SHAREHOLDERS' EQUITY		
Share capital (note 10(a) (b))	11,987,689	7,785,835
Contributed surplus	299,643	266,795
Retained earnings (deficit)	21,354	(290,986)
	12,308,686	7,761,644
	\$ 26,972,009	\$ 13,806,457

TRUST ACCOUNTS (note 9)

COMMITMENTS AND CONTINGENCIES (note 17)

SUBSEQUENT EVENTS (note 20)

ON BEHALF OF THE BOARD OF DIRECTORS

Sean Cleary, Chairman of the Board

Laurie Goldberg, CEO and Director

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

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

FOR THE THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2009

	May 31, 2009		May 31, 2008	
	3 months ended	9 months ended	3 months ended	9 months ended
REVENUE				
Commissions	\$ 2,163,463	\$ 4,544,279	\$ 1,578,692	\$ 3,256,209
Fees	2,624,094	3,942,974	629,022	2,091,442
Other	5,670	7,414	1,565	21,942
	4,793,227	8,494,667	2,209,279	5,369,593
EXPENSES				
Salaries and benefits <i>(note 13)</i>	3,213,927	4,978,600	802,250	2,393,794
General and administrative <i>(note 13)</i>	1,156,961	1,707,180	326,737	949,929
Commissions <i>(note 13)</i>	309,803	393,214	461,958	597,171
Advertising and promotion	385,858	606,620	121,817	327,287
Stock-based compensation <i>(note 11)</i>	20,943	32,848	62,599	133,962
	5,087,492	7,718,462	1,775,361	4,402,143
INCOME (LOSS) BEFORE UNDERNOTED ITEMS	(294,265)	776,205	433,918	967,450
OTHER EXPENSES				
Interest expense <i>(note 15)</i>	(102,867)	(159,162)	(49,682)	(149,495)
Depreciation of capital assets <i>(note 4)</i>	(64,005)	(100,159)	(24,931)	(69,997)
Amortization of intangible assets <i>(note 5)</i>	(230,623)	(515,747)	(138,090)	(414,271)
Recovery of development costs	15,320	15,320	-	-
Gain on settlement of debt <i>(note 15(c))</i>	288,986	288,986	-	-
	(93,189)	(470,762)	(212,703)	(633,763)
INCOME (LOSS) BEFORE INCOME TAXES	(387,454)	305,443	221,215	333,687
INCOME TAXES (RECOVERED)				
Current <i>(note 16)</i>	(65,030)	310,383	130,037	274,487
Future <i>(note 16)</i>	(69,171)	(317,280)	(74,834)	(168,955)
	(134,201)	(6,897)	55,203	105,532
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	(253,253)	312,340	166,012	228,155
RETAINED EARNINGS (DEFICIT) – BEGINNING OF PERIOD	274,607	(290,986)	(377,825)	(439,968)
RETAINED EARNINGS (DEFICIT) – END OF PERIOD	\$ 21,354	\$ 21,354	\$ (211,813)	\$ (211,813)
Earnings (loss) per share				
– Basic	\$ (0.008)	\$ 0.015	\$ 0.010	\$ 0.014
– Diluted	\$ (0.007)	\$ 0.012	\$ 0.008	\$ 0.011
Weighted average number of shares outstanding:				
– Basic	32,803,861	21,506,986	15,831,931	15,797,358
– Diluted	38,493,532	26,896,730	21,272,931	21,183,887

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

UNAUDITED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

FOR THE THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2009

	<u>Share Capital</u>		<u>Contributed Surplus</u>	<u>Retained Earnings/ (Deficit)</u>
	<u>Shares</u>	<u>Amount</u>		
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 11</i>)	-	-	142,725	-
Net earnings for the year	-	-	-	148,982
BALANCE, AUGUST 31, 2008	15,831,931	\$ 7,785,835	\$ 266,795	\$ (290,986)
Shares issued – White Willow acquisition	1,140,000	285,000	-	-
Shares issued – People Corporation acquisition	15,831,930	3,957,983	-	-
Stock issuance costs	-	(41,129)	-	-
Stock-based compensation (<i>note 11</i>)	-	-	32,848	-
Net earnings for the period	-	-	-	312,340
BALANCE, MAY 31, 2009	32,803,861	\$ 11,987,689	\$ 299,643	\$ 21,354

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

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2009

	May 31, 2009		May 31, 2008	
	3 months ended	9 months ended	3 months ended	9 months ended
OPERATING ACTIVITIES				
Net income (loss)	\$ (253,253)	\$ 312,340	\$ 166,012	\$ 228,155
Items not affecting cash:				
Depreciation of capital assets	64,005	100,159	24,931	69,997
Amortization of intangible assets	230,623	515,747	138,090	414,271
Accretive interest expense	46,437	69,387	23,977	74,891
Future income taxes	(69,171)	(317,280)	(74,834)	(168,955)
Gain on settlement of debt	(288,986)	(288,986)	-	-
Stock-based compensation	20,943	32,848	62,599	133,962
	(249,402)	424,215	340,775	752,321
Changes in non-cash working capital:				
Accounts receivable	227,082	101,383	(586,558)	(454,225)
Due from related parties	-	-	-	139,686
Commission advances	(56,983)	(204,608)	65,645	78,721
Accounts payable and accrued liabilities	549,351	568,327	211,344	(538,682)
Deferred revenue	38,539	(56,209)	(362,847)	(583,778)
Deferred lease inducements	(2,664)	23,977	(2,664)	23,977
Income taxes payable	(401,225)	(407,971)	96,198	145,547
Prepaid expenses and other sundry assets	59,407	(78,116)	(43,628)	(31,920)
	413,507	(53,217)	(622,510)	(1,220,674)
Cash flow provided (used) by operating activities	164,105	370,998	(281,735)	(468,353)
INVESTING ACTIVITIES				
Purchase of capital assets	(59,528)	(73,125)	(22,956)	(34,744)
Proceeds from sale of capital assets	-	402,588	-	-
Business acquisitions	-	(547,491)	-	-
Cash acquired on business acquisitions	2,689,292	2,848,173	-	-
Business acquisition fees	(130,920)	(167,444)	-	(2,695)
Cash flow provided (used) by investing activities	2,498,844	2,462,701	(22,956)	(37,439)
FINANCING ACTIVITIES				
Bank indebtedness	(6,116)	(11,262)	31,894	37,560
Proceeds from long-term debt	-	300,000	-	-
Repayment of long-term debt	(481,549)	(1,305,040)	(9,899)	(643,051)
Repayment of obligations under capital leases	(10,289)	(10,289)	-	-
Stock issuance costs	(26,030)	(32,251)	-	-
Cash flow provided (used) by financing activities	(523,984)	(1,058,842)	21,995	(605,491)
INCREASE (DECREASE) IN CASH FLOW	2,138,965	1,774,857	(282,696)	(1,111,283)
Cash – beginning of period	290,624	654,732	321,050	1,149,637
CASH – END OF PERIOD	\$2,429,589	\$2,429,589	\$ 38,354	\$ 38,354

CASH FLOW SUPPLEMENTARY INFORMATION (note 18)

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

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2009

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. The Company delivers employee group benefit consulting, pension consulting and third party benefits administration services, as well as, recruiting services, strategic HR consulting and career management services to help companies recruit, retain and reward employees.

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 consolidated financial statements include the accounts of Groupworks Financial Corp. and its two wholly owned Canadian subsidiaries, White Willow Benefit Consultants Incorporated ("White Willow") and People Corporation ("People"). All material intercompany balances and transactions have been eliminated on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Revenue recognition

Revenue is recognized when it can be measured and collectability is reasonably assured. The detailed revenue recognition policies for the significant lines of business are as follows:

Revenue from group benefit consulting and pension consulting within the brokerage and advisory divisions of the Company are recorded in income 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.

Commissions from group benefit consulting, pension consulting and benefits administration within the "third party administrator" division of the Company are generally received in advance and recognized as deferred revenue. Commission advances are recorded in income in equal monthly installments based on the number of months for which the commission revenue was advanced, net of provision for return commissions due to policy cancellation and adjustments. Fee or contracted revenue is recognized in the period it is earned, net of a provision for non recoverable amounts.

Revenue from recruitment services, strategic HR consulting projects and career management services is recognized on the percentage of completion basis of accounting. For contingent projects no revenue is recognized until the project is completed. Deferred revenue represents excess billings for projects which have not been completed.

All other revenues are recognized upon the completion of services rendered by the Company.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTSFOR THE THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2009

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
Software license	straight line over the term of the license

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 or more frequently when an event or circumstance occurs that indicates that goodwill might be impaired, 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.

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.

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.

Leases

Leases are accounted for as either operating or capital. Capital leases are those that substantially transfer the benefits and risks of ownership to the lessee. Assets acquired under capital lease are amortized over their estimated useful lives. Obligations under capital lease are measured at the present value of future minimum lease payments. Imputed interest on the lease payments is charged against income. Leases not meeting the capital criteria are treated as operating and are recorded as an expense in the period paid or payable.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2009

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 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.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2009

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 May 31, 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
Commissions payable	Other financial liabilities
Obligations under capital leases	Other financial liabilities
Long-term debt	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.

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

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2009

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.

Goodwill and Intangibles

In February 2008, the CICA issued Handbook Section 3064, Goodwill and intangible assets, replacing Section 3062 of the same name and Section 3450, Research and development costs. The new pronouncement establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from those that were included in the previous section. The new section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008, specifically September 1, 2009 for the Company. The Company is currently evaluating the impact of the new standard on its consolidated financial position.

3. BUSINESS ACQUISITIONS

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 plus \$97,491 for excess working capital. The present value of the consideration given was \$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.

People Corporation

Effective March 1, 2009, the Company acquired all the outstanding shares of People Corporation (“People”), a firm that delivers employee group benefit consulting, pension consulting and third party benefits administration services, as well as, recruiting services, strategic HR consulting and career

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2009

management for \$6,231,646. The present value of the consideration given was \$5,807,983 (\$3,118,691 net of acquired cash of \$2,689,292) and was settled as follows: issuance of 15,831,930 common shares for a value of \$3,957,983 (\$0.25 per share); and non-interest bearing vendor take-back loans totaling \$2,273,663 discounted at 8% per annum to \$1,850,000 due in monthly installments over 60 months.

The acquisition has been accounted for using the purchase method and accordingly, the results of operations from March 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.

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

	White Willow	People	Total
ASSETS			
Accounts receivable	\$ 3,002	\$ 1,112,141	\$ 1,115,143
Prepaid expenses	4,225	99,437	103,662
Furniture and fixtures	-	193,257	193,257
Computer equipment	-	216,946	216,946
Computer software	-	55,157	55,157
Software license	-	82,144	82,144
Leasehold improvements	-	112,031	112,031
Customer relationships	500,000	3,036,351	3,536,351
	507,227	4,907,464	5,414,691
LIABILITIES			
Accounts payable and accrued liabilities	10,784	2,086,890	2,097,674
Deferred revenue	-	2,691,740	2,691,740
Income taxes payable	57,833	223,933	281,766
Demand loan	-	54,544	54,544
Obligations under capital lease	-	63,684	63,684
Promissory notes payable	-	1,519,133	1,519,133
Future income tax liability	167,500	1,025,177	1,192,677
	236,117	7,665,101	7,901,218
Fair value of net assets acquired	271,110	(2,757,637)	(2,486,527)
Discounted purchase price, net of cash acquired	1,042,994	3,118,691	4,161,685
Total goodwill on purchases	\$ 771,884	\$ 5,876,328	\$ 6,648,212

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2009

4. CAPITAL ASSETS

	Cost	Accumulated amortization	May 31, 2009 Net book value	August 31, 2008 Net book value
Building	\$ -	\$ -	\$ -	\$ 403,750
Furniture and fixtures	360,952	72,689	288,263	121,264
Computer equipment	362,517	73,772	288,745	78,224
Leasehold improvements	169,255	32,901	136,354	42,292
Computer software	142,328	28,215	114,113	30,752
Software license	82,144	3,423	78,721	-
	\$ 1,117,196	\$ 211,000	\$ 906,196	\$ 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. On September, 26, 2008, the Company closed the sale of its building, proceeds of which were used to retire the mortgage outstanding on the property. The net realizable value was \$26,330 lower than the carrying value of the building at the time of the transaction.

5. INTANGIBLE ASSETS

	Cost	Accumulated amortization	May 31, 2009 Net book value	August 31, 2008 Net book value
Customer contracts	\$ 3,000,000	\$ 575,000	\$ 2,425,000	\$ 2,650,000
Customer relationships	5,861,351	736,059	5,125,292	1,860,000
Acquisition costs	366,016	53,723	312,293	164,537
	\$ 9,227,367	\$ 1,364,782	\$ 7,862,585	\$ 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.

6. GOODWILL

	May 31, 2009 Net book value	August 31, 2008 Net book value
Goodwill, beginning of period	\$ 6,912,501	\$ 6,783,648
Acquisitions (note 3)	6,648,212	-
Adjustment to Purchase Price:	-	128,853
Goodwill, end of period	\$ 13,560,713	\$ 6,912,501

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

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2009

7. BANK INDEBTEDNESS

The Company's various banking facilities are as follows:

- (a) A maximum \$100,000 operating line of credit which bears interest at prime plus 0.5% with no specific repayment terms. As at May 31, 2009, the balance outstanding is \$nil (August 31, 2008 – \$15,000). The debt facility is secured by a general security agreement over the Company's assets.
- (b) 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.
- (c) A maximum \$350,000 operating line of credit which bears interest at prime plus 0.75% with monthly interest only payments. As at May 31, 2009 the balance outstanding is \$nil. The debt facility is secured by a general security agreement over the assets of People First HR Services Ltd.
- (d) A demand loan that bears interest at prime plus 0.75% and is secured by a general security agreement. The loan will be repaid in monthly blended installments of principal and interest amortized over 36 months. The maturity date of the loan is May 1, 2011, but is classified as current as it is due on demand. The scheduled repayment terms are as follows:

2009	\$	11,345
2010		25,851
2011		11,232
	\$	48,428

8. OBLIGATIONS UNDER CAPITAL LEASES

The obligations under capital leases are secured by the assets to which the capital lease relates. The leases expire by 2011 and include implicit interest rates ranging from 8% to 14.5%. These rates are approximately equal to what the Company could be expected to currently negotiate in the market, as such the carrying value approximates the fair value of the debt.

Future minimum lease payments required at May 31, 2009 are as follows:

2009	\$	42,283
2010		13,463
2011		2,322
		58,068
Less: amount representing interest		(4,673)
		53,395
Less: current portion		38,410
	\$	14,985

For the nine months ended May 31, 2009, interest expense related to all obligations under capital lease was \$1,700. (2008 - \$ nil).

9. INSURANCE PREMIUM LIABILITIES AND RELATED CASH OR CASH EQUIVALENTS

In its capacity as consultant and administrator, 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.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2009

As at May 31, 2009, the insurance premium liabilities are:

	May 31, 2009		August 31, 2008	
Payable to insurance companies and insured individuals or groups	\$	13,383,698	\$	1,609,753
Less related cash or cash equivalents		13,383,698		1,609,753
	\$	-	\$	-

10. SHARE CAPITAL AND WARRANTS**(a) SHARE CAPITAL**

Authorized: Unlimited common voting shares

	May 31, 2009			August 31, 2008	
	Number of Common Shares	Price/ Average Price	Amount	Number of Common Shares	Amount
Opening balance issued and outstanding	15,831,931	\$ 0.49	\$ 7,785,835	15,731,155	\$ 7,784,080
Issued and outstanding during the period:					
Debt for share exchange (i)	-		-	100,776	51,396
Acquisition of White Willow (ii)	1,140,000	\$ 0.25	285,000	-	-
Acquisition of People Corporation (iii)	15,831,930	\$ 0.25	3,957,983		
Total issued during the period	16,971,930		\$ 4,242,983	100,776	\$ 51,396
Less: Stock issuance costs, net of future taxes	-		(41,129)	-	(49,641)
Ending balance issued and outstanding	32,803,861	\$ 0.36	\$11,987,689	15,831,931	\$ 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.
- (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*).
- (iii) On March 2, 2009, 15,831,930 common shares at \$0.25 per share were issued as partial consideration on the acquisition of People Corporation (*note 3*).

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2009

(b) WARRANTS

	May 31, 2009		August 31, 2008	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding at beginning of period	3,933,000	\$ 0.95	3,933,000	\$ 0.95
Expired during the period	(3,891,000)	0.95	-	
Outstanding at end of period	42,000	\$ 0.60	3,933,000	\$ 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. On May 27, 2009, 3,450,000 warrants expired unexercised.

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). On May 27, 2009, 441,000 warrants expired unexercised.

11. STOCK BASED COMPENSATION

On January 4, 2008, at the fiscal 2007 Annual General 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. On February 12, 2009, at the Annual General Meeting of the Shareholders, the shareholders reapproved the stock option plan.

Changes in stock options are as follows:

	Nine months ended May 31, 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	1,817,934	0.34	150,000	0.53
Cancelled	-	-	-	-
Expired	-	-	(296,000)	0.60
Outstanding, end of period	3,071,934	\$ 0.44	1,254,000	\$ 0.59
Exercisable, end of period	1,365,193	\$ 0.57	1,159,000	\$ 0.60

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2009

The following table sets forth information relating to stock options outstanding as at May 31, 2009 (no options were exercised in the period):

Expiry	Range of exercise prices	Number Outstanding at May 31, 2009	Weighted Average remaining contractual life (in years)	Weighted average exercise price	Number exercisable at May 31, 2009	Weighted average exercise price
Nov 23, 2011	\$ 0.60	1,024,000	2.48	\$ 0.60	1,024,000	\$ 0.60
Jun 27, 2012	0.64	80,000	3.08	0.64	80,000	0.64
Sep 17, 2012	0.67	75,000	3.30	0.67	75,000	0.67
Feb 27, 2013	0.38	75,000	3.75	0.38	56,250	0.38
Apr 21, 2014	0.34	1,817,934	4.89	0.34	129,943	0.34
		3,071,934	3.97	\$ 0.44	1,365,193	\$ 0.57

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 May 31, 2009, the Company approved a total of 1,817,934 options to purchase common shares of the company to employees, officers and directors. A total of 129,943 options vested at the date of grant and the balance will vest over 3 years from the date of grant at the rate of 1/3 at the end of each year from the grant date. During the quarter ended May 31, 2009, a further 18,750 stock options vested resulting in total stock-based compensation expense in the quarter of \$20,943, with a corresponding increase in contributed surplus. 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 and are as follows:

	May 31, 2009	August 31, 2008
Risk-free interest rate	4.22%	4.10%
Dividend yield	0.00%	0.00%
Volatility factor of expected market price of the Company's shares	25% - 75%	25% - 40%
Weighted average value of options granted during the period	\$0.34	\$ 0.17 - \$ 0.21

12. 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.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2009

13. 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:

	May 31, 2009		May 31, 2008	
	3 months ended	9 months ended	3 months ended	9 months ended
Revenue (i)	\$ 30,428	\$ 65,171	\$ 24,907	\$ 73,200
Expenses				
Salaries, wages & benefits (ii)	354,962	491,873	69,073	251,354
Commissions (iii)	18,576	123,888	197,169	325,773
General and administrative (iv)	21,209	27,296	6,469	62,491
Interest expense (v)	68,934	113,048	33,299	100,747

	As at	
	May 31, 2009	August 31, 2008
Accounts receivable (i)	\$ 22,762	\$ 23,253
Commission advances (iii)	68,930	-
Accounts payable & accrued liabilities (vi)	157,739	44,599
Commissions payable (iii)	-	66,747
Current portion of long-term debt (vii)	228,869	1,039,610
Long-term debt (vii)	3,084,247	274,140

- (i) Consulting fee revenue is earned from a client that has two directors and shareholders who are also a director, former director and shareholders of the Company.
- (ii) Salaries, bonuses and benefits paid to senior management some of which are also directors of the Company.
- (iii) Commission payments totaling \$47,068 and \$233,258 for the three months ended May 31, 2009 and nine months ended May 31, 2009; respectively, (2008 – \$84,454 and \$186,845) to a Director and former Director of the Company who are also employees, of which \$68,930 (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 a director, former director and shareholders of the Company. Directors' fees totaling \$18,197 and \$18,197 for the three months ended May 31, 2009 and nine months ended May 31, 2009; respectively, (2008 – \$nil and \$nil) were paid or accrued to certain directors of the Company.
- (v) Interest on vendor-take-back debt was paid or accrued totaling \$68,934 and \$113,048 for the three months ended May 31, 2009 and nine months ended May 31, 2009; respectively, (2008 – \$33,299 and \$100,747) to certain officers and directors of the Company.
- (vi) Accrued interest on the vendor-take-back loan amounting to \$70,487 (August 31, 2008 – \$42,905) and \$86,250 (2008- \$nil) bonus is payable to certain members of senior management; and \$1,002 (August 31, 2008 - \$1,694) of consulting fees payable to a vendor that has two directors and

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2009

shareholders who are also a director, former director and shareholders of the Company.

- (vii) Represents vendor take-back-debt on acquisitions and promissory notes payable (note 15 (b), (d), (g) and (i)) owed to certain officers and directors of the Company.

14. 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.

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

Classification	May 31, 2009		August 31, 2008	
	Carrying value	Fair value	Carrying value	Fair value
Held-for-trading	\$ 2,429,589	\$ 2,429,589	\$ 654,732	\$ 654,732
Loans and receivables	\$ 1,809,776	\$ 1,809,776	\$ 658,155	\$ 658,155
Other financial liabilities	\$ 8,545,891	\$ 8,545,891	\$ 3,336,082	\$ 3,336,082

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 experienced few bad debt write offs and accordingly its allowance at May 31, 2009 is \$180,662. It is management's opinion that the Company is not exposed to price and currency risk arising from these financial instruments.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2009

Pursuant to their respective payment terms, consolidated accounts receivable are aged as follows as at May 31, 2009:

In line with payment terms	\$	1,242,829
Under 31 days past due		385,931
31-60 days past due		114,760
61-90 days past due		29,018
Over 91 days past due		80,039
		1,852,577
Allowance for doubtful accounts		(180,662)
Total	\$	1,671,915

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 May 31, 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	\$ 3,479,917	\$ 3,479,917	\$ 3,479,917	\$ -	\$ -	\$ -
Interest payable on VTB debt	70,487	176,613	152,869	23,744	-	-
Bank indebtedness	48,428	48,428	11,345	37,083	-	-
Obligations under capital leases	53,395	53,395	38,410	14,985	-	-
Long-term debt	4,893,664	4,893,664	1,140,233	2,596,197	1,157,234	-
Interest payments on long-term debt	3,080	35,947	16,693	18,155	1,099	-
Total	\$ 8,548,871	\$ 8,687,964	\$ 4,839,467	\$2,690,164	\$1,158,333	\$ -

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2009

15. LONG-TERM DEBT

	May 31, 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 originally 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. 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. On March 31, 2009, the Company extinguished this loan with a payment of \$322,557. The accretive balance of the debt was \$611,543 resulting in a gain on settlement of debt of \$288,986.	-	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.	263,968	-
(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.	381,697	-
(g) A vendor-take-back loan bearing no interest per annum, repayable in monthly installments. The loan matures on February 1, 2014 and is secured by the assets of the Company and is subordinated to the bank indebtedness and the vendor-take-back loans (b), (d) and (f) above. The loan has been discounted by 8% to arrive at the fair value which is the present value of the future cash flows.	1,796,321	-
(h) A loan bearing interest and fees tied to a percentage of claims paid	450,000	-

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2009

by the Company's "third party administration" division. The percentage applicable for a month depends on the level of the loan outstanding as a percentage of the annualized claims paid as set out in a table. The loan is due August 31, 2009.

- (i) The Company merged with People effective March 1, 2009. As part of this transaction the Company assumed \$1,069,133 of VTB debt on People's books. The remaining debt matures on October 30, 2013.

	1,014,475	-
	4,893,664	2,379,786
Less current portion	1,140,233	1,590,653
Long-term debt	\$ 3,753,431	\$ 789,133

Principal repayment terms are approximately:

2009	\$ 1,140,233
2010	1,752,692
2011	843,505
2012	677,902
2013	479,332
	\$ 4,893,664

Interest expense in the period consists of the following:

	May 31, 2009		May 31, 2008	
	3 months ended	9 months ended	3 months ended	9 months ended
Accretive interest on discounted				
vendor take-back loans	\$ 46,437	\$ 69,387	\$ 23,977	\$ 74,891
Vendor take-back loan interest	21,193	65,307	26,758	81,121
Interest on long-term debt	37,704	37,704		
Bank indebtedness	68	123	210	969
Interest income	(2,535)	(13,359)	(1,263)	(7,486)
	\$ 102,867	\$ 159,162	\$ 49,682	\$ 149,495

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2009

16. 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:

	May 31, 2009		May 31, 2008	
	3 months ended	9 months ended	3 months ended	9 months ended
Income (loss) subject to income taxes	\$ (387,454)	\$ 305,443	\$ 221,215	\$ 333,687
Statutory tax rate	33.5%	33.5%	36.12%	36.12%
Income taxes (recovery) at statutory tax rates	\$ (129,799)	\$ 102,322	\$ 79,903	\$ 120,528
Adjustments to income taxes				
Temporary differences				
Intangible assets amortization	70,664	166,180	48,084	144,254
Stock-based compensation	7,016	11,004	22,611	48,387
Equity issuance costs	(13,538)	(36,627)	(5,952)	(18,465)
Financing fees	(4,087)	(8,794)	(6,460)	(18,770)
Depreciation	(5,027)	508	1,043	3,253
Other	(8,175)	(8,175)	(20,817)	(43,006)
Current period adjustments				
Recapture of capital cost allowance	-	54,325	-	-
Non deductible interest	15,557	23,245	8,660	27,050
Capital gain (loss) on sale of assets	-	(2,404)	-	-
Non deductible expenses	2,359	8,799	2,965	11,256
Current income taxes (recovery)	\$ (65,030)	\$ 310,383	\$ 130,037	\$ 274,487
Recovery of future income taxes	\$ (69,171)	\$ (317,280)	\$ (74,834)	\$ (168,955)

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

	May 31, 2009	August 31, 2008
Future income tax assets		
Equity issue costs	\$ 167,815	\$ 176,693
Future income tax liabilities		
Asset basis differences	\$ 10,769	\$ 54,572
Amortization – customer relationships and contracts	2,529,347	1,629,012
Deferred costs (included in intangible assets)	46,869	28,004
	\$ 2,586,985	\$ 1,711,588

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2009

17. COMMITMENTS AND CONTINGENCIES

(a) 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 May 31, 2009 are as follows:

2009	\$	226,461
2010		932,545
2011		798,906
2012		542,264
2013		304,688
Thereafter		288,442
	\$	3,093,306

(b) 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.

18. CASH FLOW SUPPLEMENTARY INFORMATION

	May 31, 2009		May 31, 2008	
	3 months ended	9 months ended	3 months ended	9 months ended
Interest paid	\$ 49,771	\$ 75,557	\$ 5,726	\$ 18,460
Income taxes paid	\$ 369,753	\$ 750,293	\$ 30,080	\$ 124,414

The Company had non-cash transactions as follows:

	May 31, 2009		May 31, 2008	
	3 months ended	9 months ended	3 months ended	9 months ended
INVESTING ACTIVITIES				
Business acquisitions	\$(5,807,983)	\$(6,462,367)	\$ -	\$ (42,278)
Cash flow provided (used) by investing activities	(5,807,983)	(6,462,367)	-	(42,278)
FINANCING ACTIVITIES				
Increase in long-term debt	1,850,000	2,219,384	-	42,278
Repayment of long-term debt	-	-	-	(51,396)
Common stock issued	3,957,983	4,242,983	-	51,396
Cash flow provided (used) by financing activities	5,807,983	6,462,367	-	42,278
INCREASE (DECREASE) IN CASH FLOW	\$ -	\$ -	\$ -	\$ -

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2009

19. 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 \$20,631 for the 9 months ended May 31, 2009 (2008 – \$20,774). The amount is included in the salaries, wages and benefits expense in these financial statements.

20. SUBSEQUENT EVENTS

- (a) On June 6, 2009, the remaining 42,000 warrants associated with the exercising of the over-allotment from the initial public offering expired unexercised.