



GROUPWORKS FINANCIAL CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2008

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MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of Groupworks Financial Corp.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Committee is also responsible for recommending the appointment of the Company's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

"John Gallivan"
Chief Executive Officer

"Rocco Liscio"
Chief Financial Officer



MEYERS NORRIS PENNY LLP

AUDITORS' REPORT

To the Shareholders of Groupworks Financial Corp.

We have audited the consolidated balance sheet of Groupworks Financial Corp. as at August 31, 2008 and 2007 and the consolidated statements of income and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Toronto, Ontario
November 18, 2008

Chartered Accountants
Licensed Public Accountants

CHARTERED ACCOUNTANTS & BUSINESS ADVISORS
1100-2 Bloor Street East, Toronto, ON, M4W 1A8
PH. (416) 596-6767 FAX (416) 596-7894 www.mnp.ca

GROUPWORKS FINANCIAL CORP.
CONSOLIDATED BALANCE SHEET
 AT AUGUST 31, 2008

| | 2008 | 2007 |
|--|----------------------|----------------------|
| ASSETS | | |
| CURRENT | | |
| Cash | \$ 654,732 | \$ 1,149,637 |
| Accountsreceivable | 658,155 | 917,762 |
| Duefromrelatedparties | - | 139,686 |
| Commissionadvances (note10) | - | 78,721 |
| Prepaidexpensesandothersundryassets | 53,557 | 51,776 |
| | 1,366,444 | 2,337,582 |
| CAPITALASSETS (note3) | 676,282 | 755,460 |
| FUTUREINCOMETAXES (note13) | 176,693 | 226,334 |
| INTANGIBLEASSETS(note4) | 4,674,537 | 5,224,204 |
| GOODWILL (notes1and5) | 6,912,501 | 6,783,648 |
| | \$ 13,806,457 | \$ 15,327,228 |
| LIABILITIESANDSHAREHOLDERS'EQUITY | | |
| CURRENT | | |
| Bankindebtedness (note6) | \$ 5,146 | \$ 25,733 |
| Accountspayableandaccruedliabilities(note10) | 884,403 | 1,534,156 |
| Deferredrevenue | 685,624 | 692,292 |
| Commissionspayable (note10) | 66,747 | - |
| Incometaxespayable | 272,446 | 98,774 |
| Currentportionoflong-termdebt (note12) | 1,590,653 | 1,371,891 |
| | 3,505,019 | 3,722,846 |
| DEFERREDLEASEINDUCEMENTS | 39,073 | 17,761 |
| LONG-TERMDEBT (note12) | 789,133 | 2,176,238 |
| FUTUREINCOMETAXES (note13) | 1,711,588 | 1,942,201 |
| | 6,044,813 | 7,859,046 |
| SHAREHOLDERS'EQUITY | | |
| Sharecapital (note8(a)(b)) | 7,785,835 | 7,784,080 |
| Contributedsurplus | 266,795 | 124,070 |
| Deficit | (290,986) | (439,968) |
| | 7,761,644 | 7,468,182 |
| | \$ 13,806,457 | \$ 15,327,228 |

TRUSTACCOUNTS (note7)
 COMMITMENTSANDCONTINGENCIES (note14)
 SUBSEQUENTEVENTS (note18)

ONBEHALFOFTHEBOARDOFDIRECTORS

"SeanCleary"
 SeanCleary,ChairmanoftheBoard

"JohnGallivan"
 JohnGallivan,CEOandDirector

GROUPWORKS FINANCIAL CORP.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS) AND DEFICIT

FOR THE YEAR ENDED AUGUST 31, 2008

| | 2008 | 2007 |
|---|---------------------|---------------------|
| REVENUE | | |
| Commissions | \$ 4,162,197 | \$ 2,925,859 |
| Fees | 2,667,065 | 886,110 |
| Other | 68,673 | 36,237 |
| | 6,897,935 | 3,848,206 |
| EXPENSES | | |
| Salaries and benefits (note 10) | 3,170,875 | 1,786,722 |
| General and administrative | 1,210,815 | 686,347 |
| Commissions (note 10) | 830,536 | 650,073 |
| Advertising and promotion | 460,312 | 224,463 |
| Stock-based compensation (note 9) | 142,725 | 124,070 |
| | 5,815,263 | 3,471,675 |
| INCOME BEFORE UNDERNOTED ITEMS | 1,082,672 | 376,531 |
| OTHER EXPENSES | | |
| Interest expense (note 3) | (168,669) | (295,651) |
| Depreciation of capital assets (note 3) | (98,790) | (47,807) |
| Amortization of intangible assets (note 4) | (552,362) | (296,673) |
| Write down of capital assets (note 18(2)) | (26,330) | (48,668) |
| | (846,151) | (688,799) |
| INCOME (LOSS) BEFORE INCOME TAXES | 236,521 | (312,268) |
| INCOME TAXES (RECOVERED) | | |
| Current (note 13) | 318,153 | 113,396 |
| Future (note 13) | (230,614) | (11,450) |
| | 87,539 | 101,946 |
| NET COMPREHENSIVE INCOME (LOSS) | 148,982 | (414,214) |
| DEFICIT - BEGINNING OF YEAR | (439,968) | (25,754) |
| DEFICIT - END OF YEAR | \$ (290,986) | \$ (439,968) |
| Earnings (loss) per share | | |
| – Basic | \$ 0.01 | \$ (0.05) |
| – Diluted | 0.01 | (0.04) |
| Weighted average number of shares outstanding: | | |
| – Basic | 15,806,049 | 7,955,969 |
| – Diluted | 21,173,956 | 10,259,554 |

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

GROUPWORKS FINANCIAL CORP.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED AUGUST 31, 2008

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

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

GROUPWORKS FINANCIAL CORP.
CONSOLIDATED STATEMENT OF CASH FLOW
 FOR THE YEAR ENDED AUGUST 31, 2008

| | 2008 | 2007 |
|---|--------------------|---------------------|
| OPERATING ACTIVITIES | | |
| Net income (loss) | \$ 148,982 | \$ (414,214) |
| Items not affecting cash: | | |
| Depreciation of capital assets | 98,790 | 47,807 |
| Writedown of capital assets | 26,330 | 48,668 |
| Amortization of intangible assets | 552,362 | 296,673 |
| Accretive interest expense | 100,601 | 142,351 |
| Future income taxes | (230,614) | (11,450) |
| Warrant options | - | 15,316 |
| Stock-based compensation | 142,725 | 124,070 |
| | 839,176 | 249,221 |
| Changes in non-cash working capital: | | |
| Accounts receivable | 259,606 | (575,084) |
| Due from related parties | 139,686 | (139,686) |
| Commission advances | 145,468 | (78,721) |
| Accounts payable and accrued liabilities | (650,471) | 697,415 |
| Deferred revenue | (6,668) | 692,292 |
| Deferred lease inducements | 21,313 | 17,761 |
| Income taxes payable | 173,672 | 94,477 |
| Prepaid expenses and other sundry assets | (1,781) | 3,475 |
| | 80,825 | 711,929 |
| Cash flow provided (used) by operating activities | 920,001 | 961,150 |
| INVESTING ACTIVITIES | | |
| Purchase of capital assets | (45,942) | (143,451) |
| Proceeds from sale of capital assets | - | 578,600 |
| Business acquisitions | - | (3,546,735) |
| Business acquisition fees | (2,695) | (195,877) |
| Cash flow used by investing activities | (48,637) | (3,307,463) |
| FINANCING ACTIVITIES | | |
| Bank indebtedness | (20,586) | (27,006) |
| Repayment of long-term debt | (1,345,683) | (704,615) |
| Proceeds from issuance of common stock | - | 4,191,000 |
| Stock issuance costs | - | (687,160) |
| Cash flow provided (used) by financing activities | (1,366,269) | 2,772,219 |
| INCREASE (DECREASE) IN CASH FLOW | (494,905) | 425,906 |
| Cash - beginning of year | 1,149,637 | 723,731 |
| CASH - END OF YEAR | \$ 654,732 | \$ 1,149,637 |

The accompanying notes are an integral part of these consolidated financial statements.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2008

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

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

The accompanying consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as a going concern. The Company has incurred an accumulated deficit of \$290,986, has a working capital deficiency of \$547,922 and a current portion of long-term debt of \$1,590,653 due to Directors and Officers of the Company. These conditions raised doubt about the Company's ability to continue as a going concern. The Company's plans with respect to these matters include restructuring its existing debt, settling some of its existing debt by issuing shares of its common stock and raising additional capital through future issuance of stock and/or debt. As at the audit report date, the Company is in the process of negotiating terms with the vendors of The Investment Guild Insurance Agency Inc. ("The Investment Guild"), Gallivan & Associates Student Networks Inc. ("Gallivan") and 1246689 Ontario Limited ("124"). There can be no assurance that the Company will be able to successfully implement its plans. The accompanying consolidated audited financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern, such an adjustment could be material.

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.

Basis of consolidation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the accounts of the Company and its wholly owned subsidiaries Gallivan and 124. All intercompany transactions and balances have been eliminated on consolidation.

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 nonrecoverable 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:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2008

Intangible assets

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

Goodwill

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

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 is recognized by way of an additional current period amortization charge.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2008

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.

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 reclassified into one of five categories, with each category possessing specific requirements for initial and subsequent recognition and measurement.

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

The following is a summary of the accounting model the Company has selected to apply to each of its significant categories of financial instruments outstanding at August 31, 2008:

| | |
|--|-----------------------------|
| Cash | Held-for-trading |
| Accounts receivable | 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 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2008

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.

New accounting standards

Effective on September 1, 2008, the Company will be required to adopt 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 will require additional disclosure of the risks associated with financial instruments and of how those risks are managed.

Section 1535 "Capital disclosures" will require disclosure of information to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital.

Also, the AcSB has adopted a strategic plan under which Canadian accounting standards for publicly-listed companies will converge with International Financial Reporting Standards ("IFRS") by the end of 2011. The Company understands the need to be material differences between Canadian GAAP and IFRS, and is therefore monitoring this project with a view to understanding the possible future effects of the transition to IFRS.

3. CAPITAL ASSETS

| | Cost | Accumulated amortization | 2008 Netbookvalue | 2007 Netbookvalue |
|------------------------|------------|-----------------------------|----------------------|----------------------|
| Building | \$ 430,813 | \$ 27,063 | \$ 403,750 | \$ 448,000 |
| Furniture and fixtures | 164,103 | 42,839 | 121,264 | 144,871 |
| Computer equipment | 117,838 | 39,614 | 78,224 | 89,261 |
| Leasehold improvements | 57,224 | 14,932 | 42,292 | 47,621 |
| Computer software | 45,370 | 14,618 | 30,752 | 25,707 |
| | \$ 815,348 | \$ 139,066 | \$ 676,282 | \$ 755,460 |

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2008

4. INTANGIBLE ASSETS

| | Cost | Accumulated amortization | 2008 Netbookvalue | 2007 Netbookvalue |
|------------------------|--------------|-----------------------------|----------------------|----------------------|
| Customer contracts | \$ 3,000,000 | \$ 350,000 | \$ 2,650,000 | \$ 2,950,000 |
| Customer relationships | 2,325,000 | 465,000 | 1,860,000 | 2,092,500 |
| Acquisition costs | 198,572 | 34,035 | 164,537 | 181,704 |
| | \$ 5,523,572 | \$ 849,035 | \$ 4,674,537 | \$ 5,224,204 |

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

5. GOODWILL

| | 2008 Netbookvalue | 2007 Netbookvalue |
|-------------------------------|----------------------|----------------------|
| Goodwill, beginning of year | \$ 6,783,648 | \$ - |
| Acquisitions | - | 7,167,889 |
| Adjustment to Purchase Price: | 128,853 | (384,241) |
| Goodwill, end of year | \$ 6,912,501 | \$ 6,783,648 |

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

6. BANK INDEBTEDNESS

The Company's banking facility provided for three 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 August 31, 2008, the outstanding balance is \$15,000 (Fiscal 2007 - \$nil).

A maximum \$250,000 operating line of credit which bears interest at prime plus 0.75% with no specific repayment terms. As at August 31, 2008, there is no outstanding balance (Fiscal 2007 - \$nil).

A maximum \$100,000 small business loan bearing interest at prime plus 0.75% repayable in monthly principal installments of \$1,715.51 plus interest, due November 2008. As at August 31, 2008 the balance outstanding is \$5,146 (Fiscal 2007 - \$25,733).

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2008

7. INSURANCE PREMIUM LIABILITIES AND RELATED CASH OR CASH EQUIVALENTS

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

As at August 31, 2008, the insurance premium liabilities are:

| | | |
|--|----|-----------|
| Payable to insurance companies and insured individuals or groups | \$ | 1,609,753 |
| Less related cash or cash equivalents | | 1,609,753 |
| | \$ | - |

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

Authorized: Unlimited common voting shares

| | Number of Common Shares | Price/ Average Price | 2008 Amount | 2007 Amount |
|---|-------------------------------|----------------------------|---------------------|---------------------|
| Opening balance issued and outstanding | 15,731,155 | \$0.49 | \$ 7,784,080 | \$ 795,000 |
| Issued during the year: | | | | |
| Initial Public Offering | - | | - | 4,140,000 |
| Acquisition of The Investment Guild | - | | - | 800,000 |
| Acquisition of Gullivan | - | | - | 2,443,590 |
| Warrant Option exercised | - | | - | 51,000 |
| Debt for share exchange (i) | 100,776 | \$0.51 | 51,396 | - |
| Total issued during the period | 100,776 | | \$ 51,396 | \$ 7,434,590 |
| Add: Warrant options cost | - | | - | 15,316 |
| Less: Units issue costs, net of future taxes | - | | (49,641) | (460,826) |
| Ending balance issued and outstanding | 15,831,931 | \$0.49 | \$ 7,785,835 | \$ 7,784,080 |

(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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2008

(b) WARRANTS

| | 2008 | | 2007 | |
|--|------------------|---------------------------------|------------------|---------------------------------|
| | Number | Weighted Average Exercise Price | Number | Weighted Average Exercise Price |
| Outstanding, September 1 | 3,891,000 | \$ 0.95 | - | \$ - |
| Granted with initial public offering and over-allotment | - | | 3,450,000 | 1.00 |
| Granted to Agent as compensation for initial public offering | - | | 441,000 | 0.60 |
| Granted for short-term debt | - | | 85,000 | 0.60 |
| | 3,891,000 | | 3,976,000 | |
| Warrant option exercised | - | | (85,000) | 0.60 |
| Outstanding, August 31 | 3,891,000 | \$ 0.95 | 3,891,000 | \$ 0.95 |

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

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

9. STOCK BASED COMPENSATION

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2008

Changes in stock options during the years ended August 31, 2008 and 2007 are as follows:

| | 2008 | | 2007 | |
|--------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding, beginning of year | 1,400,000 | \$ 0.60 | - | \$ - |
| Awarded | 150,000 | 0.53 | 1,400,000 | 0.60 |
| Cancelled | - | - | - | - |
| Expired | (296,000) | 0.60 | - | - |
| Outstanding, end of year | 1,254,000 | \$ 0.59 | 1,400,000 | \$ 0.60 |
| Exercisable, end of year | 1,159,000 | \$ 0.60 | 680,000 | \$ 0.60 |

The following table sets forth information relating to stock options outstanding as at August 31, 2008 (no options were exercised in the period):

| Expiry | Range of exercise prices | Number Outstanding at August 31, 2008 | Weighted Average remaining contractual life (in years) | Weighted average exercise price | Number exercisable at August 31, 2008 | Weighted average exercise price |
|--------------|--------------------------|---------------------------------------|--|---------------------------------|---------------------------------------|---------------------------------|
| Nov 23, 2011 | \$ 0.60 | 1,024,000 | 3.23 | \$ 0.60 | 1,024,000 | \$ 0.60 |
| Jun 27, 2012 | 0.64 | 80,000 | 3.82 | 0.64 | 60,000 | 0.64 |
| Sep 17, 2012 | 0.67 | 75,000 | 4.05 | 0.67 | 37,500 | 0.67 |
| Feb 27, 2013 | 0.38 | 75,000 | 4.50 | 0.38 | 37,500 | 0.38 |
| | \$0.38 to \$0.67 | 1,254,000 | 3.39 | \$ 0.59 | 1,159,000 | \$ 0.60 |

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

During the quarter ended November 30, 2007, the Company approved a total of 75,000 options to purchase common shares of the Company to a director of which 37,500 have vested resulting in a stock-based compensation expense of \$6,282. During the quarter ended February 29, 2008, the Company approved a total of 75,000 options to purchase common shares of the Company to a director of which 18,750 have vested resulting in a stock-based compensation expense of \$3,610. During the year, a further 680,000 stock options vested resulting in stock-based compensation expense of \$124,070 for a total of \$133,962, with a corresponding increase in contributed surplus. A total of 296,000 options expired unexercised during the year ended August 31, 2008.

| | 2008 | 2007 |
|--|---------------|---------------|
| Risk-free interest rate | 4.10% | 4.21% |
| Dividend yield | 0.00% | 0.00% |
| Volatility factor of expected market price of the Company's shares | 25% - 40% | 24% - 40% |
| Weighted average value of options granted during the year | \$0.17-\$0.21 | \$0.18-\$0.26 |

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

10. 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:

| | 2008 | 2007 |
|--|-----------|-----------|
| Revenue(i) | \$ 93,039 | \$ 62,583 |
| Expenses | | |
| Salaries, wages & benefits(ii) | 284,688 | 372,323 |
| Commissions(iii) | 416,769 | 366,719 |
| General and administrative(iv) | 74,316 | - |
| Interest expense(v) | 129,266 | 102,457 |
| Accounts receivable(i) | 23,253 | 26,577 |
| Commission advances(iii) | - | 78,721 |
| Accounts payable & accrued liabilities(vi) | 44,599 | 419,221 |
| Commissions payable(iii) | 66,747 | - |
| Current portion of long-term debt(vii) | 1,039,610 | 1,020,848 |
| Long-term debt(vii) | 274,140 | 1,179,942 |

- (i) Consulting fee revenue of \$20,832 earned from a client that has two directors and shareholders who are also directors and shareholders of the Company is receivable at year end (Fiscal 2007 - \$26,577). Also \$2,421 (Fiscal 2007 - nil) relates to expenses to be recovered from the Chief Executive Officer.
- (ii) Salaries, wages and benefits paid to the former Chief Executive Officer who was both a shareholder and director of the Company and to the current Chief Executive.
- (iii) Commission payments totaling \$271,300 were made during the period (Fiscal 2007 - \$445,440) to Directors of the Company who are also employees. An additional \$66,747 (Fiscal 2007 - Commission advances of \$78,721) is owed to these individuals and is included in Commissions payable.
- (iv) Consulting fees are paid to a vendor that has two directors and shareholders who are also directors and shareholders of the Company. During the year, consulting fees were paid to the former CEO, who was a director.
- (v) Cash interest payments of \$22,225 (Fiscal 2007 - \$49,931) were made to certain directors and shareholders of the Company. Accretive interest of \$26,168 (Fiscal 2007 - \$41,123) (included in the long term loan balance) also accrued to these individuals during the quarter. Interest of \$80,873 (Fiscal 2007 - \$11,403) on the vendor take back loan was accrued to the benefit of the Chief Executive Officer.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2008

(vi) Accrued interest on the vendor take back loan amounting to \$42,905 (Fiscal 2007-11,403) was payable to the Chief Executive Officer and \$1,694 (Fiscal 2007-nil) of consulting fees payable to a vendor that has two directors and shareholders who are also directors and shareholders of the Company.

(vii) Represents vendor take back debt on acquisitions (note 12) owed to the Chief Executive Officer and certain directors of the Company.

11. FINANCIAL INSTRUMENTS**Fair Value**

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

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

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

| Classification | Carrying value | Fair value |
|-----------------------------|----------------|--------------|
| Held-for-trading | \$ 654,732 | \$ 654,732 |
| Loans and receivables | \$ 658,155 | \$ 658,155 |
| Other financial liabilities | \$ 4,060,779 | \$ 4,060,779 |

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. The Company has a significant number of customers which minimizes concentration of credit risk.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2008

12. LONG-TERM DEBT

| | 2008 | 2007 |
|--|-------------------|---------------------|
| Vendor take back loan bearing interest at 7% per annum, and amortized over 15 years. The loan matures on September 1, 2021 and is secured by assets of the Company and is subordinated to the bank indebtedness. This amount is due to shareholders and employees of the Company. (note 18(2)) | \$ 300,069 | \$ 350,401 |
| Vendor take back loan bearing no interest per annum, with one remaining installment. The loan matures on September 1, 2008 and is secured by the assets of The Investment Guild. The loan has been discounted by 7% to arrive at the fair value which is the present value of the future cash flows. This amount is due to shareholders and employees of the Company. The loan is subject to adjustments related to specific performance measures of the acquired business. (note 1) | 426,478 | 628,594 |
| Vendor take back loan bearing no interest per annum, with two remaining equal installments of \$551,043. The loan matures on September 1, 2009 and is guaranteed by The Investment Guild. The loan has been discounted by 7% to arrive at the fair value which is the present value of the future cash flows. The Company has the option to settle up to \$551,043 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. (note 18(4)) | 1,066,036 | 1,347,338 |
| 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 Gallivan. This amount is due to shareholders of the Company. The loan is subject to adjustments related to specific performance measures of the acquired business. (note 1) | 587,203 | 1,221,796 |
| | 2,379,786 | 3,548,129 |
| Less current portion | 1,590,653 | 1,371,891 |
| Long term debt | \$ 789,133 | \$ 2,176,238 |
| Principal repayment terms are approximately: | | |
| 2009 | \$ | 1,590,653 |
| 2010 | | 542,767 |
| 2011 | | 29,754 |
| 2012 | | 31,873 |
| 2013 | | 34,144 |
| Thereafter | | 150,595 |
| | \$ | 2,379,786 |

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Interest expense in the year consists of the following:

| | 2008 | 2007 |
|---|-------------------|-------------------|
| Accretive interest on discounted vendor take-back loans | \$ 100,601 | \$ 142,351 |
| Short term loan | - | 66,237 |
| Vendor take-back loan interest | 103,098 | 64,186 |
| Warrant options cost | - | 15,316 |
| Bank indebtedness | 1,863 | 7,561 |
| Interest income | (36,893) | - |
| | \$ 168,669 | \$ 295,651 |

13. INCOME TAXES

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

| | 2008 | 2007 |
|--|--------------|--------------|
| Income (loss) subject to income taxes | \$ 236,521 | \$ (312,268) |
| Statutory tax rate | 34.37% | 36.12% |
| Income taxes at statutory tax rates | \$ 81,292 | \$ (112,791) |
| Adjustments to income taxes | | |
| Temporary differences | | |
| Intangible assets amortization | 189,847 | 107,158 |
| Equity issuance costs | (47,235) | (21,868) |
| Financing fees | (9,100) | (6,826) |
| Depreciation | 4,801 | 4,371 |
| Other | 38,649 | 4,708 |
| Current period adjustments | | |
| Recapture of capital cost allowance | - | 92,286 |
| Non-deductible interest | 34,576 | 64,321 |
| Capital asset write-off | 9,050 | 17,579 |
| Capital gain on sale of assets | - | 4,390 |
| Non-deductible expenses | 16,273 | 5,766 |
| Small business tax rate | - | (45,698) |
| Current income taxes | \$ 318,153 | \$ 113,396 |
| Recovery of future income taxes | \$ (230,614) | \$ (11,450) |

Significant components of future income tax assets and liabilities as at August 31 are as follows:

| | 2008 | 2007 |
|---|---------------------|---------------------|
| Future income tax assets | | |
| Equity issue costs | \$ 176,693 | \$ 226,334 |
| Future income tax liabilities | | |
| Asset basis differences | 54,572 | 114,025 |
| Amortization - customer relationships and contracts | 1,629,012 | 1,821,351 |
| Deferred costs | 28,004 | 6,825 |
| | \$ 1,711,588 | \$ 1,942,201 |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2008

14. 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 August 31, 2008 are as follows:

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

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

15. CASH FLOWS SUPPLEMENTARY INFORMATION

| | 2008 | 2007 |
|-------------------|-------------|-------------|
| Interest paid | \$ 76,825 | \$ 123,300 |
| Income taxes paid | \$ 139,672 | \$ 10,571 |

During the years ended August 31, 2008 and 2007, the Company had non-cash transactions as follows:

| | 2008 | 2007 |
|---|-------------|-------------|
| INVESTING ACTIVITIES | | |
| Deposit for acquisition | - | 50,000 |
| Business acquisitions | (128,856) | (7,403,984) |
| Cash flow used by investing activities | (128,856) | (7,353,984) |
| FINANCING ACTIVITIES | | |
| Proceeds from long-term debt | - | 4,110,394 |
| Repayment of long-term debt | 77,460 | - |
| Common stock issued | 51,396 | 3,243,590 |
| Cash flow provided (used) by financing activities | 128,856 | 7,353,984 |
| | - | - |

16. 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 \$26,667 in 2008 (Fiscal 2007 – \$28,496). The amount is included in the salaries, wages and benefits expense in these financial statements.

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17. COMPARATIVE FIGURES

The prior year comparative figures were audited by Horwath Orenstein LLP, the predecessor firm of Meyers Norris Penny LLP.

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

18. SUBSEQUENT EVENTS

1. On September 1, 2008, the Company amalgamated with its wholly owned subsidiaries, Gallivan & Associates Student Networks Inc. and 1246689 Ontario Limited.
2. On September 26, 2008, the Company closed the sale of its building. The proceeds of the sale 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 and as a result the carrying value of the capital asset was adjusted.
3. Effective November 7, 2008, the maximum \$250,000 operating line of credit (*note 6*), which has an interest rate at prime plus 0.75%, was terminated.
4. On October 31, 2008, a payment of \$275,521 was made to satisfy the minimum cash payment of the vendor take back loan on the Buffett, Taylor & Associates Insurance Agencies Inc. acquisition.