



GROUPWORKS FINANCIAL CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

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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.

"Laurie Goldberg"
Chief Executive Officer

"Brevan Canning"
Vice President of Finance



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, 2009 and 2008 and the consolidated statements of income, comprehensive income and retained earnings / (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, 2009 and 2008 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 10, 2009

Chartered Accountants
Licensed Public Accountants

GROUPWORKS FINANCIAL CORP.
CONSOLIDATED BALANCE SHEET
 AT AUGUST 31, 2009

	2009	2008
ASSETS		
CURRENT		
Cash	\$ 2,103,988	\$ 654,732
Accounts receivable	2,142,489	658,155
Commission advances (note 13)	60,976	-
Prepaid expenses and other sundry assets	182,232	53,557
	4,489,685	1,366,444
CAPITAL ASSETS (note 4)	887,794	676,282
FUTURE INCOME TAXES (note 16)	184,697	176,693
INTANGIBLE ASSETS (note 5)	7,631,842	4,674,537
GOODWILL (notes 2 and 6)	13,560,713	6,912,501
	\$ 26,754,731	\$ 13,806,457
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Bank indebtedness (note 7)	\$ 42,072	\$ 5,146
Accounts payable and accrued liabilities (note 13)	3,137,550	884,403
Deferred revenue	3,259,145	685,624
Commissions payable (note 13)	-	66,747
Income taxes payable	57,836	272,446
Current portion of deferred lease inducements	15,240	-
Current portion of obligations under capital leases (note 8)	34,000	-
Current portion of long-term debt (note 15)	1,169,566	1,590,653
	7,715,409	3,505,019
DEFERRED LEASE INDUCEMENTS	186,451	39,073
DEFERRED REVENUE	293,965	-
OBLIGATIONS UNDER CAPITAL LEASES (note 8)	8,806	-
LONG-TERM DEBT (note 15)	3,603,880	789,133
FUTURE INCOME TAXES (note 16)	2,502,512	1,711,588
	14,311,023	6,044,813
SHAREHOLDERS' EQUITY		
Share capital (note 10(a) (b))	11,968,761	7,785,835
Contributed surplus	303,253	266,795
Retained earnings (deficit)	171,694	(290,986)
	12,443,708	7,761,644
	\$ 26,754,731	\$ 13,806,457

TRUST ACCOUNTS (note 9)
 COMMITMENTS AND CONTINGENCIES (note 17)

ON BEHALF OF THE BOARD OF DIRECTORS

“Robert Sillcox”
 Robert Sillcox, Chairman of the Audit Committee

“Laurie Goldberg”
 Laurie Goldberg, CEO and Director

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

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

FOR THE YEAR ENDED AUGUST 31, 2009

	2009	2008
REVENUE		
Commissions	\$ 7,305,518	\$ 4,162,197
Fees	6,358,916	2,667,065
Other	24,009	68,673
	13,688,443	6,897,935
EXPENSES		
Salaries and benefits (note 13)	7,673,972	3,170,875
General and administrative (note 13)	2,968,797	1,210,815
Commissions (note 13)	1,147,329	830,536
Advertising and promotion	744,704	460,312
Stock-based compensation (note 11)	36,458	142,725
	12,571,260	5,815,263
INCOME BEFORE UNDERNOTED ITEMS	1,117,183	1,082,672
OTHER EXPENSES		
Interest expense (note 15)	(246,250)	(168,669)
Depreciation of capital assets (note 4)	(165,361)	(98,790)
Amortization of intangible assets (note 5)	(746,489)	(552,362)
Recovery of development costs	15,320	-
Gain on settlement of debt (note 15(c))	288,986	-
Write down of capital assets	-	(26,330)
	(853,794)	(846,151)
INCOME BEFORE INCOME TAXES	263,389	236,521
INCOME TAXES (RECOVERED)		
Current (note 16)	238,271	318,153
Future (note 16)	(437,562)	(230,614)
	(199,291)	87,539
NET INCOME AND COMPREHENSIVE INCOME	462,680	148,982
DEFICIT - BEGINNING OF YEAR	(290,986)	(439,968)
RETAINED EARNINGS / (DEFICIT) - END OF YEAR	\$ 171,694	\$ (290,986)
Earnings per share		
– Basic	\$ 0.02	\$ 0.01
– Diluted	0.02	0.01
Weighted average number of shares outstanding:		
– Basic	24,434,844	15,806,049
– Diluted	29,209,328	21,173,956

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

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED AUGUST 31, 2009

	Number of Common Shares	Amount	Contributed Surplus	Retained Earnings / (Deficit)
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	-	(60,057)	-	-
Stock-based compensation (<i>note 11</i>)	-	-	36,458	-
Net earnings for the year	-	-	-	462,680
BALANCE, AUGUST 31, 2009	32,803,861	\$ 11,968,761	\$ 303,253	\$ 171,694

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

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED AUGUST 31, 2009

	2009	2008
OPERATING ACTIVITIES		
Net income	\$ 462,680	\$ 148,982
Items not affecting cash:		
Depreciation of capital assets	165,361	98,790
Write down of capital assets	-	26,330
Amortization of intangible assets	746,489	552,362
Accretive interest expense	111,740	100,601
Future income taxes	(437,562)	(230,614)
Gain on settlement of debt	(288,986)	-
Stock-based compensation	36,458	142,725
	796,180	839,176
Changes in non-cash working capital:		
Accounts receivable	(369,191)	259,606
Due from related parties	-	139,686
Commission advances	(127,723)	145,468
Accounts payable and accrued liabilities	155,473	(650,471)
Deferred revenue	175,746	(6,668)
Deferred lease inducements	162,618	21,313
Income taxes payable	(496,376)	173,672
Prepaid expenses and other sundry assets	(25,013)	(1,781)
	(524,466)	80,825
Cash flow provided by operating activities	271,714	920,001
INVESTING ACTIVITIES		
Purchase of capital assets	(121,089)	(45,942)
Proceeds from sale of capital assets	403,750	-
Business acquisitions	(547,491)	-
Cash acquired on business acquisitions	2,848,173	-
Business acquisition fees	(167,444)	(2,695)
Cash flow provided (used) by investing activities	2,415,899	(48,637)
FINANCING ACTIVITIES		
Bank indebtedness	(17,618)	(20,586)
Repayment of long-term debt	(1,467,610)	(1,345,683)
Proceeds from long-term debt	300,000	-
Repayment of obligations under capital leases	(20,878)	-
Stock issuance costs	(32,251)	-
Cash flow (used) by financing activities	(1,238,357)	(1,366,269)
INCREASE (DECREASE) IN CASH FLOW	1,449,256	(494,905)
Cash - beginning of year	654,732	1,149,637
CASH - END OF YEAR	\$ 2,103,988	\$ 654,732

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

1. NATURE OF OPERATIONS

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 human resource consulting ("HR") and career management services to help companies recruit, retain and reward employees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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. These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: White Willow Benefit Consultants Incorporated ("White Willow") and People Corporation ("People"). All material intercompany balances and transactions have been eliminated on consolidation.

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:

Commissions from group benefit consulting and pension consulting within the Company's brokerage and advisory lines of business 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, administration and pension consulting within the Company's benefits administration line of business 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 the unearned portion of commissions received within the Company's benefits administration line of business, the excess of billings for projects which have not been completed within the Company's HR consulting line of business and any commissions received in advance of the renewal date in the Company's brokerage and advisory lines of business. Commission advances may represent a period of more than 12 months. In such cases, the advance for any amount over 12 months has been reported as long term deferred revenue.

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

Capital assets

Capital assets are initially recorded at cost. Repairs and maintenance are charged to operations as

NOTES TO CONSOLIDATED FINANCIAL STATEMENTSFOR THE YEAR ENDED AUGUST 31, 2009

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

For capital asset additions during the fiscal year, amortization is calculated at 50% of the original computation

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

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.

Adoption of new accounting standards

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

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

Section 1535 "Capital disclosures" requires disclosure of information to enable users of the financial

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

statements to evaluate the Company's objectives, policies and processes for managing capital.

For interim and annual financial statements relating to its fiscal year commencing on or after January 1, 2011, the Company will be required to adopt new CICA Section 1582 "Business Combinations", Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests". Section 1582 replaces existing Section 1581 "Business Combinations", and Sections 1601 and 1602 together replace Section 1600 "Consolidated Financial Statements." The adoption of Sections 1582 and collectively, 1601 and 1602 provides the Canadian equivalent to IFRS 3 "Business Combinations" and International Accounting Standard IAS 27 "Consolidated and Separate Financial Statements" respectively. The impact of adopting these new standards has not yet been assessed and cannot reasonably be estimated at this time.

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, 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

intangible assets are subject to amortization.

People Corporation

Effective March 1, 2009, the Company acquired all the outstanding shares of 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 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 CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2009 Net book value	2008 Net book value
Building	\$ -	\$ -	\$ -	\$ 403,750
Furniture and fixtures	373,455	87,228	286,227	121,264
Computer equipment	386,817	101,148	285,669	78,224
Leasehold improvements	169,255	44,737	124,518	42,292
Computer software	150,676	34,595	116,081	30,752
Software license	82,144	6,845	75,299	-
	\$ 1,162,347	\$ 274,553	\$ 887,794	\$ 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	2009 Net book value	2008 Net book value
Customer contracts	\$ 3,000,000	\$ 650,000	\$ 2,350,000	\$ 2,650,000
Customer relationships	5,861,351	882,651	4,978,700	1,860,000
Acquisition costs	366,016	62,874	303,142	164,537
	\$ 9,227,367	\$ 1,595,525	\$ 7,631,842	\$ 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

	2009 Net book value	2008 Net book value
Goodwill, beginning of year	\$ 6,912,501	\$ 6,783,648
Acquisitions	6,648,212	-
Adjustment to Purchase Price:	-	128,853
Goodwill, end of year	\$ 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 CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 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 August 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 August 31, 2009 the balance outstanding is \$nil (August 31, 2008 – \$nil). The debt facility is secured by a general security agreement over the assets of People First HR Services Ltd. As part of restructuring its banking facility the company cancelled this line of credit.
- (d) A maximum \$250,000 operating line of credit which bears interest at prime plus 1.0% with no specific repayment terms. As at August 31, 2009, the balance outstanding is \$nil (August 31, 2008 – \$nil). The debt facility is secured by a general security agreement over the Company's assets.
- (e) 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 of \$2,280 amortized over 36 months. The maturity date of the loan is April 1, 2011, but is classified as current as it is due on demand. The scheduled repayment terms are as follows:

2010	\$	23,504
2011		18,568
	\$	42,072

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 August 2011 and include implicit interest rates ranging from 8.25% 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 August 31, 2009 are as follows:

2010	\$	36,785
2011		9,290
		46,075
Less: amount representing interest		(3,269)
		42,806
Less: current portion		34,000
	\$	8,806

For the year ended August 31, 2009, interest expense related to all obligations under capital leases was \$3,106. (2008 - \$ nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

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.

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

	August 31, 2009		August 31, 2008	
Payable to insurance companies and insured individuals or groups	\$	10,764,477	\$	1,609,753
Less related cash or cash equivalents		10,764,477		1,609,753
	\$	-	\$	-

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

Authorized: Unlimited common voting shares

	August 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	-		(60,057)	-	(49,641)
Ending balance issued and outstanding	32,803,861	\$ 0.36	\$ 11,968,761	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 CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

(b) WARRANTS

	August 31, 2009		August 31, 2008	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding at beginning of year	3,933,000	\$ 0.95	3,933,000	\$ 0.95
Expired during the year	(3,933,000)	0.95	-	
Outstanding at end of year	-	\$ -	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”). On May 27, 2009, the Warrants expired unexercised.

By June 6, 2009, all of the Compensation Warrants received by the Agents, pursuant to the Agency Agreement, expired unexercised.

11. STOCK BASED COMPENSATION

The Stock Option Plan provides that the number of shares reserved for 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.

Changes in stock options are as follows:

	Year ended August 31, 2009		Year ended August 31, 2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	1,254,000	\$ 0.59	1,400,000	\$ 0.60
Awarded	1,817,934	0.34	150,000	0.53
Cancelled	-	-	-	-
Expired	(114,980)	0.52	(296,000)	0.60
Outstanding, end of year	2,956,954	\$ 0.44	1,254,000	\$ 0.59
Exercisable, end of year	1,303,943	\$ 0.57	1,159,000	\$ 0.60

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

Expiry	Range of exercise prices	Number Outstanding at August 31, 2009	Weighted Average remaining contractual life (in years)	Weighted average exercise price	Number exercisable at August 31, 2009	Weighted average exercise price
Nov 23, 2011	\$ 0.60	1,024,000	2.23	\$ 0.60	1,024,000	\$ 0.60
Sep 17, 2012	0.67	75,000	3.05	0.67	75,000	0.67
Feb 27, 2013	0.38	75,000	3.50	0.38	75,000	0.38
Apr 21, 2014	0.34	1,782,954	4.64	0.34	129,943	0.34
		2,956,954	3.79	\$ 0.44	1,303,943	\$ 0.57

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

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 year ended August 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 year ended August 31, 2009, 224,943 stock options vested resulting in total stock-based compensation expense in the amount of \$36,458, 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:

	August 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, debt 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 CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 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:

	2009	2008
Revenue (i)	\$ 88,779	\$ 93,039
Expenses		
Salaries, wages & benefits (ii)	877,578	284,688
Commissions (iii)	156,743	416,769
General and administrative (iv)	34,130	74,316
Interest expense (v)	173,906	129,266
Accounts receivable (i)	13,783	23,253
Commission advances (iii)	30,488	-
Accounts payable & accrued liabilities (vi)	258,465	44,599
Commissions payable (iii)	-	66,747
Current portion of long-term debt (vii)	332,186	1,039,610
Long-term debt (vii)	2,698,896	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. 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.
- (ii) Salaries, bonuses and benefits paid to senior management some of which are also directors of the Company.
- (iii) Commission payments totaling \$187,231 for the year ended August 31, 2009 (2008 – \$135,650) to a Director of the Company, of which \$30,488 (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 \$22,000 for the year ended August 31, 2009 (2008 – \$nil) were paid or accrued to certain directors of the Company.
- (v) Interest on vendor-take-back debt was paid or accrued to certain officers and directors of the Company.
- (vi) Accrued interest on the vendor-take-back loan amounting to \$1,647 (August 31, 2008 – \$42,905), Directors' fees of \$22,000 (2008 - \$nil) and \$233,205 (2008- \$nil) bonus is payable to certain members of senior management; and \$1,613 (August 31, 2008 - \$1,694) of consulting fees payable to a vendor that has two directors and 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

14. FINANCIAL INSTRUMENTSFair 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.

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 August 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

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

Classification	August 31, 2009		August 31, 2008	
	Carrying value	Fair value	Carrying value	Fair value
Held-for-trading	\$ 2,103,988	\$ 2,103,988	\$ 654,732	\$ 654,732
Loans and receivables	\$ 2,203,465	\$ 2,203,465	\$ 658,155	\$ 658,155
Other financial liabilities	\$ 7,995,874	\$ 7,995,874	\$ 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

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 August 31, 2009 is \$124,953. It is management's opinion that the Company is not exposed to price and currency risk arising from these financial instruments.

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

In line with payment terms	\$	1,866,058
Under 31 days past due		250,192
31-60 days past due		128,932
61-90 days past due		10,122
Over 91 days past due		12,138
		2,267,442
Allowance for doubtful accounts		(124,953)
Total	\$	2,142,489

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 October 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 August 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	\$ 3,135,491	\$ 3,135,491	\$ 3,135,491	\$ -	\$ -	\$ -
Interest payable on VTB debt	2,059	97,035	97,035	-	-	-
Bank indebtedness	42,072	42,072	23,504	18,568	-	-
Obligations under capital leases	42,806	42,806	34,000	8,806	-	-
Long-term debt	4,773,446	4,773,446	1,169,566	2,618,057	985,823	-
Interest payments on long-term debt	2,884	34,627	15,485	15,474	3,668	-
Total	\$ 7,998,758	\$ 8,125,477	\$ 4,475,081	\$ 2,660,905	\$ 989,491	\$ -

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

15. LONG-TERM DEBT

	2009	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 August 31, 2009 and the balance bears interest at 12% per annum (effective September 2008), payable monthly, and matures on October 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 matured 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 August 31, 2009 to extend the maturity date to October 31, 2010. Effective July 5, 2009, the balance of the loan bears 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.	247,165	-
(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.	389,085	-
(g) A group of vendor-take-back loans bearing no interest per annum, repayable in monthly installments. The loans mature on dates ranging from August 1, 2010 to February 1, 2014, are secured by the assets of the Company and are 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.	1,741,561	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

(h) A loan bearing interest and fees tied to a percentage of claims paid 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 December 31, 2009.	450,000	-
(i) The Company merged with People effective March 1, 2009. As part of this transaction the Company assumed \$1,069,133 of vendor-take-back debt on People's books. The remaining debt bears interest at either 8% or 12% per annum and matures on dates ranging from April 30, 2012 to October 30, 2013.	958,432	-
	4,773,446	2,379,786
Less current portion	1,169,566	1,590,653
Long-term debt	\$ 3,603,880	\$ 789,133

Principal repayment terms are approximately:

2010	\$	1,169,566
2011		1,775,571
2012		842,486
2013		683,998
2014		301,825
	\$	4,773,446

Interest expense in the year consists of the following:

	2009	2008
Accretive interest on discounted vendor take-back loans	\$ 111,740	\$ 100,601
Interest on long-term debt	68,553	-
Vendor take-back loan interest	87,708	103,098
Bank indebtedness	775	1,863
Interest income	(22,526)	(36,893)
	\$ 246,250	\$ 168,669

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16. INCOME TAXES

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

	2009	2008
Income subject to income taxes	\$ 263,389	\$ 236,521
Statutory tax rate	33.50%	34.37%
Income taxes at statutory tax rates	\$ 88,235	\$ 81,292
Adjustments to income taxes		
Temporary differences		
Intangible assets amortization	250,074	189,847
Stock-based compensation	12,213	-
Equity issuance costs	(50,166)	(47,235)
Financing fees	(12,881)	(9,100)
Depreciation	7,755	4,801
Other	38,145	38,649
Current period adjustments		
Recapture of capital cost allowance	49,569	-
Non deductible interest	37,433	34,576
Capital asset write-off	-	9,050
Gain on settlement of debt	(96,810)	-
Non deductible expenses	32,829	16,273
Loss carry forwards from prior years	(118,125)	-
Current income taxes	\$ 238,271	\$ 318,153
Recovery of future income taxes	\$ (437,562)	\$ (230,614)

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

	2009	2008
Future income tax assets		
Equity issue costs	\$ 148,888	\$ 176,693
Loss carry forward	35,809	-
	\$ 184,697	\$ 176,693
Future income tax liabilities		
Asset basis differences	\$ 86,926	\$ 54,572
Amortization - customer relationships and contracts	2,369,368	1,629,012
Deferred costs	46,218	28,004
	\$ 2,502,512	\$ 1,711,588

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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 August 31, 2009 are as follows:

2010	\$	965,461
2011		802,378
2012		553,746
2013		309,060
2014		184,023
Thereafter		105,923
	\$	2,920,591

- (b) In the ordinary course of business, the Company is involved in litigation and other claims. Management is not able to determine the extent of the Company's possible liability from such litigation and claims. The impact, if any, on the financial statements cannot be determined.

18. CASH FLOW SUPPLEMENTARY INFORMATION

	2009	2008
Interest paid	\$ 192,747	\$ 76,825
Income taxes paid	\$ 744,463	\$ 139,672

During the years ended August 31, 2009 and 2008, the Company had non-cash transactions as follows:

	2009	2008
INVESTING ACTIVITIES		
Business acquisitions	\$ (6,462,367)	\$ (128,856)
Cash flow used by investing activities	(6,462,367)	(128,856)
FINANCING ACTIVITIES		
Increase in long-term debt	2,219,384	-
Repayment of long-term debt	-	77,460
Common stock issued	4,242,983	51,396
Cash flow used by investing activities	6,462,367	128,856
INCREASE (DECREASE) IN CASH FLOW	\$ -	\$ -

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 \$27,480 for the year ended August 31, 2009 (2008 - \$26,667). The amount is included in the salaries, wages and benefits expense in these financial statements.