



GROUPWORKS FINANCIAL CORP.

MANAGEMENT DISCUSSION & ANALYSIS

FOR THE YEAR ENDED AUGUST 31, 2009

NOVEMBER 23, 2009

MANAGEMENT DISCUSSION & ANALYSIS

FOR YEAR ENDED AUGUST 31, 2009

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MANAGEMENT DISCUSSION & ANALYSIS

FOR YEAR ENDED AUGUST 31, 2009

This Management Discussion and Analysis (“**MD&A**”) and accompanying audited consolidated financial statements of Groupworks Financial Corp. (the “Company”), covers the three month and twelve month period ended August 31, 2009. Certain balances have been provided for discussion purposes only. This MD&A should be read in conjunction with the interim unaudited and annual audited consolidated financial statements as filed at www.sedar.com.

All financial information is presented in Canadian dollars and in accordance with Canadian generally accepted accounting principles (“**GAAP**”) unless otherwise noted. ***Certain totals, subtotals and percentages may not reconcile due to rounding.*** The information in this MD&A is presented as at November 23, 2009 unless otherwise noted.

This MD&A contains “forward-looking statements” within the meaning of applicable securities laws, such as statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Use of words such as “may”, “will”, “expect”, “believe”, or other words of similar effect may indicate a “forward-looking” statement. These statements are not guarantees of future performance and are subject to numerous risks and uncertainties, including those described in our publicly filed documents (available on SEDAR at www.sedar.com) and in this MD&A under the heading “Risks and Uncertainties”. Those risks and uncertainties include the ability to maintain profitability and manage organic or acquisition growth, reliance on information systems and technology, reputational risk, dependence on key clients, reliance on key professionals and general economic conditions. Many of these risks and uncertainties can affect our actual results and could cause our actual results to differ materially from those expressed or implied in any forward-looking statement made by us or on our behalf. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. All forward-looking statements in this MD&A are qualified by these cautionary statements. These statements are made as of the date of this MD&A and, except as required by applicable law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Additionally, we undertake no obligation to comment on analyses, expectations or statements made by third parties in respect of the Company, its financial or operating results or its securities.

This discussion also makes reference to certain non-GAAP measures such as EBITDA, EBITDA margin and Adjusted EBITDA, to assist investors in assessing the financial performance of the Company. Non-GAAP measures do not have any standard meaning prescribed by GAAP and therefore, may not be comparable to similar measures presented by other issuers.

Amounts set forth in this MD&A are stated in thousands of dollars except for per share and issued and outstanding share data, and unless otherwise noted.

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INDUSTRY OVERVIEW

The Company operates in the group insurance and pension consulting industry, as well as, the human resources (“HR”) consulting and recruitment industry.

The small and medium enterprise group insurance and pension consulting industry is serviced by a large number of small regional and local participants. The balance of the industry, which is focused on large employers and government accounts, is serviced by a small number of multinational consulting firms. The scope of services offered includes pension and benefits consulting, pension and benefits administration, communication consulting, actuarial services and wellness consulting. The industry has been under significant competitive pressure over the past several years due to the significant cost increases in group insurance premiums due to increasing healthcare costs, aging demographics and related consumer utilization. With an aging population that is both living and working longer and taking advantage of more medical services and improvements in drugs; cost and utilization are naturally increasing. This, combined with the continued cost shifting from the public to the private sector through reduced coverage under provincial Medicare programs and other public plans, and the long term outlook for group insurance costs, suggests that such premiums will continue to rise. In addition, the group insurance and pension consulting industry has undergone a substantial corporate restructuring in recent years, including a significant consolidation of insurers which has in turn resulted in less competition and potentially increased premiums charged to clients. Employers who provide group insurance coverage are therefore demanding greater services from their insurance advisors, including enhanced resources, outsourcing solutions and more creative ways to reduce costs. The multi-national consulting firms primarily offer fee-based consulting and administrative services, with the balance of the marketplace operating primarily on commission-based compensation, with limited fee-based services available depending upon the client and the services required.

The HR consulting and staffing industry is dominated by many small players and a few larger multinational firms. The aging workforce and limited inflow of skilled labour has long been recognized as creating a shortage of skilled labour and talent, therefore, increasing the need for client companies to use recruitment firms and HR consulting firms to help them to recruit, retain and reward employees. This is particularly evident in many small to medium sized enterprises (“SME”) which lack the expertise and internal resources to effectively recruit and retain talent, therefore the need to outsource this function. HR consulting and recruitment firms primarily offer fee based services.

Management believes that the continued evolution and growth of the benefits, pension, insurance and human resource industries combined with external factors such as aging demographics, regulatory and legal changes and technology will continue to cultivate the need by clients for external expertise in consulting and administrative matters in order to recruit, retain and reward employees. In addition, management believes that consultant demographics and lack of succession planning options is positioning the industry for consolidation.

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BUSINESS OVERVIEW

The Company delivers employee group benefit consulting, third party benefits administration, recruiting services, strategic HR consulting, and career management services to help companies recruit, retain and reward employees. The Company earns its revenues from a diverse base of clients in various industries. The shares of the Company trade on the TSX Venture Exchange under the symbol "GWC".

The Company's benefit and pension consulting areas provides group retirement solutions, group health insurance and third party administration services. The Company also services the post secondary education sector by providing medical and dental benefits consulting services to students. The benefit and pension consulting part of the Company derives its revenue by charging clients fees to administer their group benefits program, and by earning insurance fees and commissions through and from various insurance carriers. In addition, the Company earns fees on its pension assets under administration, as well as, interest income on trust and operating cash balances. The Company is a reseller of benefit products and assumes no underwriting risk as the insurance policy is underwritten by insurance carriers.

Its HR consulting and recruitment part of the Company delivers high quality leadership and organizational solutions relating to recruiting, HR consulting and career management services. Management believes its HR consulting and recruitment part of the Company, which primarily operates out of Winnipeg, is the largest full service HR firm in Winnipeg. The HR consulting and recruitment part of the Company derives its revenue primarily by charging clients fees for consulting engagements. Fees for recruitment services are generally charged as a percentage of base or total compensation (base and target bonus) of the candidate being placed. Fees for HR consulting services are generally based on hourly rates and depend on the nature of the project and skill set and experience of the consultant engaged on the project. Fees for career management are based on the level of program selected by the client. Fees are negotiated with the client prior to the services or engagement starting.

The Company has approximately 150 professionals and support staff with ten offices in six provinces in Canada.

The largest operating expense of the Company is compensation and related costs which includes salaries, commissions, bonuses, stock options, group benefits, and payroll taxes. Other operating expenses include occupancy costs, technology costs (equipment leases, telecommunications and software), non-recoverable client service costs (such as printing, travel and third-party professional services), claims adjudication fees, training, marketing, office costs, professional services (legal and audit) and insurance.

MANAGEMENT DISCUSSION & ANALYSIS

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FORMATION AND OWNERSHIP STRUCTURE

The Company was formed in July 2006 in order to consolidate various pension and benefits advisory and administrative services businesses under a single corporate structure. The Company issued 4,358,334 common shares and raised \$795.0 through various private placements and also arranged for \$1,000.0 of short term debt which was drawn down for acquisitions as needed. On September 1, 2006, the Company acquired, the Investment Guild Insurance Agency Inc. ("Investment Guild") and Buffett, Taylor & Associates Insurance Agencies Inc. ("Buffett Taylor") both of which operate established pension and benefits consulting and outsourcing service businesses in Canada (See Acquisitions below). On May 1, 2007 the Company amalgamated with its wholly owned subsidiaries the Investment Guild and Buffett, Taylor and continued as Groupworks Financial Corp.

On May 28, 2007 the Company closed its initial public offering (the "Offering") for approximately \$3,780.0 before agent fees, by issuing 6.3 million units. On June 7, 2007 the Offering was completed when Jones Gable & Company Limited (the "Agent") exercised its over allotment option for an additional 600,000 units for gross proceeds of approximately \$360.0 to the Company. Agent, legal and accounting fees related to the offering totaled approximately \$687.2 for net overall proceeds of approximately \$3,452.8. Each unit consisted of one Common Share and one-half of one share purchase warrant of the Company (each whole such purchase warrant, a "Warrant"). Each Warrant entitled the holder thereof to acquire, subject to adjustments pursuant to the warrant indenture under which the Warrants had 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 traded exceeded \$1.20 for 20 consecutive trading days, then the Warrant term would automatically be reduced and the Warrants would expire on the date 30 days following the issuance of a press release announcing the reduced Warrant term. On May 27, 2009, 3,891,000 warrants expired unexercised. On June 6, 2009, the remaining 42,000 warrants associated with the exercising of the over-allotment from the initial public offering expired unexercised.

On July 5, 2007 the Company completed the acquisition of Gallivan & Associates Student Networks Inc. ("Gallivan") and 1246689 Ontario Limited ("124") which operate a student benefits advisory business across Canada. Gallivan operated as a wholly owned subsidiary of Groupworks during fiscal 2008. On September 1, 2008, the Company amalgamated with Gallivan and 124 and continued as Groupworks Financial Corp.

On December 31, 2008 the Company signed a Share Exchange Agreement acquiring all the outstanding shares of People Corporation ("People") and consequently its two operating entities, Health Source Plus Inc./Source Santé Plus Inc. ("HSP") of Toronto, Ontario and People First HR Services Ltd. ("People First") of Winnipeg, Manitoba. The transaction closed on March 1, 2009 after receiving regulatory approval. The Company operates People as a wholly owned subsidiary.

Effective January 1, 2009 the Company acquired all of the outstanding shares of White Willow Benefit Consultants Incorporated ("White Willow") of Stouffville, Ontario. The Company operates White Willow as a wholly owned subsidiary.

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ACQUISITIONS

The Company's business plan, in addition to organically growing the Company through client growth and product expansion, is to acquire additional businesses which are complementary to the existing businesses. Management has identified and is pursuing a number of group benefit and pension advisory businesses across Canada. To-date the Company has completed five acquisitions which includes six operating entities.

The Investment Guild

The Investment Guild which was established in 1981 specializes in corporate benefits, association plan benefits and flexible benefits, and is based in Markham, Ontario. On September 1, 2006 shares were purchased for consideration of \$2,778.2 involving; short-term debt, vendor take-back debt and common shares of Groupworks. Included in the acquisition was \$778.2 of real estate assets that were subsequently sold.

Buffett Taylor

Buffett Taylor established in 1981 based in Whitby Ontario, specializes in group benefits in the public, private and not-for-profit sectors. On September 1, 2006 the shares of Buffett Taylor were purchased from Buffett, Taylor & Associates Insurance Agencies Ltd. in exchange for \$3,161.4. The present value of the consideration given was \$2,900.6 and was settled with cash, vendor take-back debt and common shares of Groupworks.

Gallivan

On July 5, 2007, the Company purchased the shares of Gallivan & Associates Student Networks Inc. and 1246689 Ontario Limited ("Gallivan"), a group benefits advisory company based in Waterloo, Ontario, that specializes in University and College student health and dental benefits in Canada. The aggregate purchase price paid for Gallivan was \$5,893.6 and was settled with cash, vendor take-back debt and common shares of Groupworks.

White Willow

Effective January 1, 2009, the Company purchased the shares of White Willow Benefit Consultants Incorporated ("White Willow"), a group benefits advisory company based in Stouffville, Ontario. The present value of the consideration given was \$1,201.9 and was settled with cash, vendor take-back debt and common shares of Groupworks.

People

On March 1, 2009 the Company merged with People a private Canadian-owned firm, based in Winnipeg with offices in Toronto, St. Catharines and Montreal, 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 services to help companies recruit, retain and reward employees. People operates through two legal entities: HealthSource Plus Inc. and People First HR Services Ltd. The aggregate purchase price paid for People was approximately \$6,231.6. The present value of the consideration given was \$5,808.0 and was settled with vendor take-back debt and common shares of Groupworks.

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SELECTED FINANCIAL INFORMATION

Amounts are derived from the unaudited interim financial statements and audited annual financial statements.

	Q1		Q2		Q3		Q4		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Income Statement Information										
Revenue	1,422	1,258	2,280	1,902	4,793	2,210	5,193	1,528	13,688	6,898
EBITDA (see note (i) below)	136	25	947	580	(273)	497	344	124	1,154	1,226
Net income (loss)	91	(153)	475	215	(253)	166	150	(79)	463	149
Balance Sheet Information										
Total assets	13,112	14,291	14,380	13,937	26,972	14,042	26,755	13,806	26,755	13,806
Total debt	1,813	3,567	2,249	2,956	4,894	2,970	4,816	2,385	4,816	2,385
Other liabilities (excl. future taxes)	1,966	1,451	1,917	1,480	7,183	1,454	6,993	1,948	6,993	1,948
Shareholders' equity	7,831	7,378	8,584	7,653	12,309	7,844	12,444	7,762	12,444	7,762
Total liabilities and shareholders' equity	13,112	14,291	14,380	13,937	26,972	14,042	26,755	13,806	26,755	13,806
Weighted average shares										
outstanding – basic	15,831,931	15,731,155	16,199,264	15,828,609	32,803,861	15,831,931	32,803,861	15,831,931	24,434,844	15,806,049
– fully diluted	21,272,931	21,082,320	21,344,264	21,195,433	38,493,532	21,272,931	35,851,578	20,982,148	29,209,328	21,173,956
Income (loss) per share	\$ 0.01	\$ (0.01)	\$ 0.03	\$ 0.01	\$ (0.008)	\$ 0.01	\$ 0.01	\$ (0.01)	\$ 0.02	\$ 0.01
Fully diluted income (loss) per share	\$ 0.01	\$ (0.01)	\$ 0.02	\$ 0.01	\$ (0.007)	\$ 0.01	\$ 0.01	\$ (0.00)	\$ 0.02	\$ 0.01

- (i) Management defines EBITDA as earnings before interest, taxes, depreciation and amortization, stock-based compensation and other non cash charges. Management believes that in addition to net income (loss), EBITDA is a useful supplemental measure for investors of earnings before debt service, capital asset charges and taxes. This earnings measure should not be construed as an alternative to net income or as an alternative to cash flow from operating, investing and financing activities or the Company's liquidity. EBITDA does not have a standardized meaning prescribed by generally accepted accounting principles (GAAP) and therefore the Company's method of calculating EBITDA may not be comparable to similar measures presented by other companies or issuers.

ANALYSIS OF 2009 ANNUAL RESULTS

The following summary financial information is derived from the Company's audited consolidated financial statements for the twelve months ended August 31, 2009.

Overview

Fiscal 2009 was highlighted by the closing of two acquisitions, the development of a corporate management team, a focus on organic growth in employee benefit clients, and development of an acquisition funnel; and the restructuring of the Company's vendor take-back debt and the successful securing of additional debt financing.

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 \$1,165.0 plus \$97.5 for excess working capital. The present value of the consideration given was \$1,201.9 (\$1,043.0 net of acquired cash of \$158.9) and was settled as follows: \$450.0 cash on closing; \$97.5 cash for excess working capital; issuance of 1,140,000 common shares for a value of \$285.0 (\$0.25 per share); and a non-interest bearing vendor take-back loan of \$430.0 discounted at 7% per annum to \$369.4 due in 3 equal annual

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installments on the successive anniversary dates of closing.

Effective March 1, 2009, the Company closed the acquisition of People after receiving regulatory approval. The Company signed a Share Exchange Agreement on December 31, 2008 with the shareholders of People to acquire 100% of the outstanding common shares of People. The present value of the consideration given was \$5,808.0 (\$3,118.7 net of acquired cash of \$2,689.3). In exchange, the Company issued 15,831,930 common shares for a value of \$3,958.0 (\$0.25 per share) and a \$2,273.7 non-interest bearing promissory note payable in 60 monthly installments beginning at the closing date. The discounted value of the promissory note is approximately \$1,850.0.

During fiscal 2009, the Company increased its revenues by 98.4% over the prior year. Revenues were up to \$13,688.4 from \$6,897.9 mainly due to acquisition growth over the prior year. EBITDA decreased slightly to \$1,153.6 in fiscal 2009 from \$1,225.4 the prior year and our operating margin decreased from the prior year due to a number of factors which totaled \$1,083.0 as follows.

- a) The merger of the Company and People resulted in one time costs primarily made up of transaction driven bonuses and fees of \$143.0 and termination costs totaling approximately \$200.0, resulting in \$343.0 of additional expenditures for the year.
- b) The Company has invested in the long term growth of the Company by the restructuring of the corporate management team. Additional senior management roles in the form of the Executive Vice-President of Sales and the Vice-President of Corporate Development resulted in an additional \$125.0 for the year, primarily salary expense.
- c) Weakened economic conditions, while exposing the Company to certain risks related to revenue and overall profitability, have primarily impacted parts of the Company whose revenues are tied to contingent projects and fee for service engagements. Year to date the actual results of recruitment services were approximately \$500.0 lower than management expectations.
- d) The Company has provided for an additional accrual of \$115.0 for general allowances, relating to possible revenues lost as a result of contract renegotiation or termination that may occur as a result of general economic conditions that may impact corporate clients.

Net income increased by \$313.7 to \$462.7 for the year ended August 31, 2009 in comparison to \$149.0 that was recorded in the prior year.

As a result of its activities and acquisitions during the year, the Company's liquidity and capital resources were enhanced. Cash balances increased to \$2,104.0 from \$654.7 in the comparative period last year providing additional cash to manage the affairs of the Company.

The Company continues to pursue its strategy of aggregating small and medium sized group benefit, pension consulting, HR Consulting and recruitment service businesses.

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Net income details for the four quarters and year ended August 31, 2009: (amounts derived from the unaudited interim financial statements and audited annual financial statements).

	Q1		Q2		Q3		Q4		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenue	1,422	1,258	2,280	1,902	4,793	2,210	5,193	1,528	13,688	6,898
Operating costs (i)	1,028	1,004	1,062	1,061	4,222	1,442	3,254	1,215	9,566	4,722
Operating margin	394	254	1,218	841	571	768	1,939	313	4,122	2,176
Operating margin %	27.7%	20.2%	53.4%	44.2%	11.9%	34.8%	37.4%	20.5%	30.1%	31.5%
Head office costs (ii)	258	229	271	261	844	271	1,595	189	2,968	950
EBITDA (iii)	136	25	947	580	(273)	497	344	124	1,154	1,226
Less:										
Stock-based compensation expense	3	63	9	9	21	63	4	8	37	143
Depreciation of capital assets	18	22	18	23	64	25	65	29	165	99
Amortization of intangibles	138	138	148	138	230	138	230	138	746	552
Recovery of development costs	-	-	-	-	(15)	-	-	-	(15)	-
Gain on settlement of debt	-	-	-	-	(289)	-	-	-	(289)	-
Interest expense	18	39	38	61	103	50	87	19	246	169
Write-down of capital assets	-	-	-	-	-	-	-	26	-	26
Income taxes	(132)	(84)	259	134	(134)	55	(192)	(17)	(199)	88
Net income (loss)	91	(153)	475	215	(253)	166	150	(79)	463	149

- (i) Represent operating expenses of the acquired businesses and are part of the expense disclosed in the unaudited interim and audited annual financial statements.
- (ii) Represent expenses incurred at the corporate head office and are part of the expense disclosed in the unaudited interim and audited annual financial statements.
- (iii) Management defines EBITDA as earnings before interest, taxes, depreciation and amortization, stock-based compensation and other non cash charges. Management believes that in addition to net income (loss), EBITDA is a useful supplemental measure for investors of earnings before debt service, capital asset charges and taxes. This earnings measure should not be construed as an alternative to net income or as an alternative to cash flow from operating, investing and financing activities or the Company's liquidity. EBITDA does not have a standardized meaning prescribed by generally accepted accounting principles (GAAP) and therefore the Company's method of calculating EBITDA may not be comparable to similar measures presented by other companies or issuers.

Revenue

Revenue for the year ended August 31, 2009 was up \$6,790.5 or 98.4% from a year ago due mainly to the acquisition of White Willow and People, which contributed \$520.5 and \$6,277.9 of the increase, respectively. Excluding the impact of the White Willow and People acquisitions, revenue decreased by \$7.9. Although revenues increased by 5.3% due to new clients and a further 1% due to renewal rate increases, these increases were offset by the impact of a general allowance (1.45%) and lost clients in the prior year and current year. The one time increase in revenue last year due to a change in renewal date of a large client group did not occur during fiscal 2009.

Salaries, Commissions and Benefits Expenses

Salaries, benefits and commissions for the year ended August 31, 2009 were \$8,821.3 versus \$4,001.4 for the same period a year ago. \$269.0 of the \$4,819.9 increase is due to the acquisition of White Willow and a further \$4,277.4 of the increase relates to the People acquisition. Commissions decreased due to the one time change in renewal date of a large client group. This decrease was offset by the cost of new employees and bonuses relating to new business and performance. The increase of \$4,277.4 relating to the acquisition of People in the year ended August 31, 2009, includes one time charges totaling \$467.5 made up of: transaction driven bonuses and fees of \$143.0, termination costs totaling approximately \$199.5 and

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additional senior management costs of \$125.0.

Stock-based Compensation

Stock-based compensation for the year ended August 31, 2009 was \$36.5 versus \$142.7 in the prior year. During the year ended August 31, 2009, the Company granted 1,817,934 options to employees, officers and directors of which 129,943 vested at the date of the grant. In addition, 95,000 of previously issued stock options vested.

Other Operating Expenses

Other operating expenses for the year ended August 31, 2009 were \$3,713.5 compared to \$1,671.1 for the same period last year. The increase of \$2,042.4, of which \$40.0 is due to the acquisition of White Willow, \$2,154.3 is due to the acquisition of People and the remaining decrease is mainly due to the reduction of consulting fees of \$218.2 offset by increased public company charges.

Interest Expense

Interest expense for year ended August 31, 2009 was \$246.3, up \$77.6 compared to \$168.7 incurred in the prior year. The increase is due to an overall increase in debt, comprised of new and refinanced long-term debt balances, short-term financing, and vendor-take-back ("VTB") debt balances relating to the White Willow and People acquisitions.

Depreciation and Amortization

Depreciation and amortization for the year ended August 31, 2009 was \$911.8, which is an increase of \$260.6 in comparison to \$651.2 recorded in fiscal 2008. The increase relates to additional amortization related to the White Willow intangibles acquired in January 2009 and the People intangibles acquired in March 2009 as well as depreciation of the capital assets acquired.

Income Tax Expense

For the year ended August 31, 2009 the current income tax expense of \$238.3 decreased by \$79.9 compared to the expense of \$318.2 in the same period a year ago. For the year ended August 31, 2009, current taxes are down in part due to the application of prior years' losses. The statutory rate has changed from 36.12% to 32.33% in fiscal 2009. The change in future tax charge reflects the impact of the sale of real estate and the change in statutory tax rate.

Net Income

As a result of the revenue and expenses described above, the net income for the year was \$462.7, up from net income of \$149.0 recorded a year ago.

ANALYSIS OF 2009 FOURTH QUARTER RESULTS

Revenue

Revenue for the three months ended August 31, 2009 was \$5,193.8, an increase of \$3,665.5 from the same period a year ago. While the increase is due mainly to the acquisitions of White Willow and People, contributing \$76.9 and \$3,050.6 respectively to the increase, the remaining \$538.0 relates mostly to the change in renewal date of one large client group.

Salaries, Commissions and Benefits Expenses

Salaries, benefits and commissions for three months ended August 31, 2009 were \$3,449.5 versus \$1,010.4 for the three months ended August 31, 2008. \$98.9 of the \$2,439.1 increase is due to the acquisition of White Willow and a further \$2,044.9 of the increase relates to the People acquisition. The remaining \$295.3 was due to salary increases, additional staff and bonuses on new business earned in the quarter.

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Stock-based Compensation

Stock-based compensation for the three months ended August 31, 2009 was \$3.6 versus \$8.8 in the prior year.

Other Operating Expenses

Other operating expenses for the three months ended August 31, 2009 were \$1,399.7 compared to \$393.9 for the same period last year, an increase of \$1,005.8. The acquisitions of White Willow and People contributed \$14.5 and \$1,041.8, respectively, of the increase and the remaining decrease was due to the reduction in consulting fees.

Interest Expense

Interest expense for three months ended August 31, 2009 was \$87.1, up \$67.9 compared to \$19.2 incurred in the prior year. The increase is due to an overall increase in debt, comprised of: new and refinanced long-term debt balances, short-term financing, and vendor-take-back (“VTB”) debt balances relating to the White Willow and People acquisitions.

Depreciation and Amortization

Depreciation and amortization for the three months ended August 31, 2009 was \$295.9, which is an increase of \$129.0 in comparison to \$166.9 recorded in fiscal 2008. The increase relates to additional amortization related to the White Willow intangibles acquired in January 2009 and the People intangibles acquired in March 2009 as well as depreciation of the capital assets acquired.

Income Tax Expense

For the three months ended August 31, 2009 the current income tax recovery of \$72.1 changed by \$115.8 compared to the expense of \$43.7 in the same period a year ago. For the three months ended August 31, 2009, current taxes are down in part due to the application of prior years’ losses. The statutory rate has changed from 36.12% to 32.33% in fiscal 2009. The change in future tax charge reflects the impact of the sale of real estate and the change in the statutory rate.

Net Income

As a result of the revenue and expenses described above, the net income for the quarter was \$150.3, an increase from net income of \$79.2 recorded a year ago.

LIQUIDITY AND CAPITAL RESOURCES**Cash Flows**

The following table summarizes the Company’s cash flows for the periods ended August 31, 2009:

	For the three months ended August 31		For the year ended August 31	
	2009	2008	2009	2008
Operating activities	\$ (99.3)	\$ 1,388.4	\$ 271.7	\$ 920.0
Investing activities	(46.8)	(11.2)	2,415.9	(48.6)
Financing activities	(179.5)	(760.8)	(1,238.3)	(1,366.3)
Increase (decrease) in cash	\$ (325.6)	\$ 616.4	\$ 1,449.3	\$ (494.9)

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2009 Annual Cash Flow Analysis

Cash from operating activities for the year ended August 31, 2009 of \$271.7 was \$648.3 lower than for the same period a year ago. Income tax payments of \$744.4, an increase of \$604.8 over the prior year, account for the majority of the change while timing of the collection of receivables accounts for the balance of the decrease.

Cash flow provided by investing activities of \$2,415.9 for the current year was significantly increased by \$2,464.5 in comparison to the usage of cash of \$48.6 that was experienced in the prior year. The large increase is primarily attributable to proceeds from the sale of real estate as well as the net effect of cash acquired on the acquisition of White Willow and People offset by associated acquisition costs.

Financing activities remained fairly consistent for the year compared to the prior year, and were highlighted by the structured payments related to vendor-take-back debt of \$1,167.4 and the retiring of the real estate mortgage of \$300.1 offset by the proceeds from new long term debt.

2009 Fourth Quarter Cash Flow Analysis

Cash flow from operating activities decreased by \$1,487.7 in the fourth quarter of fiscal 2009 to a usage of \$99.3 from cash flow generated of \$1,388.4 over the same period a year ago. EBITDA improved by \$220.6 in comparison to the prior period, resulting in EBITDA of \$344.6 for the fourth quarter of 2009. While EBITDA improved and provided positive cash flow, the timing of collection of receivables and required interest payments offset this improvement.

Cash flow used in investing activities in the fourth quarter of both 2009 and 2008 was limited to capital asset additions.

Financing activities in the current year's quarter included \$162.5 in structured payments of vendor-take-back debt with structured payments relating to a demand loan and capital lease obligations accounting for the remainder. In fourth quarter of 2008, the financing activities were primarily comprised of the initial repayment relating to the Gallivan vendor-take-back debt of \$696.4.

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.

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Capital Resources

The following table summarizes the Company's capital resources as at August 31:

	2009	2008
Cash	\$ 2,104.0	\$ 654.7
Working capital (including cash)		
Current assets	4,489.7	1,366.4
Current liabilities (i) (ii)	6,545.8	1,914.4
Long-term debt (iii)	4,773.4	2,379.8
Shareholders' equity	12,443.7	7,761.6
(i) Excludes current portion of long-term debt		
(ii) Included in current liabilities is \$3,259.1 relating to deferred revenue which represents an increase of \$2,573.5 from the year ended August 31, 2008. Deferred revenue represents funds received in advance for services that will be provided in future periods.		
(iii) Includes current portion of long-term debt		

The following summarizes the Company's future expected payments:

	Total	Payments due in fiscal periods		
		2010	2011	2012 and beyond
Current portion of long-term debt	\$ 1,169.5	\$ 1,169.5	\$ -	\$ -
Long-term debt	3,603.9	-	1,775.6	1,828.3
Operating leases	2,920.6	965.5	802.4	1,152.7
	\$ 7,694.0	\$ 2,135.0	\$ 2,578.0	\$ 2,981.0

Management expects to generate sufficient cash from operations to continue financing its seasonal working capital needs through fiscal 2010.

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RELATED PARTY TRANSACTIONS

During the period ended August 31, 2009 outlined below, the Company had significant activity with directors and officers or shareholders of the Company. All the transactions are in the normal course of operations and are measured at the exchanged amount, which is the consideration agreed to by the parties. The related party transactions and balances are as follows:

	August 31, 2009		August 31, 2008	
	3 months ended	12 months ended	3 months ended	12 months ended
Revenue (i)	\$ 23.6	\$ 88.8	\$ 19.8	\$ 93.0
Expenses				
Salaries, wages & benefits (ii)	385.7	877.6	33.3	284.7
Commissions (iii)	32.9	156.7	91.0	416.8
General and administrative (iv)	6.8	34.1	11.8	74.3
Interest expense (v)	60.9	173.9	28.5	129.3

	As at	
	August 31, 2009	August 31, 2008
Accounts receivable (i)	\$ 13.8	\$ 23.3
Commission advances (iii)	30.5	-
Accounts payable & accrued liabilities (vi)	258.5	44.6
Commissions payable (iii)	-	66.7
Current portion of long-term debt (vii)	332.2	1,039.6
Long-term debt (vii)	2,698.9	274.1

- (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 \$187.2 for the year ended August 31, 2009 (2008 – \$135.7) to a Director of the Company, of which \$30.5 (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 \$22.0 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 \$1.6 (August 31, 2008 – \$42.9), Directors' fees of \$22.0 (2008 - \$nil) and \$233.2 (2008- \$nil) bonus is payable to certain members of senior management; and \$1.6 (August 31, 2008 - \$1.7) of consulting fees payable to

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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.

SEASONALITY

The business of the Company in 2008 generated a higher number of renewals and consequently more revenues during the second and third quarters and lower renewals in the first and fourth quarters. As a result of changes in certain renewal dates including a major association group, from the third quarter to the fourth quarter, it is anticipated that the Company will now report higher revenues during the second and fourth quarters going forward. With the addition of White Willow and People, it is anticipated that the seasonality in the Company's cash flows will be less significant.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies are defined as those that are both very important to the portrayal of the Company's financial condition and results, and require management's most difficult, subjective or complex judgments. We are required in preparing the Company's financial statements, in accordance with GAAP, to make certain estimates, judgments and assumptions that we believe are reasonable based upon available information, historical information and/or forecasts. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting periods. Actual results could differ from these estimates. The accounting policies which management believes are the most critical to aid in fully understanding and evaluating our reported financial results include those relating to revenue recognition, business acquisitions and accounting for the resulting customer relationships and contracts, goodwill and income taxes.

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

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reported as long term deferred revenue.

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

Business combinations

Business acquisitions are accounted for using the purchase method whereby the fair value of consideration given is allocated to identifiable assets acquired and liabilities assumed. The results of operations and cash flows of an acquired business are included in the Company's financial statements from the effective date of acquisition. Where the consideration given is subject to contingent adjustment based on future periods' operating results, such adjustment is recognized in the period the contingency is resolved.

Amortization of finite-life intangible assets

Under GAAP, finite-life intangible assets are amortized over their estimated useful lives. Management estimates that the estimated useful life of the customer relationships and contracts acquired is 10 years. The Company amortizes the cost of these finite-life intangible assets on a straight-line basis over 10 years. Management tests for recoverability of the carrying value of these intangible assets annually or whenever events or changes in circumstances indicate that their carrying value may not be recoverable.

Goodwill

Goodwill results from business combinations and represents the excess of the consideration given over the fair value of identifiable net assets acquired. Goodwill is not subject to amortization but is subject to an impairment test that is performed at least annually.

Future income tax

The Company uses the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the year. Future income tax assets and liabilities are recognized for the estimated income tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are recognized using substantively enacted income tax rates. Future income tax assets are recognized with respect to deductible temporary differences and loss carry-forwards only to the extent their realization is considered more likely than not.

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 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.

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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.

The Company has begun diagnostic procedures to identify the various IFRS / Canadian GAAP differences applicable to its operations in order to formulate its transition plan. The identification of the potential difference are not yet known and 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.

RISKS AND UNCERTAINTIES

The Company operates in a well established and highly competitive industry and its results of operations, business prospects and financial condition are subject to a number of risks and uncertainties and are affected by a number of factors outside the control of management of the Company. These factors include, but are not limited to, the following:

Key Personnel

The Company is highly dependent upon the expertise and experience of its personnel, particularly those engaged in generating revenue. The Company’s operations depend, in part, on the relationships and reputations these individuals have established with clients, often over many years. In the event the Company were to lose key personnel, client relationships could be negatively impacted which could lead to material adverse effects on the Company’s operating and financial results. In addition, many of the Company’s employees have developed specialized expertise and experience in the delivery of HR and benefit solutions. These solutions include, but are not limited to, specialized HR consulting engagements, recruitment projects, career management, benefits plan design and administration, legislative and regulatory issues, as well as group retirement plan design.

The Company currently has many well experienced employees that have served the Company for five years or more, who hold senior positions in the Company, that have various professional designations and that have developed deep and trusted relationships with clients. While the Company provides a competitive compensation structure including stock options to its employees and has signed comprehensive employment agreements with its employees to protect the Company, in the event that the Company were to lose any of its key personnel, it may have a material adverse effect on the business of the Company. The ability to attract, retain and develop new employees into senior positions could affect the business of the Company.

Regulation and Certification

The Company’s benefit and pension consulting and administration services are subject to laws and regulations that are constantly evolving. In addition, the laws and regulations differ from province to province and the Company is required to keep up to date with the laws and regulations of each province.

Although there are currently restrictions on the ability of Canadian banks to market insurance products in competition with the Company, such legislation is currently under review. Accordingly, dependent upon the nature of legislative reforms, Canadian banks may in the future be able to offer products which are competitive with the products offered by the Company.

Currently the provisions of recruitment services and HR consulting engagements are not generally subject to government regulation. However, there is no certainty that regulation will not be introduced.

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Any changes to laws, rules, regulations or policies could have a material adverse effect on the Company's business, financial condition and operating results.

Termination of Contracts

Group insurance contracts are generally re-negotiated on an annual basis with clients, pursuant to which insurance premium pricing increases or decreases. Accordingly, there can be no guarantee that insurance contracts sold through the Company in the past will be renewed on a go-forward basis. While the Company has several benefit and insurance clients with contracts that extend for one to seven years, the majority of the Company's benefit and pension revenue is derived from contracts that can be cancelled with thirty days notice. The Company's experience is that most clients terminate during the renewal process rather than during the policy year. No single client makes up more than 10% of the Company's revenue and the clients are diversified both in size and industry. During the renewal process the benefits consulting team will provide benefits planning and consulting services which could result in decreased benefits coverage and/or decreased premiums which generally results in decreased revenue for the Company. The Company is often paid commissions in advance from the insurance carrier. In the event that a contract is terminated by a client and the Company has been paid in advance for the year, then the Company may rebate the amount paid on a pro rata basis to the insurance company.

Competitive Conditions

The insurance brokerage market is highly competitive and is composed of a large number of companies of varying size and scope of services. Insurance companies themselves also offer their products through other methods, including insurance agents and direct distribution channels, which are competitive with the insurance brokerage industry and the Company.

Future growth and expansion is dependent on ongoing acquisitions of Group Benefit, Pension Advisory Service businesses and HR Consulting and Staffing Firms

To a large extent, the Company's growth and expansion plans depend upon the ongoing acquisition of independent Group Benefit, Pension Advisory businesses and HR Consulting and Staffing firms at reasonable prices. There can be no assurance that an adequate number of acquisition candidates will be available to the Company to meet its expansion plans, or in the event that such businesses are available for acquisition that they will be available at a price which would allow the Company to operate on a profitable basis. The Company competes for acquisition and expansion opportunities with entities that have substantially greater resources than the Company and these entities may be able to outbid the Company for acquisition targets. If the Company fails to execute its acquisition strategy, the Company's revenue growth and expansion is likely to suffer.

The Company may be unable to successfully integrate its recent or future acquisitions

There can be no assurance that the Company's recently acquired businesses or any businesses acquired by the Company in the future will achieve acceptable levels of revenue and profitability or otherwise perform as expected. The Company has limited experience in acquiring and integrating brokerages in other markets. The Company may be unable to successfully integrate its recently-acquired businesses, or any it may acquire in the future, due to diversion of management attention, strains on the Company's infrastructure, difficulties in integrating operations and personnel, entry into unfamiliar markets, or unanticipated legal liabilities or tax, accounting or other issues. A failure to integrate acquired businesses may be disruptive to the Company's operations and negatively impact the Company's revenue or increase the Company's expenses.

The Company anticipates the need for additional financing, which it may not be successful in arranging

The Company has relied principally on equity and vendor-take-back debt financing to fund its acquisitions. The Company may require additional funds to make future acquisitions of Group Benefit and Pension Advisory businesses and may require additional funds to market and sell its products into the marketplace.

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The ability of the Company to arrange such financing in the future, and to repay its existing debt, will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, when needed, on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution. If additional financing is not available on terms favorable to the Company, the Company may be unable to grow or may be required to limit or halt its expansion plans. In addition, the Company's existing creditors, some of whom have security interests in the Company's assets, may exercise their rights to acquire or dispose of the Company's assets.

No intention to declare dividends

The Company currently intends to retain any future earnings to fund growth and operations and it is not likely to pay any dividends in the immediate or foreseeable future. Any decision to pay dividends on its common Shares in the future will be made by the Board of Directors on the basis of the Company's earnings, financial requirements and other conditions at such time.

Reputational Risk

The Company is dependent, to a large extent, on its client relationships and its reputation with clients. In addition, the HR Consulting and Staffing part of the Company is dependent upon its reputation with potential candidates that will be placed with clients through its recruitment services. The Company's reputation can be significantly damaged by failing to deliver timely and quality consulting and recruitment services or by failing to provide quality services to potential candidates. The benefit and pension part of the Company relies upon information systems and technology to maintain accurate records and to carry out its contractual administrative obligations. Failing to meet its contractual obligations to clients could result in litigation as well as significant reputational damage to the Company. Damage to the Company's reputation could result in the loss of client and candidate relationships which could result in a material adverse effect on the Company's business, financial condition and operating results.

Canadian Economy

The Company's future success is dependent upon the direction and state of the Canadian economy. The business, operating results and financial condition of the Company could be materially affected by a prolonged and deep recession or downturn in the Canadian economy. The Company may not have sufficient financial resources to withstand a prolonged and deep recession.

OUTLOOK

Management believes that the Company's ongoing cash flow from operations and its acquired cash balances will be sufficient to allow it to meet ongoing requirements for capital expenditures and working capital. Future acquisitions may require the Company to seek additional debt and/or equity financing. The Company's future needs may, however, change, and in such event the Company's ability to satisfy its obligations will be dependent upon its future financial performance.

As a result of the recent merger with People, management believes the Company's ability to execute its business plan is significantly enhanced by virtue of increased scale and critical mass; an experienced corporate management team with a track record of success; enhanced cash balances; product line diversification in the areas of third party administration services, group retirement solutions, administrative services only (ASO) expertise and HR consulting services; as well as geographic expansion in Canada.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com.