

**GROUPWORKS FINANCIAL CORP.**  
**Financial Statements**  
**For The Quarter Ended May 31, 2007**  
*(Unaudited)*

**GROUPWORKS FINANCIAL CORP.**  
**Index to Financial Statements**  
**The Quarter Ended May 31, 2007**  
*(Unaudited)*

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July 27, 2007

**Notice to Shareholders**

The attached consolidated financial statements have not been reviewed by the Corporation's external auditors

**GROUPWORKS FINANCIAL CORP.**

**Balance Sheet**

**As At May 31, 2007**

*(Unaudited)*

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**ASSETS**

**CURRENT**

Cash	\$	2,247,776
Accounts receivable		1,053,524
Deferred acquisition fees (Note 1)		138,240
Prepaid expenses		30,524

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3,470,064

CAPITAL ASSETS (Note 3)

683,633

INTANGIBLE ASSETS (Net of accumulated amortization)(Note 4)

2,150,625

GOODWILL

2,988,810

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\$ 9,293,132

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**LIABILITIES AND SHAREHOLDERS' EQUITY**

**CURRENT**

Bank indebtedness (Note 5)	\$	30,311
Accounts payable and accrued liabilities		699,800
Income taxes payable		33,891
Current portion of long term debt (Note 11)		1,038,910

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1,802,912

LONG-TERM DEBT (Note 11)

1,872,100

FUTURE INCOME TAXES (Note 12)

587,009

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4,262,021

**SHAREHOLDERS' EQUITY**

Share capital (Note 7(a) (b))		4,965,420
Contributed surplus (Note 8)		118,916
Deficit		(53,225)

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5,031,111

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\$ 9,293,132

**ON BEHALF OF THE BOARD**

\_\_\_\_\_"Sean Cleary"\_\_\_\_\_*Director*

\_\_\_\_\_"Derrick March"\_\_\_\_\_*Director*

See the accompanying notes

**GROUPWORKS FINANCIAL CORP.**  
**Statement of Income (Loss) and Deficit**  
**For The Periods Ended May 31, 2007**  
*(Unaudited)*

	<i>3 month ended May 31, 2007</i>	<i>9 month ended May 31, 2007</i>
<b>FEES</b>		
Commissions	\$ 1,439,303	\$ 2,537,094
Consulting fees	70,671	212,019
Other	1,219	16,214
	<b>1,511,193</b>	<b>2,765,327</b>
<b>EXPENSES</b>		
Salaries and benefits <i>(Note 8)</i>	\$ 462,121	\$ 1,209,269
Commissions	473,968	586,738
General and administrative	148,397	397,651
Advertising and promotion	22,816	115,704
	<b>1,107,302</b>	<b>2,309,362</b>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>403,891</b>	<b>455,965</b>
<b>OTHER INCOME (EXPENSES)</b>		
Interest expense	(76,568)	(263,349)
Depreciation and amortization	(70,634)	(207,729)
Gain (loss) on sale of capital assets	(5,731)	(5,731)
	<b>(152,933)</b>	<b>(476,809)</b>
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>250,958</b>	<b>(20,844)</b>
<b>INCOME TAXES (RECOVERED)</b>		
Current	108,002	53,222
Future	<u>(23,355)</u>	<u>(46,595)</u>
	<b>84,647</b>	<b>6,629</b>
<b>NET INCOME (LOSS)</b>	<b>166,311</b>	<b>(27,469)</b>
<b>DEFICIT - BEGINNING OF PERIOD</b>	<b>(219,536)</b>	<b>(25,754)</b>
<b>DEFICIT - END OF PERIOD</b>	<b>\$ (53,225)</b>	<b>\$ (53,225)</b>
<b>Earnings (loss) per share – basic</b>	<b>\$ 0.028</b>	<b>\$ (0.005)</b>
<b>Earnings (loss) per share - fully diluted</b>	<b>\$ 0.022</b>	<b>\$ (0.004)</b>

See the accompanying notes

**GROUPWORKS FINANCIAL CORP.**  
**Statement of Cash Flow**  
**For The Periods Ended May 31, 2007**  
*(Unaudited)*

	<i>3 month ended</i>	<i>9 month ended</i>
	<i>May 31, 2007</i>	<i>May 31, 2007</i>
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 166,311	\$ (27,469)
Items not affecting cash:		
Depreciation of property, plant & equipment	9,687	24,888
(Gain) loss on sale of capital assets	5,731	5,731
Amortization	60,947	182,840
Amortization - interest	44,519	158,871
Future income taxes	(23,355)	(46,595)
Stock Option	59,458	118,916
	<b>\$ 323,297</b>	<b>\$ 417,182</b>
Changes in non-cash working capital:		
Accounts receivable	\$ (578,994)	\$ (837,729)
Accounts payable and accrued liabilities	160,543	420,408
Income taxes payable	108,002	33,891
Prepaid expenses	(30,524)	(19,829)
	<b>\$ (340,973)</b>	<b>\$ (403,259)</b>
Cash flow provided (used) by operating activities	<b>\$ (17,676)</b>	<b>\$ 13,923</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment	\$ (125,445)	\$ (134,661)
Proceeds from sale of capital assets	578,600	578,600
Deposit for acquisition	-	50,000
Purchase of subsidiaries	-	(5,678,933)
Acquisition fees	-	(146,705)
Cash flow provided (used) by investing activities	<b>\$ 453,155</b>	<b>\$ (5,331,699)</b>
<b>FINANCING ACTIVITIES</b>		
Short term debt	\$ (1,000,000)	\$ -
Decrease in bank indebtedness	(48,095)	(33,164)
Long term debt financing (repayment)	(471,377)	2,911,010
Common stock issued	3,780,000	4,580,000
Equity issuance costs	(448,231)	(656,026)
Cash flow provided (used) by financing activities	<b>\$ 1,812,297</b>	<b>\$ 6,801,820</b>
<b>INCREASE IN CASH FLOW</b>	<b>\$ 2,247,776</b>	<b>\$ 1,484,044</b>
Cash - beginning of period	-	763,732
<b>CASH - END OF PERIOD</b>	<b>\$ 2,247,776</b>	<b>\$ 2,247,776</b>

See the accompanying notes

**GROUPWORKS FINANCIAL CORP.**  
**Notes to Financial Statements**  
**The Period Ended May 31, 2007**  
*(Unaudited)*

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1. BASIS OF PRESENTATION

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

On September 1, 2006 Groupworks, the "Corporation" purchased all of the shares of The Combined Investment Guild Insurance Agencies Inc. ("Combined Investment Guild") and Buffett, Taylor & Associates Insurance Agencies Inc. ("Buffett, Taylor Inc."). On May 1, 2007 the Combined Investment Guild and Buffett, Taylor Inc. were amalgamated with Groupworks and continued under the Ontario Business Corporations Act.

The financial statements are prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business as a going concern

THE COMBINED INVESTMENT GUILD

Investment Guild was comprised of three companies, The Investment Guild Insurance Agency Ltd. (operating Corporation), 647006 Ontario Inc. and 646231 Ontario Inc., of which these companies collectively own 100% of the outstanding common shares of the operating Corporation. On September 1, 2006, the Corporation entered into two share purchase agreements to acquire all of the shares of 646231 Ontario Inc. and 647006 Ontario Inc. to effectively gain control of The Investment Guild Insurance Agencies Inc. The shares were purchased for consideration of \$2,778,207 involving; short-term debt of \$400,000; issuance of 1,333,333 common shares for a value of \$800,000; a vendor take-back loan of \$855,000 payable at 7% per annum in 180 blended monthly pavements (15 years) and a non-interest bearing vendor take-back loan of \$800,000 discounted at 7% per annum to \$723,207 and due in 2 equal annual installments on the next two anniversary dates. The vendor take-back loan is discounted as it was offered below the effective interest rate prevailing at the purchase date. The amount is subject to purchase price adjustments related to achieving specific revenue levels and will be assess on the first two anniversary dates.

The acquisition has been accounted for using the purchase method and accordingly, the results of operations from September 1, 2006 have been included in these interim financial statements and no comparative information has been 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.

Purchase price has been allocated as follows:

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Accounts receivable	80,795
Prepaid expenses	10,695
Buildings	1,049,370
Office equipment	11,202
Furniture and fixtures	3,285
Customer relations	625,000
	<hr/> 1,780,347
Current liabilities	
Accounts payable	125,956

**GROUPWORKS FINANCIAL CORP.**  
**Notes to Financial Statements**  
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Bank indebtedness	23,575
Future taxes	247,850
Fair value of net assets acquired	1,384,966
Purchase price (discounted)	2,778,207
<b>Total goodwill on purchase</b>	<b>1,393,242</b>

**BUFFETT, TAYLOR INC.**

On September 1, 2006, Groupworks purchased 100% of the shares of Buffett Taylor Inc. from Buffett Taylor & Associates Insurance Agencies Ltd. in exchange for \$3,161,372. The present value of the consideration given is \$2,900,726 and was settled as follows; \$50,000 deposit; \$1,030,000 cash to be paid on closing (which includes \$80,000 payment to reimburse for negative working capital incurred during August through the course of operating the benefits segment business) and the remaining \$2,081,372 (present value \$1,820,726) is payable in three equal installments on the successive anniversary dates of closing. The remaining amount is subject to purchase price adjustments related to achieving specific revenues and earnings to be assessed on the first three anniversary dates.

The acquisition has been accounted for using the purchase method and accordingly, the results of operations from September 1, 2006 have been included in these interim 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.

Buffett Taylor & Associates Insurance Agencies Ltd has a defined contribution pension plan which included employees of Buffett Taylor Inc. Pursuant to the sale of Buffett Taylor Inc., Buffett Taylor & Associates Insurance Agencies Ltd has applied to have the plan divided so that Buffett Taylor Inc., will take over the plan for its employees.

Purchase price has been allocated as follows:

Cash	100
Accounts receivable	135,000
Furniture and fixtures	16,200
Office equipment	76,058
Customer relations	1,700,000
	<b>1,927,358</b>
<u>Future income tax liability</u>	<u>622,200</u>
Fair value of net assets acquired	1,305,158
Purchase price (discounted)	2,900,726
<b>Total goodwill on purchase</b>	<b>1,595,568</b>

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**GROUPWORKS FINANCIAL CORP.**  
**Notes to Financial Statements**  
**The Period Ended May 31, 2007**  
*(Unaudited)*

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Revenue recognition

Commissions are recognized when earned at the effective or renewal date of the policy, net of provision for return commissions due to policy cancellation and adjustments. The provision is determined by management based on historical data.

Capital assets

Capital assets are initially recorded at cost. Repairs and maintenance are charged to operations as incurred. Amortization is computed using the straight-line or diminishing balance method over the remaining estimated useful life of the capital assets as outlined below:

Computer software	4 years straight line
Computer equipment	30% diminishing balance
Furniture and fixtures	20% diminishing balance
Leasehold improvements	8 years straight line
Building	4% diminishing balance

Deferred charges

The cost incurred in the acquisition of assets or operations are deferred and amortized over the same period as intangibles acquired. The cost of obtaining short and long-term debt is deferred and amortized on a straight-line basis over the term of the debt to which they relate.

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 are amortized on a straight-line basis over 10 years.

Goodwill

At the acquisition date, goodwill is recorded at the excess of the purchase price of an acquired business over the fair value of the net assets acquired.

On an annual basis, management will review the carrying amount of goodwill for possible impairment by conducting a two-step test. In the first step, fair value of the reporting unit, as determined by discounted cash flows, is compared to its carrying value. If the fair value is less than the carrying value, a second step will be conducted whereby the fair value of goodwill is determined on the same basis as a business combination. If fair value of goodwill is less than its carrying value, goodwill will be written down to its estimated fair value.

Long-lived assets

Long-lived assets comprise capital assets and intangible assets subject to amortization. Long-lived assets are reviewed 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

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long-lived assets, the recoverability test is 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.

Income taxes

The 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 the assets will be realized.

Stock-based compensation

The Corporation has a stock-based compensation plan which is described in note 8. Any consideration paid by employees upon the exercise of any stock options increases share capital. The Corporation does not repurchase stock options from optionees.

Compensation costs attributable to all stock options granted are measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of the option, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

Use of estimates

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.

3. CAPITAL ASSETS

	Cost	Accumulated amortization	Net book value
Computer software	\$ 65,978	\$ 2,160	\$ 63,818
Computer equipment	36,855	4,246	32,609
Furniture and fixtures	117,802	3,732	114,070
Leasehold improvements	23,212	362	22,850
Building	457,143	6,857	450,286
	<b>\$ 700,990</b>	<b>\$ 17,357</b>	<b>\$ 683,633</b>

Cost includes the fair value of the capital assets acquired [note 1] and additions during the period. Accordingly, accumulated amortization only consists of amortization recorded in the period September 1 to May 31, 2007.

The Corporation sold real estate property on May 2, 2007 for proceeds of \$578,600 and incurred an accounting loss of \$5,713.

**GROUPWORKS FINANCIAL CORP.**  
**Notes to Financial Statements**  
**The Period Ended May 31, 2007**  
*(Unaudited)*

4. INTANGIBLE ASSETS

	Cost	Accumulated amortization	Net book value
Customer relationships	2,325,000	174,375	2,150,625

5. BANK INDEBTEDNESS

The Corporation's banking facility provided for two distinct lines of credit.

A maximum \$100,000 operating line of credit which bears interest at prime plus 0.5% with no specific repayment terms. As at May 31, 2007, there is no outstanding balance.

A maximum \$250,000 real estate credit facility which is secured by the Corporation's real estate assets. The facility is a diminishing (non-revolving) line of credit with no further ability to draw on, no scheduled principal payments and interest due monthly. Interest is charged at prime plus 1%. As at May 31, 2007 the balance outstanding is \$30,311.

Both facilities are secured by first collateral position over real estate assets held by the Corporation, general security agreement over the Corporation's assets and personal guarantees of the Corporation's directors.

6. SHORT TERM DEBT

On May 2, 2007 the Corporation utilized \$579,822 of proceeds from the sale of real estate property, to partially repay a \$1,000,000 short term loan. On May 28, 2007 the Corporation paid an additional \$476,417 from its initial public offering proceeds to extinguish the short term loan and accrued interest. The \$1,000,000 demand loan was issued September 1, 2006 and was due May 1, 2007. The loan bore interest at 8% and had to be paid within 8 months. If not paid within the specified 8 months, interest charged increases to 16%. The loan was secured by a general security agreement and personal guarantees of the principals of the Corporation and due on demand.

7. SHARE CAPITAL AND WARRANTS

(a) SHARE CAPITAL

Unlimited common voting shares

Issued:

12,861,667 common voting shares (6,300,000 issued pursuant to an initial public offering on May 28, 2007)	\$5,375,000
	<u>(409,580)</u>
Units issue costs, net of future income taxes	<b>\$4,965,419</b>

**GROUPWORKS FINANCIAL CORP.**  
**Notes to Financial Statements**  
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*(Unaudited)*

(b) WARRANTS

	Number	Weighted Average Exercise Price 2007
Outstanding at beginning of year	-	\$ -
(i) Granted for short term debt	85,000	0.60
(ii) Granted with initial public offering	3,000,000	1.00
(iii) Granted to Agent as compensation for initial public offering	441,000	0.60
Outstanding at end of period	<b>3,526,000</b>	<b>\$0.93</b>

(i) As partial consideration for the Demand Loan, the Corporation issued to the lender 85,000 share purchase warrants (see note 6), each entitling the holder to acquire one Common Share at an exercise price of \$0.60 until September 1, 2007. \$15,315 was charged to the income (loss) statement as interest expense in relation to warrants issued regarding the short-term debt.

(ii) Each Unit issued as part of the initial public offering consisted of one common share of the Corporation and one-half of one share purchase warrant of the Corporation (each whole such purchase warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire, subject to adjustments pursuant to the warrant indenture under which the Warrants have been issued, one Common Share at a price of \$1.00 until May 28, 2009, provided the closing price of Common Shares on the principal stock exchange on which such shares trade exceeds \$1.20 for 20 consecutive trading days, then the Warrant term shall automatically be reduced and the Warrants will expire on the date 30 days following the issuance of a press release announcing the reduced Warrant term.

(iii) Pursuant to the Agency Agreement, the Agent received Compensation Warrants entitling the Agent to purchase such number of Common Shares equal to 7% of 6,300,000 units sold during the initial public offering (plus an additional 42,000 upon exercising the over-allotment option) at a price of \$0.60 per Common Share for a period of 24 months from the date of such issuance (May 28, 2009).

8. STOCK BASED COMPENSATION

On November 23, 2006 the Corporation adopted a stock option plan. The Stock Option Plan provides that the directors of the Corporation may grant options to purchase common shares to directors, officers, employees and service providers (the "optionees") of the Corporation on terms that the directors of the Corporation may determine within the limitations set forth in the Stock Option Plan or by security regulators. The options currently outstanding have vesting dates which may vary according to certain terms and conditions and have expiring dates in November 2011.

The maximum number of common shares of the Corporation issuable upon the exercise of options granted pursuant to the Stock Option Plan is 1,320,000 common shares and are exercisable at a price of \$0.60 per option.

**GROUPWORKS FINANCIAL CORP.**  
**Notes to Financial Statements**  
**The Period Ended May 31, 2007**  
*(Unaudited)*

As at May 31, 2007, there were 1,320,000 options outstanding, as shown below:

	Number	Weighted Average Exercise Price 2007
Outstanding at beginning of year	-	\$ -
Granted for stock options in 2007	1,320,000	\$0.60
Outstanding at end of year	1,320,000	\$0.60

Options outstanding and exercisable are as follows: (no options were exercised in the period)

May 31	Weighted average exercise price	Options outstanding	Weighted average remaining contractual life (years)	Options exercisable
<b>2007</b>	<b>\$ 0.60</b>	<b>1,320,000</b>	<b>4.36</b>	<b>660,000</b>

The value of the options issued has been determined using the Black-Scholes option pricing model using the following assumptions;

Risk-free interest rate	4.20%
Dividend yield	0%
Volatility factor of expected market price of Corporation's shares	0.24
Average expected option life (years)	5
Weighted-average value of options granted during the year	\$0.18

The Corporation recorded stock-based compensation expense of \$59,848 and \$118,916 for the three and nine months ended May 31, 2007, respectively. The charge is for option grants to directors, officers, and employees, which is included in salaries and wages in the income statement.

**GROUPWORKS FINANCIAL CORP.**  
**Notes to Financial Statements**  
**The Period Ended May 31, 2007**  
*(Unaudited)*

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9. RELATED PARTY TRANSACTIONS

The Corporation entered into the following related party transactions measured at the exchange amount:

Commission payments were made in the quarter, to certain officers of \$111,360 (\$334,080 –for the nine months ended May 31). An additional \$42,216 in commissions is owed to the officers and is included in accounts payable and accrued liabilities.

Payments were made to an officer and shareholder of the Corporation of \$50,000, in the quarter as salary and are included in salaries and benefits expense. (\$150,000 for the nine months ended May 31).

Payments were made on the long-term debt held by certain officers and shareholders of the Corporation of \$485,793 in the quarter and \$531,618 in aggregate during the nine months ended May 31, 2007. \$14,416 for the three months ended May 31 and \$43,679 for the nine months ended May 31 was for interest and \$477,296 in the quarter and \$506,559 for the nine months ended May 31 was on the account of principal, related to the vendor take back loan.

The balance outstanding on the vendor take back loan is \$367,077.

See the long-term debt note 11 for additional long-term debt held by employees and shareholders of the Corporation.

10. FINANCIAL INSTRUMENTS

Fair Value

The Corporation's carrying value of cash, accounts receivable and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

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

Business Risks

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Corporation is exposed to credit risk from customers. In order to reduce its credit risk, the Corporation reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Corporation has a significant number of customers which minimizes concentration of credit risk.

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

**GROUPWORKS FINANCIAL CORP.**  
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*(Unaudited)*

11. LONG-TERM DEBT

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 Corporation and is subordinated to the bank indebtedness. This amount is due to shareholders and employees of the Corporation. **\$ 367,077**

Acquisition loan bearing no interest per annum, repayable in two annual installments of \$400,000. The loan matures on September 1, 2008 and is secured by assets of Buffett Taylor Inc and guaranteed by The Combined Investment Guild. The loan has been discounted by 7% to arrive at the fair value which is the present value of the future cash flows. This amount is due to a shareholders and employees of the Corporation. **723,207**

Second acquisition loan bearing no interest per annum, repayable in two equal installments of \$693,791. The loan matures on September 1, 2009 and is guaranteed by The Combined Investment Guild. The loan has been discounted by 7% to arrive at the fair value which is the present value of the future cash flows. Upon completion of an initial public offering, the Corporation has the option to settle up to \$800,000 of the loan by issuing common shares at a value equal to their fair market value at the time of each installment payment. **1,820,726**

**2,911,010**

Less current portion **1,038,910**

**\$ 1,872,100**

Principal repayment terms are approximately:

		<b>\$ 1,038,910</b>
2007		1,038,910
2008		1,025,006
2009		640,948
2010		79,922
2011		91,714
Thereafter		34,510
		<b>\$ 2,911,010</b>

Interest expense is comprised as follows: interest on bank loan of \$4,559, \$81,554 on the short term loan including the warrants attached, \$43,679 interest on long term debt vendor take-back on the Investment Guild acquisition and interest accretion \$133,557 on the long term debt assumed on the acquisitions of the Investment Guild and Buffett Taylor .

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12. FUTURE INCOME TAXES

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

<b>Future income tax assets</b>	
Equity issue costs	236,445
<b>Future income tax liabilities</b>	
Asset basis differences	234,760
Amortization - customer relationships	587,129
Deferred costs	1,549
	<b>823,438</b>
<b>Future tax liability, net</b>	<b>\$ 587,009</b>

13. LEASE COMMITMENTS

The Corporation leases premises under a long term lease that expires on August 31, 2010. Under the lease the Corporation's proportionate share of rent is \$59,640 for fiscal 2007 increasing to \$62,000 over the following three years.

The Corporation has a long term leases with respect to various office equipment. Future minimum lease payments as at August 31, 2006 are as follows:

2007	\$	80,875
2008		72,404
2009		70,992
2010		68,187
2011		3,048
	<b>\$</b>	<b>295,506</b>

14. CASH FLOW SUPPLEMENTARY INFORMATION

Interest paid	\$	129,792
Income taxes paid	<b>\$</b>	<b>3,600</b>

15. SUBSEQUENT EVENTS

Over-Allotment Option Exercised

On June 6, 2007 Jones, Gable & Company Limited, Agent for the Corporation's Initial Public Offering of 6,300,000 Units that closed on May 28<sup>th</sup>, 2007 exercised the over-allotment option in full to purchase an additional 600,000 Units at \$0.60 per Unit to raise aggregate additional gross proceeds

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of \$360,000. The Corporation paid the Agent a commission of \$25,200 for net proceeds of \$334,800. In addition the Agent received 42,000 Compensation Warrants equal to 7% of the aggregate Units sold pursuant to the exercise of the over-allotment option. Each agent's warrant is non-transferable and exercisable into Common Shares at a price of \$0.60 for a period of 24 months. The financial impact of the over-allotment has not been reflected in these interim financial statements.

Acquisition

On July 5, 2007 the Corporation acquired 100% of the shares of Gallivan & Associates Student Networks Inc., a Waterloo, Ontario based group benefits advisory firm. The aggregate purchase price paid for Gallivan was \$5,893,644, after adjusting for the assumption of certain liabilities, and was satisfied as follows; \$2,228,258 paid in cash at closing, \$1,221,796 satisfied by a vendor note and \$2,443,590 satisfied by the issuance of 3,054,488 common shares of Groupworks issued at \$0.80 per share.

The vendor note portion of the purchase price is subject to certain performance criteria to ensure that the purchase price is representative of sustained value and financial performance. The financial position and results of operations for Gallivan have not been included in these interim financial statements.