



GROUPWORKS FINANCIAL CORP.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2009

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JANUARY 15, 2009

Notice to Shareholders

The attached unaudited consolidated financial statements have not been reviewed by the Company's external auditors.

GROUPWORKS FINANCIAL CORP.
UNAUDITED CONSOLIDATED BALANCE SHEET
AT NOVEMBER 30, 2009

	November 30, 2009	August 31, 2009 (Audited)
ASSETS		
CURRENT		
Cash	\$ 2,824,745	\$ 2,103,988
Accounts receivable	1,939,016	2,142,489
Commission advances (note 12)	123,988	60,976
Prepaid expenses and other sundry assets	195,593	182,232
	5,083,342	4,489,685
CAPITAL ASSETS (note 3)	851,558	887,794
FUTURE INCOME TAXES (note 15)	208,011	184,697
INTANGIBLE ASSETS (note 4)	7,401,159	7,631,842
GOODWILL (notes 2 and 5)	13,560,713	13,560,713
	\$ 27,104,783	\$ 26,754,731
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Bank indebtedness (note 6)	\$ 35,533	\$ 42,072
Accounts payable and accrued liabilities (note 12)	3,361,956	3,137,550
Deferred revenue	3,540,384	3,259,145
Income taxes payable	55,095	57,836
Current portion of deferred lease inducements	22,107	15,240
Current portion of obligations under capital leases (note 7)	25,232	34,000
Current portion of long-term debt (note 14)	2,183,930	1,169,566
	9,224,237	7,715,409
DEFERRED LEASE INDUCEMENTS	180,354	186,451
DEFERRED REVENUE	392,838	293,965
OBLIGATIONS UNDER CAPITAL LEASES (note 7)	6,686	8,806
LONG-TERM DEBT (note 14)	2,466,480	3,603,880
FUTURE INCOME TAXES (note 15)	2,421,744	2,502,512
	14,692,339	14,311,023
SHAREHOLDERS' EQUITY		
Share capital (note 9)	11,955,697	11,968,761
Contributed surplus	303,253	303,253
Retained earnings	153,494	171,694
	12,412,444	12,443,708
	\$ 27,104,783	\$ 26,754,731

TRUST ACCOUNTS (note 8)
 COMMITMENTS AND CONTINGENCIES (note 16)
 SUBSEQUENT EVENTS (note 18)

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.

GROUPWORKS FINANCIAL CORP.

**UNAUDITED CONSOLIDATED STATEMENT OF NET INCOME (LOSS), COMPREHENSIVE
INCOME (LOSS) AND RETAINED EARNINGS (DEFICIT)
FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2009**

	3 months ended November 30, 2009	3 months ended November 30, 2008
REVENUE		
Commissions	\$ 2,317,554	\$ 784,187
Fees	2,719,187	636,611
Other	4,775	821
	5,041,516	1,421,619
EXPENSES		
Salaries and benefits <i>(note 12)</i>	2,839,831	812,055
General and administrative <i>(note 12)</i>	1,125,470	268,962
Commissions <i>(note 12)</i>	370,184	65,575
Advertising and promotion	357,792	139,028
Stock-based compensation <i>(note 10)</i>	-	3,141
	4,693,277	1,288,761
INCOME BEFORE UNDERNOTED ITEMS	348,239	132,858
OTHER EXPENSES		
Interest expense <i>(note 14)</i>	(139,944)	(17,838)
Depreciation of capital assets <i>(note 3)</i>	(62,109)	(17,950)
Amortization of intangible assets <i>(note 4)</i>	(230,683)	(138,090)
	(432,736)	(173,878)
LOSS BEFORE TAXES	(84,497)	(41,020)
INCOME TAXES (RECOVERED)		
Current <i>(note 15)</i>	50,851	77,641
Future <i>(note 15)</i>	(117,148)	(209,233)
	(66,297)	(131,592)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	(18,200)	90,572
RETAINED EARNINGS (DEFICIT) - BEGINNING OF PERIOD	171,694	(290,986)
RETAINED EARNINGS (DEFICIT) - END OF PERIOD	\$ 153,494	\$ (200,414)
Earnings (loss) per share		
- Basic	\$ (0.001)	\$ 0.01
- Diluted	\$ (0.001)	\$ 0.01
Weighted average number of shares outstanding:		
- Basic	32,803,861	15,831,931
- Diluted	35,851,578	21,272,931

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

GROUPWORKS FINANCIAL CORP.

UNAUDITED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2009

	Number of Common Shares	Amount	Contributed Surplus	Retained Earnings/ (Deficit)
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	15,831,930	3,957,983	-	-
Stock issuance costs	-	(60,057)	-	-
Stock-based compensation (<i>note 10</i>)	-	-	36,458	-
Net earnings for the year	-	-	-	462,680
BALANCE, AUGUST 31, 2009	32,803,861	11,968,761	303,253	171,694
Stock issuance costs	-	(13,064)	-	-
Net earnings for the year	-	-	-	(18,200)
BALANCE, NOVEMBER 30, 2009	32,803,861	\$ 11,955,697	\$ 303,253	\$ 153,494

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

GROUPWORKS FINANCIAL CORP.

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2009

	3 months ended	3 months ended
	November 30,	November 30,
	2009	2008
OPERATING ACTIVITIES		
Net income (loss)	\$ (18,200)	\$ 90,572
Items not affecting cash:		
Depreciation of capital assets	62,109	17,950
Amortization of intangible assets	230,683	138,090
Accretive interest expense	41,250	9,012
Future income taxes	(117,148)	(209,233)
Stock-based compensation	-	3,141
	198,694	49,532
Changes in non-cash working capital:		
Accounts receivable	203,473	156,464
Commission advances	(63,012)	(87,974)
Accounts payable and accrued liabilities	224,406	(179,054)
Deferred revenue	380,112	166,553
Deferred lease inducements	770	29,305
Income taxes payable	(2,741)	67,470
Prepaid expenses and other sundry assets	(13,361)	(20,714)
	729,647	132,050
Cash flow provided by operating activities	928,341	181,582
INVESTING ACTIVITIES		
Purchase of capital assets	(25,871)	(7,675)
Proceeds from sale of capital assets	-	402,588
Cash flow provided (used) by investing activities	(25,871)	394,913
FINANCING ACTIVITIES		
Repayment of bank indebtedness	(6,539)	(5,146)
Proceeds from long-term debt	-	(575,591)
Repayment of long-term debt	(164,286)	-
Repayment of obligations under capital lease	(10,888)	-
Cash flow provided (used) by financing activities	(181,713)	(580,737)
INCREASE (DECREASE) IN CASH FLOW	720,757	(4,242)
Cash - beginning of period	2,103,988	654,732
CASH - END OF PERIOD	\$ 2,824,745	\$ 650,490

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

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2009

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Groupworks Financial Corp. [the "Company"] was incorporated under the Ontario Business Corporations Act on July 5, 2006. The Company delivers employee group benefit consulting, pension consulting and third party benefits administration services, as well as, recruiting services, strategic HR consulting and career management services to help companies recruit, retain and reward employees.

Effective September 1, 2008, the Company amalgamated with its wholly owned subsidiaries, Gallivan & Associates Student Networks Inc. and 1246689 Ontario Limited and continued under the name Groupworks Financial Corp. The consolidated financial statements include the accounts of Groupworks Financial Corp. and its two wholly owned Canadian subsidiaries, White Willow Benefit Consultants Incorporated ("White Willow") and People Corporation ("People"). All material intercompany balances and transactions have been eliminated on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Revenue recognition

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

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, pension consulting and benefits administration 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 excess billings for projects which have not been completed.

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 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 licenses	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.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2009

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 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.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2009

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, 2007, the Company adopted Section 3855 "Financial instruments – Recognition and measurement" issued by the Accounting Standards Board ("AcSB") of the Canadian Institute of Chartered Accountants.

Section 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 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.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2009

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. CAPITAL ASSETS

	Cost	Accumulated amortization	November 30, 2009 Net Book Value	August 31, 2009 Net Book Value
Furniture and fixtures	\$ 638,096	\$ 366,423	\$ 271,673	\$ 286,227
Computer equipment	641,219	359,315	281,904	285,669
Leasehold improvements	279,632	165,861	113,771	124,518
Computer software	194,822	109,976	84,846	116,081
Software licenses	109,347	9,983	99,364	75,299
	\$ 1,863,116	\$ 1,011,558	\$ 851,558	\$ 887,794

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

4. INTANGIBLE ASSETS

	Cost	Accumulated amortization	November 30, 2009 Net Book Value	August 31, 2009 Net Book Value
Customer contracts	\$ 3,000,000	\$ 725,000	\$ 2,275,000	\$ 2,350,000
Customer relationships	5,861,351	1,029,184	4,832,167	4,978,700
Acquisition costs	366,016	72,024	293,992	303,142
	\$ 9,227,367	\$ 1,826,208	\$ 7,401,159	\$ 7,631,842

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

5. GOODWILL

	November 30, 2009 Net Book Value	August 31, 2009 Net Book Value
Goodwill, beginning of year	\$ 13,560,713	\$ 6,912,501
Acquisitions	-	6,648,212
	\$ 13,560,713	\$ 13,560,713

When a subsidiary is acquired the purchase price paid is allocated to the assets and liabilities acquired, including identifiable intangible assets. Any excess of the amount paid over the fair value of those net assets is considered to be goodwill. Goodwill is not amortized; however, it is tested for impairment at least annually. There were no write-downs of goodwill due to impairment during the quarter ended November 30, 2009.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2009****6. 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 November 30, 2009, the balance outstanding is \$nil (2009 – \$nil). 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 \$250,000 operating line of credit which bears interest at prime plus 1.05% with no specific payment terms. As at November 30, 2009 the balance outstanding is \$nil (2009 \$nil). The debt facility is secured by a general security agreement over the assets of Health Source Plus.
- (d) A demand loan that bears interest at prime plus 0.75% and is secured by a general security agreement. The loan will be repaid in monthly blended installments of principal and interest 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:

Next 12 months	\$	23,335
13 to 24 months		12,198
	<u>\$</u>	<u>35,533</u>

7. OBLIGATIONS UNDER CAPITAL LEASES

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

Future minimum lease payments required at November 30, 2009 are as follows:

Next 12 months	\$	27,116
13 to 24 months		6,968
		<u>34,084</u>
Less: amount representing interest		<u>(2,166)</u>
		31,918
Less: current portion		<u>25,232</u>
	<u>\$</u>	<u>6,686</u>

For the three months ended November 30, 2009, interest expense related to all obligations under capital lease was \$1,076 (2008 - \$ nil).

8. 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 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 November 30, 2009, the insurance premium liabilities are:

	November 30, 2009	August 31, 2009
Payable to insurance companies and insured individuals or groups	\$ 13,084,271	\$ 10,764,477
Less: related cash or cash equivalents	13,084,271	10,764,477
	<u>\$</u>	<u>\$</u>
	-	-

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

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2009

9. SHARE CAPITAL

Authorized: Unlimited common voting shares.

	November 30, 2009			August 31, 2009	
	Number of common shares	Price/Average Price	Amount	Number of common shares	Amount
Opening balance, issued and outstanding	32,803,861	\$ 0.36	\$ 11,968,761	15,831,931	\$ 7,785,835
Issued during the year:					
Acquisition of White Willow (i)	-	\$ -	-	1,140,000	285,000
Acquisition of People Corporation (ii)	-	\$ -	-	15,831,930	3,957,983
Total issued during the period	-	-	-	16,971,930	\$ 4,242,983
Less: stock issuance costs, net of future taxes	-	-	(13,064)	-	(60,057)
Ending balance, issued and outstanding	32,803,861	\$ 0.36	\$ 11,955,697	32,803,861	\$ 11,968,761

- (i) 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.
- (ii) 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.

10. STOCK BASED COMPENSATION

On January 4, 2008, at the fiscal 2007 Annual General Meeting of the Shareholders, the shareholders approved an amendment to the Stock Option Plan such that the number of shares reserved for issuance under the plan and all other of the Company's other previously established or proposed share compensation arrangements in aggregate shall not exceed 10% of the total number of issued and outstanding shares on a non-diluted basis. Options may be granted to directors, officers, employees and service providers of the Company on terms that the directors of the Company may determine within the limitations set forth in the Stock Option Plan or by security regulators. Options shall not be granted for a term exceeding five years. On February 12, 2009, at the Annual General Meeting of the Shareholders, the shareholders reapproved the stock option plan.

Changes in stock options are as follows:

	November 30, 2009		August 31, 2009	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, beginning of period	2,956,954	\$ 0.44	1,254,000	\$ 0.59
Awarded	-	-	1,817,934	0.34
Expired	-	-	(114,980)	0.52
Outstanding, end of period	2,956,954	\$ -	2,956,954	\$ 0.44
Exercisable, end of period	1,303,943	\$ 0.57	1,303,943	\$ 0.57

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2009

The following table sets forth information relating to stock options outstanding as at November 30, 2009 (no options were exercised in the period):

Expiry	Range of exercise prices	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
Nov 23, 2011	\$ 0.60	1,024,000.00	1.98	\$ 0.60	1,024,000	\$ 0.60
Sep 17, 2012	0.67	75,000.00	2.80	0.67	75,000	0.67
Feb 27, 2013	0.38	75,000.00	3.25	0.38	75,000	0.38
Apr 21, 2014	0.34	1,782,954.00	4.39	0.34	129,943	0.34
		2,956,954.00	3.54	\$ 0.44	1,303,943	\$ 0.57

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

11. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide opportunities for growth to shareholders and benefits for other stakeholders and to maintain financial flexibility in, or to take advantage of, organic growth and new acquisition opportunities as they arise.

In the management of capital, the Company includes cash, bank financing, vendor take back debt and shareholders' equity in the definition of capital. The Company manages its capital structure and can adjust it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust capital structure, the Company may issue new shares, issue new debt, renegotiate vendor take back debt or issue new debt to replace existing debt with different characteristics. The Company's acquisition strategy includes the issuance of debt and shares. The Company uses its operating line of credit during the year to finance cash flows related to seasonal changes in non-cash working capital items.

12. 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:

	3 months ended	
	November 30, 2009	November 30, 2008
Revenue (i)	\$ 24,125	\$ 18,337
Expenses		
Salaries, wages and benefits (ii)	341,441	55,371
Commissions (iii)	62,630	56,227
General and administrative (iv)	10,421	2,694
Interest expense (v)	68,037	14,253

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2009

	November 30, 2009	August 31, 2009
Accounts receivable (i)	\$ 16,104	\$ 13,783
Commission advances (iii)	61,994	30,488
Accounts payable and accrued liabilities (vi)	127,342	258,465
Current portion of long-term debt (vii)	1,035,462	332,186
Long-term debt (vii)	1,815,915	2,698,896

- (i) Consulting fee revenue is earned from a client that has two directors and shareholders who are also a director, former director and shareholders of the Company.
- (ii) Salaries, bonuses and benefits paid to senior management some of which are also directors of the Company.
- (iii) Commission payments totaling \$47,068 for the three months ended November 30, 2009, (2008 – \$84,454) to a Director and former Director of the Company who are also employees, of which \$61,994 (August 31, 2009 – \$30,488) 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 \$7,500 for the three months ended November 30, 2009 (2008 – \$Nil) were paid or accrued to certain directors of the Company.
- (v) Interest on vendor-take-back debt was paid or accrued totaling \$68,037 for the three months ended November 30, 2009 (2008 – \$14,253) to certain officers and directors of the Company.
- (vi) Accrued interest on the vendor-take-back loan amounting to \$1,931 (August 31, 2009 – \$1,647), Directors fees of \$15,500 (August 31, 2009 - \$22,000) and \$108,941 (August 31, 2009 - \$233,205) bonus is payable to certain members of senior management; and \$970 (August 31, 2009 - \$1,613) 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 (a), (b), (e) and (g)) owed to certain officers and directors of the Company.

13. FINANCIAL INSTRUMENTS

Fair Value

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

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

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 November 30, 2009:

Cash	Held-for-trading
Accounts receivable	Loans and receivables
Commission advances	Loans and receivables
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

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2009

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

Classification	November 30, 2009		August 31, 2009	
	Carrying value	Fair value	Carrying value	Fair value
Held-for-trading	\$ 2,824,745	\$ 2,824,745	\$ 654,732	\$ 654,732
Loans and receivables	\$ 2,063,004	\$ 2,063,004	\$ 658,155	\$ 658,155
Other financial liabilities	\$ 8,079,817	\$ 8,079,817	\$ 4,060,779	\$ 4,060,779

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. Financial assets and financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. The Company's long term debt (vendor take back debt) bears interest at fixed rates. The carrying value of the long term debt approximates its fair value as the interest rates are consistent with the current rates offered to the Company for debt with similar terms. The Company's credit facilities bear variable interest rates, but the facilities are not material and are not currently being utilized. Reasonable fluctuations in market interest rates would not have a material impact on the Company's net income and comprehensive income.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk from customers. In order to reduce its credit risk, the Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. Over the past 27 months, the Company has experienced few bad debt write offs and accordingly its allowance at November 30, 2009 is \$25,712. 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 November 30, 2009:

In line with payment terms	\$ 1,603,851
Under 31 days past due	200,277
31-60 days past due	103,723
61-90 days past due	45,779
Over 91 days past due	11,098
	1,964,728
Allowance for doubtful accounts	(25,712)
Total	\$ 1,939,016

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2009**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. 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 November 30, 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	\$ 3,361,956	\$ 3,361,956	\$ 3,361,956	\$ -	\$ -	\$ -
Interest payable on VTB debt	-	87,061	87,061	-	-	-
Bank indebtedness	33,533	35,533	23,335	12,198	-	-
Obligations under capital leases	31,918	31,918	25,232	6,686	-	-
Long-term debt	4,650,410	4,650,410	2,183,930	1,655,884	810,596	-
Deferred lease inducements	202,461	202,461	22,107	146,589	29,322	4,443
Interest payments on long-term debt	2,684	24,317	13,423	10,894	-	-
Total	\$ 8,282,962	\$ 8,393,656	\$ 5,717,044	\$ 1,832,251	\$ 839,918	\$ 4,443

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2009

14. LONG-TERM DEBT

	November 30, 2009	August 31, 2009
(a) 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. 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	\$ 400,000
(b) 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 loan (a) 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
(c) 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.	230,068	247,165
(d) 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 (a) and (b) above. The loan has been discounted by 8% to arrive at the fair value which is the present value of the future cash flows.	396,472	389,085
(e) 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 (a), (b) 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.	1,685,698	1,741,561
(f) 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	450,000
(g) The Company merged with People effective March 1, 2009. As part of this transaction the Company assumed \$1,069,133 of VTB debt on People's books. The remaining debt bears interest at either 8% or 12% per annum and matures on dates ranging from April 30, 2012 to October 30, 2013.	900,969	958,432
	4,650,410	4,773,446
Less current portion	2,183,930	1,169,566
	\$ 2,466,480	\$ 3,603,880

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

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2009

Principal repayment terms are approximately:

Next 12 months	\$ 2,183,930
13 to 24 months	814,440
25 to 36 months	841,444
37 to 48 months	674,213
49 to 60 months	136,383
	\$ 4,650,410

Interest expense in the period consists of the following:

	3 months ended November 30, 2009	3 months ended November 30, 2008
Accretive interest on discounted vendor take-back loans	\$ 41,250	\$ 9,012
Vendor take-back loan interest	23,744	14,253
Interest on long-term debt	73,216	
Bank indebtedness	3,647	54
Interest income	(1,913)	(5,481)
	\$ 139,944	\$ 17,838

15. INCOME TAXES

	3 months ended November 30, 2009	3 months ended November 30, 2008
Income (loss) subject to income taxes	\$ (84,497)	\$ (41,020)
Statutory tax rate	32.33 %	33.50 %
Income taxes (recovery) at statutory tax rates	(27,318)	(13,741)
Adjustments to income taxes		
Temporary differences		
Intangible assets amortization	74,580	46,260
Stock-based compensation		
Equity issuance costs	(13,065)	(11,510)
Financing fees	(3,944)	(2,217)
Depreciation	2,916	190
Other	(3,520)	
Current period adjustments		
Recapture of capital cost allowance		54,325
Non deductible interest	13,336	3,019
Capital gain (loss) on sale of assets		(2,404)
Non deductible expenses	8,254	3,719
Loss carryforwards from prior years	(388)	
Current income taxes (recovery)	50,851	77,641
Recovery of future income taxes	(117,148)	(209,233)

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIRST QUARTER ENDED NOVEMBER 30, 2009

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

	November 30, 2009	August 31, 2009
Future income tax assets		
Equity issue costs	\$ 135,823	\$ 148,888
Loss carry forward	72,188	35,809
	\$ 208,011	\$ 184,697
Future income tax liabilities		
Asset basis differences	\$ 76,792	\$ 86,926
Amortization - customer relationships and contracts	2,297,746	2,369,368
Deferred costs (included in intangible assets)	47,206	46,218
	\$ 2,421,744	\$ 2,502,512

16. 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 November 30, 2009 are as follows:

Next 12 months	\$ 819,383
13 to 24 months	802,510
25 to 36 months	554,817
37 to 48 months	219,693
49 to 60 months	184,023
Thereafter	105,921
	\$ 2,686,347

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

17. CASH FLOW SUPPLEMENTARY INFORMATION

	3 months ended November 30, 2009	3 months ended November 30, 2008
Interest paid	\$ 41,330	\$ 1,779
Income taxes paid	21,769	10,172

18. SUBSEQUENT EVENTS