GROUPWORKS FINANCIAL CORP.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SECOND QUARTER AND SIX MONTHS ENDED FEBRUARY 28, 2011

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FOR THE SECOND QUARTER AND SIX MONTHS ENDED FEBRUARY 28, 2011

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April 28, 2011

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

AS AT FEBRUARY 28, 2011

	February 28, 2011	August 31, 2010
		(Audited)
ASSETS		
CURRENT ASSETS:		
Cash	**$ 924,510**	$ 1,663,557
Accounts receivable *(note 12)*	**2,449,333**	2,414,252
Commission advances *(note 12)*	**74,186**	1,646
Prepaid expenses and other sundry assets	**321,093**	248,375
	3,769,122	4,327,830
CAPITAL ASSETS *(note 3)*	**910,006**	938,268
INTANGIBLE ASSETS *(note 4)*	**5,999,501**	6,442,568
GOODWILL *(note 5)*	**13,373,247**	13,373,247
	$ 24,051,876	$ 25,081,913
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities *(note 12)*	**$ 2,677,409**	$ 3,066,601
Deferred revenue	**3,279,451**	3,168,695
Income taxes payable	**375,131**	531,559
Current portion of deferred lease inducements	**56,680**	39,236
Current portion of obligations under capital leases *(note 7)*	**18,949**	15,840
Current portion of long-term debt *(notes 12 and 14)*	**1,073,102**	1,418,095
	7,480,722	8,240,026
DEFERRED LEASE INDUCEMENTS	**113,865**	147,217
DEFERRED REVENUE	**121,908**	324,015
OBLIGATIONS UNDER CAPITAL LEASES *(note 7)*	**67,487**	33,616
LONG-TERM DEBT *(notes 12 and 14)*	**1,797,444**	2,298,252
FUTURE INCOME TAXES *(note 15)*	**1,516,739**	1,673,240
	11,098,165	12,716,366
SHAREHOLDERS' EQUITY		
Share capital *(note 9)*	**11,990,956**	11,990,956
Contributed surplus	**371,969**	371,969
Retained earnings	**590,786**	2,622
	12,953,711	12,365,547
	$ 24,051,876	$ 25,081,913

TRUST ACCOUNTS *(note 8)*
COMMITMENTS AND CONTINGENCIES *(note 16)*

ON BEHALF OF THE BOARD OF DIRECTORS

"Robert Sillcox"
Director, Chairman of the Audit Committee

"Laurie Goldberg"
Director, Chief Executive Officer

GROUPWORKS FINANCIAL CORP.

UNAUDITED CONSOLIDATED STATEMENTS OF NET INCOME, COMPREHENSIVE INCOME AND RETAINED EARNINGS

FOR THE SECOND QUARTER AND SIX MONTHS ENDED FEBRUARY 28, 2011

		February 28, 2011		February 28, 2010	
		3 months ended	6 months ended	3 months ended	6 months ended
REVENUE					
Commissions		$ 3,429,885	$ 6,129,811	$ 2,588,302	$ 4,905,856
Fees *(note 12)*		2,749,481	5,284,456	2,411,081	4,989,875
		6,179,366	11,414,267	4,999,383	9,895,731
EXPENSES					
Salaries and benefits *(note 12)*		3,032,319	5,826,619	2,996,484	5,825,510
General and administrative *(note 12)*		1,392,453	2,514,827	1,034,629	2,149,674
Commissions *(note 12)*		554,482	904,445	316,951	689,461
Advertising and promotion		316,964	601,699	273,268	504,478
		5,296,218	9,847,590	4,621,332	9,169,123
INCOME BEFORE UNDERNOTED ITEMS		883,148	1,566,677	378,051	726,608
OTHER EXPENSES					
Interest expense *(notes 12 and 14)*		(105,867)	(204,991)	(137,140)	(277,402)
Depreciation of capital assets		(74,153)	(143,470)	(63,153)	(125,262)
Amortization of intangible assets		(221,533)	(443,067)	(212,382)	(443,065)
		(401,553)	(791,528)	(412,675)	(845,729)
INCOME (LOSS) BEFORE TAXES		481,595	775,149	(34,624)	(119,121)
INCOME TAX EXPENSE (RECOVERY)					
Current *(note 15)*		112,203	343,486	34,905	85,756
Future *(note 15)*		11,525	(156,501)	(131,521)	(248,669)
		123,728	186,985	(96,616)	(162,913)
NET INCOME AND COMPREHENSIVE INCOME		357,867	588,164	61,992	43,792
RETAINED EARNINGS - BEGINNING OF PERIOD		232,919	2,622	115,967	134,167
RETAINED EARNINGS - END OF PERIOD		$ 590,786	$ 590,786	$ 177,959	$ 177,959
Earnings per share	- Basic	$ 0.011	$ 0.018	$ 0.002	$ 0.001
	- Diluted	$ 0.010	$ 0.016	$ 0.002	$ 0.001
Weighted average number of shares outstanding:					
	- Basic	32,970,527	32,970,527	32,811,268	32,807,544
	- Diluted	35,952,670	35,952,670	35,468,223	35,464,499

GROUPWORKS FINANCIAL CORP.

UNAUDITED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

FOR THE SECOND QUARTER AND SIX MONTHS ENDED FEBRUARY 28, 2011

	Number of Common Shares	Amount	Contributed Surplus	Retained Earnings
BALANCE, AUGUST 31, 2009	**32,803,861**	$ 11,940,956	**$ 303,253**	$ 134,167
Stock-based compensation	**-**	-	68,716	-
Net earnings for the year	**-**	-	**-**	(131,545)
BALANCE, AUGUST 31, 2010	**32,970,527**	11,990,956	**371,969**	2,622
Net earnings for the year	**-**	-	**-**	588,164
BALANCE FEBRUARY 28, 2011	**32,970,527**	$ 11,990,956	**$ 371,969**	$ 590,786

GROUPWORKS FINANCIAL CORP.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SECOND QUARTER AND SIX MONTHS ENDED FEBRUARY 28, 2011

	February 28, 2011		February 28, 2010	
	3 months ended	**6 months ended**	**3 months ended**	**6 months ended**
OPERATING ACTIVITIES				
Net income	$ 357,867	$ 588,164	$ 61,992	$ 43,792
Items not affecting cash:				
Depreciation of capital assets	74,153	143,470	63,153	125,262
Amortization of intangible assets	221,533	443,067	212,382	443,065
Accretive interest expense	32,075	65,630	38,356	79,606
Future income taxes	11,525	(156,501)	(131,521)	(248,669)
	697,153	1,083,830	244,362	443,056
Changes in non-cash working capital:				
Accounts receivable	(158,892)	(35,081)	176,507	379,980
Commission advances	(38,304)	(72,540)	15,471	(47,541)
Accounts payable and accrued liabilities	17,247	(389,192)	(391,736)	(167,330)
Deferred revenue	(355,099)	(91,351)	(478,491)	(98,379)
Deferred lease inducements	(9,809)	(15,908)	(3,811)	(3,041)
Income taxes payable	124,160	(156,428)	(19,504)	(22,245)
Prepaid expenses and other sundry assets	(101,001)	(72,718)	(36,972)	(50,333)
	(521,698)	(833,218)	(738,536)	(8,889)
Cash flow provided (used) by operating activities	175,455	250,612	(494,174)	434,167
INVESTING ACTIVITIES				
Purchase of capital assets	(90,444)	(115,208)	(23,475)	(49,346)
Cash flow used by investing activities	(90,444)	(115,208)	(23,475)	(49,346)
FINANCING ACTIVITIES				
Repayment of bank indebtedness	-	-	(35,533)	(42,072)
Proceeds from long-term debt	86,677	86,677	78,733	78,733
Repayment of long-term debt	(201,900)	(998,108)	(418,010)	(582,296)
Increase in obligations under capital lease	46,306	46,306	-	-
Repayment of obligations under capital lease	(5,283)	(9,326)	(8,915)	(19,803)
Private placement of shares	-	-	50,000	50,000
Cash flow used by financing activities	(74,200)	(874,451)	(333,725)	(515,438)
INCREASE (DECREASE) IN CASH FLOW	10,811	(739,047)	(851,374)	(130,617)
Cash - beginning of period	913,699	1,663,557	2,824,745	2,103,988
CASH - END OF PERIOD	$ 924,510	$ 924,510	$ 1,973,371	$ 1,973,371

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 includes fees and commissions generated from administrative, advisory and consulting services provided to clients. Revenue is recognized when it can be measured and collectability is reasonably assured.

The detailed revenue recognition policies for the significant types of revenue are as follows:

Group benefit commission revenue from clients where advisory services and plan administration services are provided by the Company is generally received in advance and recorded as deferred revenue. Commission advances are recognized in income on a monthly basis based on the number of months for which the commission revenue was advanced, net of a provision for return commissions due to policy cancellation and adjustments. The provision is determined based on historical data.

Group benefit commission revenue from clients where the Company provides only advisory services are recognized in income at the effective or renewal date of the policy, net of a provision for return commissions due to policy cancellation and adjustments. The provision is determined based on historical data.

Fee revenue from administrative and consulting services are recognized on the percentage of completion basis. For fee revenue that is contingent on certain criteria being met, the revenue is not recognized until the work is completed.

All other revenues are recognized upon the completion of services rendered by the Company. Other revenue includes investment income recorded on the accrual basis of accounting.

For clients that purchase multiple administrative, advisory or consulting services from the Company, the Company recognizes revenues in accordance with CICA Handbook EIC-142 “Revenue Arrangements with Multiple Deliverables”, to determine whether each deliverable qualifies as a separate unit of accounting. For each deliverable to the client the Company establishes a separate agreement and fair value which is independent of any other deliverable, thereby ensuring that revenue is recognized on a basis that is consistent with the elements of the service contract.

Deferred revenue represents excess billings and commissions for clients where the work has not been completed.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

The most significant estimates that the Company is required to make relates to the provision for return commissions due to policy cancellation and adjustments, the assumptions for valuing customer contracts, revenue estimates for group benefit clients that have been implemented or renewed but for which the insurance carrier has yet to advance commissions, the collectability of accounts receivable, the valuation of future income tax assets and liabilities and the valuation of goodwill and intangible assets.

The estimates are based on historical trends and information, future industry factors and economic cycles, as well as management's judgment based on available information at the time. These assumptions are limited by: the availability of reliable information and comparable data, economic uncertainty and the uncertainty concerning the predictability of future events. By its very nature these estimates and assumptions are subjective and should the underlying assumptions change the estimated values could change by a material amount.

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 declining balance method over the remaining estimated useful life of the capital assets as outlined below:

Furniture and fixtures	20% declining balance
Computer equipment	30% declining 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

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. Goodwill is not subject to amortization. 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 consist of customer relationships and contracts. Customer relationships and contracts are initially recognized at fair value and then amortized on a straight line basis over its estimated useful life of ten years.

Long lived assets

Long lived assets comprise capital assets and intangible assets subject to amortization. Long lived assets are reviewed annually for impairment or 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 capitalized and amortized over their estimated useful lives. On the inception of the lease, obligations under capital lease are measured and recorded at the present value of future minimum lease payments. Imputed interest on the lease payments is charged against income. Leases not meeting the criteria for a capital lease 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 based on the underlying nature of services. 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.

Earnings 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.

Adoption of new accounting standards

Effective September 1, 2009, the Company adopted Section 3064 “Goodwill and intangible assets”, replacing Section 3062 of the same name and Section 3450 “Research and development costs”. The new pronouncement established 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 were unchanged from those that were included in the previous section 3062.

Future accounting changes

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.

In February 2008, the Canadian Accounting Standards Board announced that Canadian Generally Accepted Accounting Principles (“GAAP”) will converge with International Financial Reporting Standards “(IFRS”) for interim and annual reporting periods commencing January 1, 2011. The transition date of January 1, 2011, will require the Company to provide reports based on IFRS for the fiscal year ending August 31, 2012 which will include the comparative period for August 31, 2011. Starting with the first fiscal quarter of 2012, the Company will provide unaudited financial statements in accordance with IFRS including comparatives for 2011. The Company has developed a formal action plan including the allocation of internal and external resources to ensure a smooth transition from GAAP to IFRS. During the second quarter of fiscal 2010, the Company engaged Meyers Norris Penny to complete an IFRS diagnostic. The primary objective of the diagnostic was to highlight the key differences identified between Canadian GAAP, as currently applied by the Company, and IFRS and to suggest management actions that will assist the Company in properly preparing for reporting in accordance with IFRS. The Company is currently in the process of reviewing the high risk areas identified in the IFRS diagnostic and evaluating the options available. The objective of the Company is to complete its detailed analysis of all conversion issues, process changes and business impacts and to realign its accounting policies as necessary by the end of the third quarter of Fiscal 2011.

3. CAPITAL ASSETS

	Cost	Accumulated amortization	February 28, 2011 Net Book Value	August 31, 2010 Net Book Value
Furniture and fixtures	$ 652,902	$ 403,640	$ 249,262	$ 270,678
Computer equipment	842,100	515,608	326,492	270,816
Leasehold improvements	440,049	240,653	199,396	231,168
Computer software	221,411	161,720	59,691	81,329
Software licenses	109,347	34,182	75,165	84,277
	$ 2,265,809	$ 1,355,803	$ 910,006	$ 938,268

Capital assets include assets acquired through capital leases in the amount of $150,641 (2010 - $104,334). During the six months ended February 28, 2011, amortization expense attributable to assets acquired by capital lease was $8,932 (2010 - $19,804)

4. INTANGIBLE ASSETS

	Cost	Accumulated amortization	February 28, 2011 Net Book Value	August 31, 2010 Net Book Value
Customer contracts	$ 3,000,000	$ 1,100,000	$ 1,900,000	$ 2,050,000
Customer relationships	5,861,351	1,761,850	4,099,501	4,392,568
	$ 8,861,351	$ 2,861,850	$ 5,999,501	$ 6,442,568

5. GOODWILL

	February 28, 2011 Net Book Value	August 31, 2010 Net Book Value
Goodwill, beginning of year	$ 13,373,247	$ 13,373,247
	$ 13,373,247	$ 13,373,247

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 six months ended February 28, 2011.

6. BANK INDEBTEDNESS

The Company's various banking facilities are as follows:

(a) On April 27, 2011, the Company entered into a financing arrangement with a Schedule I Canadian Bank to provide a $10 million acquisition financing facility, a $2 million operating line of credit, and a $2.5 million installment loan facility to refinance the balance sheet and improve the overall working capital and cash flow position of the Company. These facilities will replace the previously announced facilities, and provide the Company with larger acquisition and operating facilities on better financial terms, positioning the Company to execute on its growth plans. The facilities bear interest at prime plus 150 basis points. The operating line is a revolving facility with no specific repayment terms while the acquisition line and instalment loan have repayment terms of up to 7 years.

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 2015 and include implicit interest rates ranging from 8.6% to 11.3%. 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 February 28, 2011 are as follows:

Next 12 months	$	26,700
13 to 24 months		22,055
25 to 36 months		22,055
37 to 48 months		22,055
49 to 60 months		15,060
		107,925
Less: amount representing interest		(21,489)
		86,436
Less: current portion		(18,949)
	$	67,487

For the six months ended February 28, 2011, interest expense related to obligations under capital lease was $2,175 (2010 - $1,906).

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 February 28, 2011, the insurance premium liabilities are:

	February 28, 2011	**August 31, 2010**
Payable to insurance companies and insured individuals or groups	**$ 12,328,804**	$ 10,456,515
Less: related cash or cash equivalents	**12,328,804**	10,456,515
	$ -	$ -

9. SHARE CAPITAL

Authorized: Unlimited common voting shares.

	February 28, 2011		**August 31, 2010**	
	Number of common shares	**Amount**	**Number of common shares**	**Amount**
Opening balance, issued and outstanding	**32,970,527**	**$ 11,990,956**	**32,803,861**	**$ 11,940,956**
Issued during the year:				
Private placement of shares (i)	-	-	166,666	50,000
Total issued during the period	**-**	**-**	**166,666**	**$ 50,000**
Ending balance, issued and outstanding	**32,970,527**	**$ 11,990,956**	**32,970,527**	**$ 11,990,956**

(i) On February 25, 2010, 166,666 common shares at $0.30 per share were issued to a company insider.

10. STOCK BASED COMPENSATION

On February 23, 2011, at the Annual General Meeting of the Shareholders, the Shareholders reapproved and amended the Stock Option Plan and approved the Company's Employee Share Purchase Plan. Under the policies of the TSX Venture Exchange, the number of shares issued under the Stock Option Plan and the Employee Share Purchase Plan, as well as all other security based compensation agreements combined cannot exceed 15% of the Company's issued and outstanding shares. As such, the Board deemed it appropriate to amend the pre-existing stock option plan from a "10% rolling plan" to a 15% fixed stock option plan thereby allocating a maximum of 4,945,579 common shares. The Company's Employee Share Purchase Plan was developed to encourage equity participation in the Company by its employees in order to attract and retain employees, as well as to, encourage and motivate employees to act in the best interests of the Company. The Company is currently developing the policies and processes that will be utilized to effectively administer the plan and expects to formally launch the Share Purchase Plan to employees during the third quarter.

Options may be granted to directors, officers, employees and service providers of the Company on terms that the directors of the Company may determine within the limitations set forth in the Stock Option Plan or by security regulators. Options shall not be granted for a term exceeding five years.

Changes in stock options are as follows:

	February 28, 2011			August 31, 2010		
	Number		Weighted Average Exercise Price	Number		Weighted Average Exercise Price
Outstanding, beginning of period	2,983,678	$	0.40	2,956,954	$	0.44
Awarded	115,000		0.25	425,000		0.25
Expired	(1,535)		0.34	(398,276)		0.50
Outstanding, end of period	**3,097,143**	**$**	**0.40**	**2,983,678**	**$**	**0.40**
Exercisable, end of period	**1,606,657**	**$**	**0.48**	**1,607,169**	**$**	**0.48**

The following table sets forth information relating to stock options outstanding as at February 28, 2011 (no options were exercised in the period):

Expiry		Exercise price	Number outstanding	Weighted average remaining contractual life (in years)		Weighted average exercise price	Number exercisable		Weighted average exercise price
Nov 23, 2011	$	0.60	774,000	0.73	$	0.60	774,000	$	0.60
Sep 17, 2012		0.67	75,000	1.55		0.67	75,000		0.67
Feb 27, 2013		0.38	75,000	2.00		0.38	75,000		0.38
Apr 21, 2014		0.34	1,633,143	3.15		0.34	682,657		0.34
March 9, 2015		0.25	425,000	4.03		0.25	-		0.25
Dec 14, 2015		0.25	115,000	4.79		0.25	-		0.25
			3,097,143	**2.48**	**$**	**0.40**	**1,606,657**	**$**	**0.48**

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.

12. RELATED PARTY TRANSACTIONS

The Company engages in transactions 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:

	February 28, 2011		**February 28, 2010**	
	3 months ended	**6 months ended**	**3 months ended**	**6 months ended**
Salaries and benefits (i)	236,875	473,750	281,876	623,317
General and administrative (ii)	13,250	27,000	20,500	28,000
Interest expense (iii)	40,293	82,854	60,909	122,947

	February 28, 2011	**August 31, 2010**
Accounts payable and accrued liabilities (iv)	$ 150,750	$ 305,575
Current portion of long-term debt (v)	486,785	906,577
Long-term debt (v)	1,239,607	1,484,240

(i) Salaries, bonuses and benefits paid to senior management some of which are also directors of the Company.

(ii) Directors' fees totaling $13,250 and $27,000 for the three months ended February 28, 2011 and six months ended February 28, 2011; respectively, (2010 – $20,500 and $28,000) were paid or accrued to certain directors of the Company.

(iii) Interest on vendor-take-back debt related to prior acquisitions was paid or accrued totaling $40,293 and $82,854 for the three months ended February 28, 2011 and six months ended February 28, 2011; respectively, (2010 – $60,909 and $122,947) to certain officers and directors of the Company.

(iv) Accrued interest on the vendor-take-back debt amounting to $nil (August 31, 2010 – $2,059), Directors fees of $27,000 (August 31, 2010 - $15,250) and bonus of $123,750 (August 31, 2010 - $288,266) is payable to certain members of management.

(v) Represents vendor-take-back debt on acquisitions in prior years and promissory notes payable (note 14 (a), (d), (e), (g) and (h)) owed to certain officers and directors of the Company.

13. FINANCIAL INSTRUMENTS

Fair Value

The Company's carrying value of cash, accounts receivable, commission advances, bank indebtedness and accounts payable and accrued liabilities 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 February 28, 2011:

Cash	Held-for-trading
Accounts receivable	Loans and receivables
Commission advances	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Obligations under capital leases	Other financial liabilities
Long-term debt	Other financial liabilities

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

	February 28, 2011		August 31, 2010	
Classification	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Held-for-trading	$ 924,510	$ 924,510	$ 1,663,557	$ 1,663,557
Loans and receivables	$ 2,523,519	$ 2,523,519	$ 2,415,898	$ 2,415,898
Other financial liabilities	$ 5,634,391	$ 5,634,391	$ 6,832,404	$ 6,832,404

Amendments to CICA 3862 - Financial Instruments Disclosures establish a fair value hiearchy requires the Company to maximize the use of observable inputs when measuring fair value. The Company primarily applies the market approach for recurring fair value measurements. CICA 3862 describes three levels of inputs that may be used to measure fair value:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

All held for trading financial instruments are measured at fair value using Level 1 inputs.

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. The Company has experienced few bad debt write offs and accordingly its allowance at February 28, 2011 is $11,502 (2010 - $26,044).

Pursuant to their respective payment terms, consolidated accounts receivable are aged as follows as at February 28, 2011:

Under 31 days past due	$ 2,211,664
31-60 days past due	75,512
61-90 days past due	126,507
Over 91 days past due	47,152
	2,460,835
Allowance for doubtful accounts	(11,502)
Total	$ 2,449,333

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 February 28, 2011 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
Accounts payable and accrued liabilities	$ 2,677,409	$ 2,677,409	$ 2,677,409	$ -	$ -
Obligations under capital leases	86,436	86,436	18,949	33,575	33,912
Long-term debt	2,870,546	2,870,546	1,073,102	1,797,444	-
Deferred lease inducements	170,545	170,545	56,680	101,433	12,432
Interest payments on long-term debt	1,633	8,336	6,875	1,461	-
Total	$ 5,806,569	$ 5,813,272	$ 3,833,015	$ 1,933,913	$ 46,344

14. LONG-TERM DEBT

	February 28, 2011	August 31, 2010
(a) 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. The loan was repaid in full and terminated in September 2010.	$ -	$ 587,203
(b) 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.	139,988	176,960
(c) 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.	279,458	269,233
(d) 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, 2013. The loans have been discounted by 8% to arrive at the fair value which is the present value of the future cash flows.	44,972	66,821
(e) A group of vendor-take-back loans bearing no interest per annum, repayable in monthly installments. The loans mature February 1, 2014 and 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 loans have been discounted by 8% to arrive at the fair value which is the present value of the future cash flows.	1,286,996	1,413,742
(f) A loan bearing interest and fees tied to a percentage of claims paid by the Company. 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. On March 30, 2011, the parties to the loan agreed to extend the principal repayment terms to March 31, 2012.	450,000	450,000
(g) A group of vendor-take-back loans assumed on the acquisition of People Corporation bearing interest of 12% per annum, repayable in monthly installments of principal and interest of $16,133. The loans mature on October 30, 2013 and are secured by the assets of the Company.	439,396	507,313
(h) A group of vendor-take-back loans assumed on the acquisition of People Corporation, bearing no interest per annum, repayable in monthly installments. The loans mature on April 30, 2012. The loan has been discounted by 8% to arrive at the fair value which is the present value of the future cash flows.	151,585	212,356
(i) A loan bearing interest of 4% per annum, repayable in monthly installments of principal and interest of $8,896. The loan was repaid in full and terminated in October 2010.	-	17,703
(j) A loan bearing interest of 7% per annum, repayable in monthly installments of principal and interest of $2,554. The loan matured on February 1, 2011	-	15,016
(k) A loan bearing interest of 4.5% per annum, repayable in monthly installments of principal and interest of $8,847. The loan matures on November 1, 2011	78,151	-
	2,870,546	3,716,347
Less current portion	(1,073,102)	(1,418,095)
	$ 1,797,444	$ 2,298,252

Principal repayment terms are approximately:	
Next 12 months	$ 1,073,102
13 to 24 months	1,144,557
25 to 36 months	652,887
37 to 48 months	
	$ 2,870,546

Interest expense in the period consists of the following:

	February 28, 2011		February 28, 2010	
	3 months ended	**6 months ended**	**3 months ended**	**6 months ended**
Accretive interest on discounted vendor-take-back loans	$ 32,075	$ 65,630	$ 38,356	$ 79,606
Vendor-take-back loan interest	-	1,931	21,584	45,295
Interest on long-term debt	79,149	154,211	72,685	144,350
Bank indebtedness	10,563	12,702	4,580	7,838
Interest income	(15,920)	(29,483)	(65)	313
	$ 105,867	$ 204,991	$ 137,140	$ 277,402

15. INCOME TAXES

	February 28, 2011		February 28, 2010	
	3 months ended	**6 months ended**	**3 months ended**	**6 months ended**
Income (loss) subject to income taxes	$ 481,595	$ 775,149	$ (34,624)	$ (119,121)
Statutory tax rate	28.22 %	28.22 %	32.33 %	32.33 %
Income taxes (recovery) at statutory tax rates	135,924	218,773	(11,194)	(38,512)
Adjustments to income taxes				
Non-deductible meals and entertainment	10,137	18,308	4,688	12,942
Non-deductible interest	9,053	18,523	12,401	25,737
Realization of losses	15,905	31,114	(30,087)	(30,475)
Change in estimated timing of realization of temporary differences	(101,182)	114,553	65,348	164,821
Change in valuation allowance	(14,872)	(52,019)	-	(88,643)
Other	68,763	(162,267)	(137,772)	(208,783)
Total income taxes (recovery), as reported	$ 123,728	$ 186,985	$ (96,616)	$ (162,913)
Current taxes	$ 112,203	$ 343,486	$ 34,905	$ 85,756
Future taxes	11,525	(156,501)	(131,521)	(248,669)
	$ 123,728	$ 186,985	$ (96,616)	$ (162,913)

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

	February 28, 2010	**August 31, 2010**
Future income tax assets		
Equity issue costs	**$ 69,154**	$ 79,967
Lease inducements	**48,256**	49,887
Loss carry forwards	**84,569**	104,280
Valuation allowance	**(52,261)**	(104,280)
	$ 149,718	$ 129,854
Future income tax liabilities		
Asset basis differences	**$ 72,462**	$ 92,174
Amortization - customer relationships and contracts	**1,593,995**	1,710,920
	$ 1,666,457	$ 1,803,094
Net future income tax liability	**$ 1,516,739**	$ 1,673,240

16. COMMITMENTS AND CONTINGENCIES

(a) The Company leases premises under long term leases that expire on August 31, 2011 and February 28, 2016. The Company has long term leases related to various office premises and office equipment. Future minimum lease payments as at February 28, 2011 are as follows:

Next 12 months	$	821,719
13 to 24 months		697,870
25 to 36 months		352,684
37 to 48 months		327,404
49 to 60 months		157,885
	$	2,357,562

(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

	February 28, 2011		**February 28, 2010**	
	3 months ended	**6 months ended**	**3 months ended**	**6 months ended**
Interest paid	$ 20,501	$ 42,841	$ 36,839	$ 78,169
Income taxes paid	9,978	13,304	7,253	29,022

18. PENSION PLAN

Certain employees of the Company's Buffett Taylor Division participate in a defined contribution pension plan. Contributions to the plan by the Company totaled $15,032 for the six months ended February 28, 2011 (2010 – $14,200). The amount is included in the salaries, wages and benefits expense in these financial statements.