GROUPWORKS FINANCIAL CORP.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2011

GROUPWORKS FINANCIAL CORP.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2011

TABLE OF CONTENTS

July 18, 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 MAY 31, 2011

	May 31, 2011	August 31, 2010
		(Audited)
ASSETS		
CURRENT ASSETS:		
Cash	**$ 697,885**	$ 1,663,557
Accounts receivable *(note 13)*	**2,128,017**	2,414,252
Commission advances *(note 13)*	**118,201**	1,646
Prepaid expenses and other sundry assets	**402,043**	248,375
	3,346,146	4,327,830
CAPITAL ASSETS *(note 4)*	**900,712**	938,268
INTANGIBLE ASSETS *(note 5)*	**5,876,717**	6,442,568
GOODWILL *(note 6)*	**13,547,835**	13,373,247
	$ 23,671,410	$ 25,081,913
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities *(note 13)*	**$ 2,918,636**	$ 3,066,601
Deferred revenue	**2,803,279**	3,168,695
Income taxes payable	**304,890**	531,559
Current portion of deferred lease inducements	**71,716**	39,236
Current portion of obligations under capital leases *(note 8)*	**17,085**	15,840
Current portion of long-term debt *(notes 13 and 15)*	**2,591,136**	1,418,095
	8,706,742	8,240,026
DEFERRED LEASE INDUCEMENTS	**87,165**	147,217
DEFERRED REVENUE	**222,453**	324,015
OBLIGATIONS UNDER CAPITAL LEASES *(note 8)*	**63,648**	33,616
LONG-TERM DEBT *(notes 13 and 15)*	**104,529**	2,298,252
FUTURE INCOME TAXES *(note 16)*	**1,482,792**	1,673,240
	10,667,329	12,716,366
SHAREHOLDERS' EQUITY		
Share capital *(note 10)*	**11,990,956**	11,990,956
Contributed surplus	**472,138**	371,969
Retained earnings	**540,987**	2,622
	13,004,081	12,365,547
	$ 23,671,410	$ 25,081,913

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

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 THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2011

	MAY 31, 2011		MAY 31 2010	
	3 months ended	9 months ended	3 months ended	9 months ended
REVENUE				
Commissions	$ 3,164,928	$ 9,294,739	$ 2,266,013	$ 7,171,869
Fees *(note 13)*	2,860,900	8,145,356	2,635,758	7,625,633
	6,025,828	17,440,095	4,901,771	14,797,502
EXPENSES				
Salaries and benefits *(note 13)*	3,291,979	9,118,598	2,798,065	8,623,575
General and administrative *(note 13)*	1,243,804	3,758,631	1,050,897	3,200,571
Commissions *(note 13)*	669,057	1,573,502	350,481	1,039,942
Advertising and promotion	343,489	945,188	289,056	793,534
Stock-based compensation	100,169	100,169	68,716	68,716
	5,648,498	15,496,088	4,557,215	13,726,338
INCOME BEFORE UNDERNOTED ITEMS	377,330	1,944,007	344,556	1,071,164
OTHER EXPENSES				
Interest expense *(notes 13 and 15)*	(120,382)	(325,373)	(135,942)	(413,344)
Depreciation of capital assets	(74,542)	(218,012)	(64,953)	(190,215)
Amortization of intangible assets	(222,784)	(665,851)	(221,533)	(664,598)
	(417,708)	(1,209,236)	(422,428)	(1,268,157)
INCOME (LOSS) BEFORE TAXES	(40,378)	734,771	(77,872)	(196,993)
INCOME TAX EXPENSE (RECOVERY)				
Current *(note 16)*	69,948	413,434	136,092	221,848
Future *(note 16)*	(60,527)	(217,028)	(168,296)	(416,965)
	9,421	196,406	(32,204)	(195,117)
NET INCOME AND COMPREHENSIVE INCOME	(49,799)	538,365	(45,668)	(1,876)
RETAINED EARNINGS - BEGINNING OF PERIOD	590,786	2,622	177,959	134,167
RETAINED EARNINGS - END OF PERIOD	$ 540,987	$ 540,987	$ 132,291	$ 132,291
Earnings per share - Basic	$ (0.002)	$ 0.016	$ (0.001)	$ (0.0001)
- Diluted	$ (0.001)	$ 0.015	$ (0.001)	$ (0.0001)
Weighted average number of shares outstanding:				
- Basic	32,970,527	32,970,527	32,811,268	32,807,544
- Diluted	36,105,985	36,036,351	35,468,223	35,464,499

GROUPWORKS FINANCIAL CORP.

UNAUDITED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

FOR THE THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2011

	Number of Common Shares	Amount	Contributed Surplus	Retained Earnings
BALANCE, AUGUST 31, 2009	**32,803,861**	$ 11,940,956	**$ 303,253**	$ 134,167
Shares issued - Private placement	166,666	50,000	**-**	-
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
Stock-based compensation	**-**	-	100,169	-
Net earnings for the year	**-**	-	**-**	538,365
BALANCE MAY 31, 2011	**32,970,527**	$ 11,990,956	**$ 472,138**	$ 540,987

GROUPWORKS FINANCIAL CORP.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THIRD QUARTER AND NINE MONTHS ENDED MAY 31, 2011

	May 31, 2011		May 31, 2010	
	3 months ended	9 months ended	3 months ended	9 months ended
OPERATING ACTIVITIES				
Net income	$ (49,799)	$ 538,365	$ (45,668)	$ (1,876)
Items not affecting cash:				
Depreciation of capital assets	74,542	218,012	64,953	190,215
Amortization of intangible assets	222,784	665,851	221,533	664,598
Accretive interest expense	23,691	89,321	36,753	116,359
Future income taxes	(60,527)	(217,028)	(168,296)	(416,965)
Stock-based compensation	100,169	100,169	68,716	68,716
	310,860	1,394,690	177,991	621,047
Changes in non-cash working capital:				
Accounts receivable	321,316	286,235	38,737	418,717
Commission advances	(44,015)	(116,555)	(37,363)	(84,904)
Accounts payable and accrued liabilities	239,990	(149,202)	(26,787)	(194,117)
Deferred revenue	(375,627)	(466,978)	(434,752)	(533,131)
Deferred lease inducements	(11,664)	(27,572)	(6,098)	(9,139)
Income taxes payable	(70,241)	(226,669)	192,225	169,980
Prepaid expenses and other sundry assets	(80,950)	(153,668)	(74,415)	(124,748)
	(21,191)	(854,409)	(348,453)	(357,342)
Cash flow provided (used) by operating activities	289,669	540,281	(170,462)	263,705
INVESTING ACTIVITIES				
Purchase of capital assets	(62,229)	(177,437)	(17,003)	(66,349)
Business acquisitions *(note 3)*	(1)	(1)	-	-
Cash utilized for business acquisitions	(34,671)	(34,671)	-	-
Cash flow used by investing activities	(96,901)	(212,109)	(17,003)	(66,349)
FINANCING ACTIVITIES				
Repayment of bank indebtedness	-	-	-	(42,072)
Proceeds from long-term debt	31,590	118,267	24,738	103,471
Repayment of long-term debt	(445,280)	(1,443,388)	(311,317)	(893,613)
Increase in obligations under capital lease	-	46,306	-	-
Repayment of obligations under capital lease	(5,703)	(15,029)	(8,023)	(27,826)
Private placement of shares	-	-	-	50,000
Cash flow used by financing activities	(419,393)	(1,293,844)	(294,602)	(810,040)
INCREASE (DECREASE) IN CASH FLOW	(226,625)	(965,672)	(482,067)	(612,684)
Cash - beginning of period	924,510	1,663,557	1,973,371	2,103,988
CASH - END OF PERIOD	$ 697,885	$ 697,885	$ 1,491,304	$ 1,491,304

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 three wholly owned Canadian subsidiaries, White Willow Benefit Consultants Incorporated (“White Willow”), People Corporation (“People”) and Les Assurances W.B. Inc. (“LAWB”). 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 Company has reviewed the first time adoption options that it has available to them. The board is in the process of reviewing management's decisions and reviewing proposed changes to accounting policies and procedures to align current GAAP compliant policies to IFRS.

3. BUSINESS ACQUISITIONS

Les Assurances W.B. Inc ("LAWB")

Effective April 30, 2011, the Company acquired all the outstanding shares of LAWB, a Quebec based group benefits and pension advisory company in exchange for $1.00.

The acquisition was accounted for using the purchase method and accordingly, the results of operations from April 30, 2011 have been included in these consolidated financial statements and no comparative information is provided. The consideration paid was allocated to the assets acquired based on their fair values and the excess of the purchase price over the value of the net identifiable assets acquired has been recorded as goodwill, which is not tax deductible. All other acquired intangible assets are subject to amortization.

The allocation of the purchase price, net of cash acquired, of the assets acquired and the liabilities assumed is as follows:

		Les Assurances
ASSETS		
Furniture and fixtures	$	2,444
Computer equipment		575
Customer relationships		100,000
		103,019
Accounts payable and accrued liabilities		1,237
Line of credit		34,671
Promissory notes payable		215,118
Future income tax liability		26,580
		277,606
Fair value of net assets acquired		(174,587)
Discounted purchase price, net of cash acquired		1
Total goodwill on purchase	$	174,588

4. CAPITAL ASSETS

	Cost	Accumulated amortization	May 31, 2011 Net Book Value	August 31, 2010 Net Book Value
Furniture and fixtures	$ 670,824	$ 418,249	$ 252,575	$ 270,678
Computer equipment	877,677	544,115	333,562	270,816
Leasehold improvements	440,049	258,269	181,780	231,168
Computer software	225,887	170,974	54,913	81,329
Software licenses	116,620	38,738	77,882	84,277
	$ 2,331,057	$ 1,430,345	$ 900,712	$ 938,268

Capital assets include assets acquired through capital leases in the amount of $150,641 (2010 - $104,334). During the nine months ended May 31, 2011, amortization expense attributable to assets acquired by capital lease was $15,327 (2010 - $27,825)

5. INTANGIBLE ASSETS

	Cost	Accumulated amortization	May 31, 2011 Net Book Value	August 31, 2010 Net Book Value
Customer contracts	$ 3,000,000	$ 1,175,000	$ 1,825,000	$ 2,050,000
Customer relationships	5,961,351	1,909,634	4,051,717	4,392,568
	$ 8,961,351	$ 3,084,634	$ 5,876,717	$ 6,442,568

6. GOODWILL

	May 31, 2011 Net Book Value	August 31, 2010 Net Book Value
Goodwill, beginning of year	$ 13,373,247	$ 13,373,247
Acquisitions	174,588	-
	$ 13,547,835	$ 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 nine months ended May 31, 2011.

7. BANK INDEBTEDNESS

As at the financial statment date, the Company did not have any bank indebtedness. The operating line of credit that had been in place had been terminated by the Company in anticipation of being replaced by a new banking facility. Please refer to Note 20 Subsequent Events for additional disclosure.

8. OBLIGATIONS UNDER CAPITAL LEASES

The obligations under capital leases are secured by the assets to which the capital lease relates. The leases expire by 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 May 31, 2011 are as follows:

Next 12 months	$	24,378
13 to 24 months		22,055
25 to 36 months		22,055
37 to 48 months		22,055
49 to 60 months		9,547
		100,090
Less: amount representing interest		(19,357)
		80,733
Less: current portion		(17,085)
	$	63,648

For the nine months ended May 31, 2011, interest expense related to obligations under capital lease was $4,307 (2010 - $2,466).

9. INSURANCE PREMIUM LIABILITIES AND RELATED CASH OR CASH EQUIVALENTS

In its capacity as consultant and administrator, the Company collects premiums from the insured individual or group(s) and remits premiums, net of agreed deductions, such as taxes and commissions, to insurance underwriters. These are considered flow-through items for the Company held in segregated 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 May 31, 2011, the insurance premium liabilities are:

		May 31, 2011		**August 31, 2010**
Payable to insurance companies and insured individuals or groups	**$**	**12,435,466**	$	10,456,515
Less: related cash or cash equivalents		**12,435,466**		10,456,515
	$	**-**	$	-

10. SHARE CAPITAL

Authorized: Unlimited common voting shares.

	May 31, 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.

11. 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 terms of the plan, 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. The stock option plan was amended 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 at the beginning of the new fiscal year.

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:

	May 31, 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	190,000	0.25	425,000	0.25
Expired	(202,535)	0.54	(398,276)	0.50
Outstanding, end of period	**2,971,143**	**$ 0.39**	**2,983,678**	**$ 0.40**
Exercisable, end of period	**2,301,038**	**$ 0.42**	**1,607,169**	**$ 0.48**

The following table sets forth information relating to stock options outstanding as at May 31, 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	618,000	0.48	$ 0.60	774,000	$ 0.60
Sep 17, 2012	0.67	75,000	1.30	0.67	75,000	0.67
Feb 27, 2013	0.38	75,000	1.75	0.38	75,000	0.38
Apr 21, 2014	0.34	1,588,143	2.89	0.34	1,235,371	0.34
March 9, 2015	0.25	425,000	3.78	0.25	141,667	0.25
Dec 14, 2015	0.25	115,000	4.54	0.25	-	0.25
Apr 14, 2016	0.30	75,000	4.88	0.30	-	0.30
		2,971,143	**2.26**	**$ 0.39**	**2,301,038**	**$ 0.42**

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.

12. CAPITAL MANAGEMENT

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

In the management of capital, the Company includes cash, 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.

13. 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:

	May 31, 2011		**May 31, 2010**	
	3 months ended	**9 months ended**	**3 months ended**	**9 months ended**
Salaries and benefits (i)	207,708	681,458	281,875	905,192
General and administrative (ii)	14,550	41,550	10,750	38,750
Interest expense (iii)	37,867	120,721	58,680	181,627

	May 31, 2011	**August 31, 2010**
Accounts payable and accrued liabilities (iv)	$ 185,425	$ 305,575
Current portion of long-term debt (v)	512,492	906,577
Long-term debt (v)	1,097,895	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 $14,550 and $41,550 for the three months ended May 31, 2011 and nine months ended May 31, 2011; respectively, (2010 – $10,750 and $38,750) 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 $37,867 and $120,721 for the three months ended May 31, 2011 and nine months ended May 31, 2011; respectively, (2010 – $58,680 and $181,627) 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 $18,550 (August 31, 2010 - $15,250) and bonus of $166,875 (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. Please refer to Note 20 Subsequent Events for additional disclosure.

14. 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 May 31, 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:

	May 31, 2011		**August 31, 2010**	
Classification	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Held-for-trading	$ 697,885	$ 697,885	$ 1,663,557	$ 1,663,557
Loans and receivables	$ 2,246,218	$ 2,246,218	$ 2,415,898	$ 2,415,898
Other financial liabilities	$ 5,695,034	$ 5,695,034	$ 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 May 31, 2011 is $24,948 (2010 - $26,044).

Pursuant to their respective payment terms, consolidated accounts receivable are aged as follows as at May 31, 2011:

Under 31 days past due	$ 1,967,517
31-60 days past due	112,951
61-90 days past due	40,759
Over 91 days past due	31,738
	2,152,965
Allowance for doubtful accounts	(24,948)
Total	$ 2,128,017

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. Please refer to Note 20 Subsequent Events for additional disclosure.

The maturity dates of the Company's financial liabilities as at May 31, 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	Maturing in more than 60 months
Accounts payable and accrued liabilities	$ 2,918,636	$ 2,918,636	$ 2,918,636	$ -	$ -	$ -
Obligations under capital leases	80,733	80,733	17,085	16,353	47,295	-
Long-term debt	2,695,665	2,695,665	2,591,136	81,739	22,400	390
Deferred lease inducements	158,881	158,881	71,716	77,397	9,768	-
Interest payments on long-term debt	1,412	6,107	5,496	611	-	-
Total	$ 5,855,327	$ 5,860,022	$ 5,604,069	$ 176,100	$ 79,463	$ 390

15. LONG-TERM DEBT

	May 31, 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.	121,016	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.	217,140	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.	39,735	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.	1,206,502	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.	403,886	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.	120,279	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	52,383	-
(l) A loan bearing interest of 7% per annum, repayable in monthly installments of principal and interest of $2,274. The loan matures on February 1, 2012	22,031	-
(m) A loan bearing interest of 4.5% per annum, repayable in monthly installments of principal and interest of $1,195. The loan matures on November 1, 2011	7,236	-
(n) A non interest bearing loan, repayable in monthly installments of $933. The loan matures on June 1, 2016	55,457	-
	2,695,665	3,716,347
Less current portion	(2,591,136)	(1,418,095)
	$ 104,529	$ 2,298,252

Principal repayment terms are approximately:

Next 12 months	$ 2,591,136
13 to 24 months	70,539
25 to 36 months	11,200
37 to 48 months	11,200
49 to 60 months	11,200
Later	390
	$ 2,695,665

Interest expense in the period consists of the following:

	May 31, 2011		May 31, 2010	
	3 months ended	9 months ended	3 months ended	9 months ended
Accretive interest on discounted vendor-take-back loans	$ 23,691	$ 89,321	$ 36,753	$ 116,359
Vendor-take-back loan interest	-	1,931	20,841	66,136
Interest on long-term debt	69,441	223,652	82,050	226,400
Bank indebtedness	45,165	57,867	2,818	10,656
Interest income	(17,915)	(47,398)	(6,520)	(6,207)
	$ 120,382	$ 325,373	$ 135,942	$ 413,344

Please refer to Note 20 Subsequent Events for additional disclosure.

16. INCOME TAXES

	May 31, 2011		May 31, 2010	
	3 months ended	9 months ended	3 months ended	9 months ended
Income (loss) subject to income taxes	$ (40,378)	$ 734,771	$ (77,872)	$ (196,993)
Statutory tax rate	28.22 %	28.22 %	32.33 %	32.33 %
Income taxes (recovery) at statutory tax rates	(11,395)	207,377	(25,177)	(63,689)
Adjustments to income taxes				
Non-deductible stock-based compensation	28,271	28,271	22,216	22,216
Non-deductible meals and entertainment	6,236	24,545	2,342	15,284
Non-deductible interest	6,686	25,209	11,882	37,619
Realization of losses	13,573	44,686	66,369	35,894
Change in estimated timing of realization of temporary differences	54,305	168,858	48,897	213,718
Change in valuation allowance	(12,691)	(64,710)	-	(88,643)
Other	(75,564)	(237,830)	(158,733)	(367,516)
Total income taxes (recovery), as reported	$ 9,421	$ 196,406	$ (32,204)	$ (195,117)
Current taxes	$ 69,948	$ 413,434	$ 136,092	$ 221,848
Future taxes	(60,527)	(217,028)	(168,296)	(416,965)
	$ 9,421	$ 196,406	$ (32,204)	$ (195,117)

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

		May 31, 2011		August 31, 2010
Future income tax assets				
Equity issue costs	**$**	**69,154**	$	79,967
Lease inducements		**48,256**		49,887
Loss carry forwards		**76,085**		104,280
Valuation allowance		**(39,570)**		(104,280)
	$	**153,925**	$	129,854
Future income tax liabilities				
Asset basis differences	**$**	**74,935**	$	92,174
Amortization - customer relationships and contracts		**1,535,202**		1,710,920
Acquisition estimate of future tax of Les Assurances		**26,580**		-
	$	**1,636,717**	$	1,803,094
Net future income tax liability	**$**	**1,482,792**	$	1,673,240

17. 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 May 31, 2011 are as follows:

Please refer to Note 20 Subsequent Event for additional disclosure.

Next 12 months	$	800,635
13 to 24 months		603,792
25 to 36 months		356,100
37 to 48 months		314,623
49 to 60 months		86,724
	$	2,161,874

(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.

18. CASH FLOW SUPPLEMENTARY INFORMATION

	May 31, 2011				May 31, 2010			
		3 months ended		9 months ended		3 months ended		9 months ended
Interest paid	$	18,944	$	61,785	$	35,536	$	113,705
Income taxes paid		9,978		23,282				29,022

19. PENSION PLAN

Certain employees of the Company's Buffett Taylor Division participate in a defined contribution pension plan. Contributions to the plan by the Company totaled $22,786 for the nine months ended May 31, 2011 (2010 – $21,612). The amount is included in the salaries, wages and benefits expense in these financial statements.

20. SUBSEQUENT EVENTS

On June 10, 2011, the Company finalized the legal agreements with Canadian Imperial Bank of Commerce for:

1. A $2 million operating line of credit bearing interest at prime plus 150 basis points with no specific repayment terms. The new facility now replaces the previous facility that was in place. The facility is secured by a general security agreement over the assets of Groupworks Financial Corp and its subsidiaries and is subject to covenants.
2. A $10 million term revolving acquisition credit facility to fund future acquisitions. The acquisition credit facility is available via loans bearing interest at prime plus 150 basis points or via bankers' acceptances with a stamping fee of 250 basis points annually. Each draw on the facility will be treated as a separate loan repayable over a period of up to seven years. The facility is secured by a general security agreement over the assets of Groupworks Financial Corp and its subsidiaries and is subject to covenants.
3. A $2.5 million instalment loan which was utilized to repay and discharge a substantial amount of long-term debt facilities and vendor-take-back debt of the Company. The instalment loan will be repaid in quarterly instalments over a seven year period and bears interest at prime plus 1.5%. The facility is secured by a general security agreement over the assets of Groupworks Financial Corp and its subsidiaries and is subject to covenants.