GROUPWORKS FINANCIAL CORP.

Management Discussion & Analysis

FOR THE FOURTH QUARTER AND YEAR ENDED AUGUST 31, 2010

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This Management Discussion and Analysis (“MD&A”) covers the three months and twelve month period ended August 31, 2010 and should be read in conjunction with the annual audited and interim unaudited consolidated financial statements of Groupworks Financial Corp (the "Company") as filed at www.sedar.com. Certain balances have been provided for discussion purposes only.

All financial information is presented in Canadian dollars and in accordance with Canadian generally accepted accounting principles (“GAAP”) unless otherwise noted. *Certain totals, subtotals and percentages may not reconcile due to rounding*. The information in this MD&A is presented as at December 15, 2010

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

Readers are cautioned that EBITDA or the Company's calculation of Operating Income do not have standardized meanings as prescribed by GAAP and may not be comparable to similar measures presented by other companies. Further, readers are cautioned that EBITDA or Operating Income should not replace Net income or loss or cash flows from operating, investing and financing activities (as determined in accordance with GAAP), as an indicator of the Company's performance.

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

INDUSTRY OVERVIEW

Groupworks Financial Corp. is a leading employee benefits and pension consulting firm in Canada. With a growing national footprint of ten offices in six provinces, Groupworks is bringing together the leading advisors in the industry, offering innovative and customized HR, benefit and pension solutions to its clients.

Although the human resource industry is highly competitive and fragmented, it is poised for significant growth in the next ten years. As the baby boomers age, Companies in Canada will increasingly be faced with a shortage of qualified talent. Virtually every company in Canada purchases HR products or services, be it employee benefits, life and health insurance products, recruitment services, payroll processing, consulting services, training and development, group pension services or other outsourcing functions and services. To take advantage of this unique opportunity within a vast marketplace the Company focuses on group and employee benefit advisory and administrative services, group pension consulting, human resource consulting and recruitment services.

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

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

Management believes that the continued evolution and growth of the benefits, pension, insurance and human resource industries combined with external factors such as aging demographics, regulatory and legal changes and technology will continue to cultivate the need by clients for external expertise in consulting and administrative matters in order to recruit, retain and reward employees. In addition, management believes that consultant demographics and lack of succession planning options is positioning the industry for consolidation. The Company’s unique approach to provide these services within a one stop shop approach positions the Company well within the overall HR and insurance distribution industry.

BUSINESS OVERVIEW

The Company delivers employee group benefit consulting, third party benefits administration, group retirement consulting, strategic HR consulting and recruitment services to help companies recruit, retain and reward employees. The Company achieves this through its approximately 180 professionals and support staff with ten offices in six provinces in Canada. The Company earns its revenues from a diverse base of clients in various industries. Approximately 84% of the Company's revenues come from employee group benefit consulting, third party benefits administration and group retirement consulting while the remainder comes from strategic HR consulting and recruitment services. The shares of the Company trade on the TSX Venture Exchange under the symbol "GWC".

Revenue from group benefit consulting is primarily earned by receiving commissions through and from various insurance carriers. Revenues from third party administration services are earned by charging clients a percentage of claims adjudicated and by earning higher commissions from insurance carriers as the insurance carrier is effectively outsourcing this service to the Company. The Company is a reseller of benefit products and services and therefore assumes no underwriting risk as the insurance policy is underwritten by the insurance carrier.

Revenue from group retirement consulting is principally earned through commissions and fees earned from pension assets under administration and is paid by the carrier which administers and invests the funds.

The HR consulting and recruitment services offered by the Company derive revenue primarily by charging clients fees for consulting engagements. Fees for HR consulting services are generally based on hourly rates and depend on the nature of the project and skill set and experience of the consultant engaged on the project. Fees for recruitment services are generally charged as a percentage of base or total compensation (base and target bonus) of the candidate being placed. Fees for career management services are based on the level of the program selected by the client. Fees are negotiated with the client prior to the services or engagement starting.

The Company earns interest income from cash balances which is recorded in revenue.

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

FORMATION AND OWNERSHIP STRUCTURE

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

On May 28, 2007 the Company closed its initial public offering (the "Offering") for approximately $3,780.0 before agent fees, by issuing 6.3 million units. On June 7, 2007 the Offering was completed when Jones Gable & Company Limited (the "Agent") exercised its over allotment option for an additional 600,000 units for gross proceeds of approximately $360.0 to the Company. Agent, legal and accounting fees related to the offering totaled approximately $687.2 for net overall proceeds of approximately $3,452.8. Each unit consisted of one Common Share and one half of one share purchase warrant of the Company (each whole such purchase warrant, a "Warrant"). Each Warrant entitled the holder thereof to acquire, subject to adjustments pursuant to the warrant indenture under which the Warrants had been issued, one Common Share at a price of $1.00 until May 27, 2009, provided the closing price of Common Shares on the principal stock exchange on which such shares traded exceeded $1.20 for 20 consecutive trading days, then the Warrant term would automatically be reduced and the Warrants would expire on the date 30 days following the issuance of a press release announcing the reduced Warrant term. On May 27, 2009, 3,891,000 warrants expired unexercised. On June 6, 2009, the remaining 42,000 warrants associated with the exercising of the over allotment from the initial public offering expired unexercised.

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

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

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

SELECTED FINANCIAL INFORMATION

Amounts are derived from the unaudited interim financial statements.

	Q1		Q2		Q3		Q4		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Income Statement Information										
Revenue	4,896	1,422	4,999	2,280	4,902	4,754	5,890	5,161	20,687	13,617
Expenses										
Salaries and benefits	2,829	812	2,996	953	2,798	3,285	2,948	2,794	11,571	7,844
General and administrative	1,115	274	1,035	274	1,051	1,055	1,066	964	4,266	2,567
Commissions	373	66	317	18	350	320	812	751	1,852	1,155
Advertising and promotion	231	134	273	89	289	329	267	260	1,061	811
EBITDA (see note (i) below)	349	136	378	947	413	(235)	797	392	1,937	1,239
Stock based compensation	-	3	-	9	69	21	-	4	69	36
Income before undernoted items	349	133	378	938	345	(256)	797	388	1,868	1,203
Other Expenses										
Interest expense	(140)	(18)	(137)	(38)	(136)	(142)	(121)	(134)	(534)	(332)
Depreciation of capital assets	(62)	(18)	(63)	(18)	(65)	(64)	(73)	(65)	(263)	(165)
Amortization of intangible assets	(231)	(138)	(212)	(147)	(222)	(231)	(222)	(202)	(886)	(718)
Recovery of development costs	-	-	-	-	-	15	-	-	-	15
Gain on settlement of debt	-	-	-	-	-	289	-	-	-	289
Income (loss) before taxes	(84)	(41)	(34)	734	(78)	(388)	382	(13)	185	292
Income taxes (recovered)										
Current	51	78	35	298	136	(65)	167	195	389	505
Future	(117)	(209)	(132)	(39)	(168)	(69)	345	(240)	(72)	(557)
Net income and comprehensive income	(18)	91	62	475	(46)	(253)	(130)	32	(132)	344
Balance Sheet Information										
Total assets	27,105	13,112	25,844	14,358	25,246	26,972	25,082	26,079	25,082	26,079
Total debt	4,686	1,813	4,349	2,249	4,100	4,942	3,716	4,816	3,716	4,816
Other liabilities (excl. future taxes)	7,585	1,966	6,682	1,894	6,399	7,134	7,327	7,140	7,327	7,140
Shareholders' equity	12,412	7,831	12,511	8,584	12,521	12,309	12,366	12,378	12,366	12,378
Total liabilities and shareholders' equity	27,105	13,112	25,844	14,358	25,246	26,972	25,082	26,079	25,082	26,079
Weighted average shares outstanding										
- basic	32,803,861	15,831,931	32,811,268	16,199,264	32,970,527	32,803,861	32,970,527	32,803,861	32,889,705	24,434,844
- fully diluted	32,803,861	21,272,931	35,468,223	21,344,264	32,970,527	32,803,861	32,970,527	35,851,578	32,899,705	29,209,328
Income (loss) per share	$ (0.001)	$ 0.01	$ 0.002	$ 0.03	$ (0.001)	$ (0.008)	$ (0.003)	$ 0.001	$ (0.004)	$ 0.02
Fully diluted income (loss) per share	$ (0.001)	$ 0.01	$ 0.002	$ 0.02	$ (0.001)	$ (0.007)	$ (0.003)	$ 0.001	$ (0.004)	$ 0.02

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

SUMMARY AND OUTLOOK

In January of 2009 the Company completed the acquisition of White Willow and in March 2009 it completed a merger transaction with People Corporation. Strategically, the Company added significant operating capabilities including an enhanced corporate management team, a third party administrative back office and broadened its product offerings to include Group Retirement and HR Services like Recruiting, Outplacement and Strategic Consulting. As a result of these two transactions, the Company significantly increased the scale of the business, the size of its employee population and expanded operations into Manitoba and Quebec.

During fiscal 2010 the Company initiated and completed a number of strategic initiatives including the integration and consolidation of finance and accounting which included the selection and implementation of an enterprise accounting system and enhanced financial policies and controls. In addition, the company invested significantly in its proprietary inside sales system and processes to increase lead generation and future revenue generating opportunities with a view to build out a unique service and product offering for both clients as well as for consultants who are part of Groupworks.

Groupworks unique service and product offering includes:

- Proprietary products and custom solutions including a full service offering of both insured and self-insured proprietary products alongside custom plan design and implementation.
- Subject matter and industry experts including teams of advisors that deliver unique one stop solutions.
- Consultants that are uniquely specialized by client industry and by product type.
- Technology solutions including multiple platform solutions
- Broader access to insurance products from multiple insurance companies
- National servicing capabilities. Groupworks provides both national coverage and geographic breadth with consultants and clients in virtually all provinces across Canada.

Consultants across Canada want to work with Groupworks because of:

- The Company's' unique service and product offering
- The monetization and risk mitigation of advisors book of business via a cash purchase of part or all of their business and/or access to Groupworks public common shares if desired which can provide a tax deferred succession or risk mitigation plan.
- The advisor-centric and motivating entrepreneurial environment where advisors are still in business for themselves but not by themselves
- The increased revenue opportunities via lead generation, proprietary solutions, product breadth, subject matter experts, expertise by industry type, national servicing, administrative & back office services, marketing tools and technology.

Groupworks, having now implemented many of the above unique services and product features has undertaken a recruiting process to increase its consultants and to build up its funnel of possible acquisitions for 2011.

2010 Milestones:

In addition to the implementation of its strategic plan and improved sales and financial performance, Groupworks accomplished the following milestones in the fiscal year ended August 31, 2010.

- On May 4, 2010, the Company announced that it had entered into an agreement with a major Canadian financial institution to provide acquisition financing in the amount of $9 million. The interest rate pricing formula would provide an interest rate of 8.7% if drawn down today.

- On May 31, 2010, the parties to the $0.45 million debt, as disclosed in note 14 (g) in the accompanying financial statements, agreed to extend the principal repayment of the debt to September 30, 2011.

- In June, the Company successfully renegotiated a key supplier agreement which will result in reduced administration costs of approximately $150,000 per year to the Company. We believe that as we continue to scale up and expand our business, additional opportunities to favourably renegotiate existing supplier agreements will arise.

- On July 5, 2010, the Company entered into an employment agreement with Mr. Len Hoey effective July 5, 2010. Mr. Hoey assumed the leadership position of President of People First, the recruiting and HR Consulting division of the Company. With the support of Dr. John McFerran, the founder of People First, Mr. Hoey will focus his efforts on expanding the service offerings and revenue of People First.

- In August, discussions with our Commercial bank began in regards to arranging for an operating line of credit in the amount of $1 million. On November, 26, 2010, the arrangement was finalized.

- In August, all remaining vendor-take-back debt relating to the acquisition of the Investment Guild was paid off in full. Subsequent to the fiscal year end, all remaining vendor-take-back debt relating to the acquisition of Gallivan was paid off in full.

- Subsequent to the fiscal year end, the Company entered into a strategic alliance with Boyden Global Executive Search, a global leader in the executive search industry.

- The Company continued to grow organically through the addition of more than 65 new clients.

2010 Annual Financial Results

For the year ended August 31, 2010 revenue grew by 51.9% from the prior year's revenues of $13,616.8 to $20,687.3. Growth in revenue was due primarily to new revenue from acquired entities and continued organic growth in the Company's proprietary products and administrative platforms.

While revenues for the year ended August 31, 2010 grew by $7,070.5, operating costs increased by only $4,739.1 thereby causing Operating Income before Corporate Costs to increase to $4,873.4 compared to $2,542.0 for the prior year, representing a significant increase in operating profits of 91.7%. The increase in Operating Income before Corporate Costs is representative of revenue growth in the underlying employee benefits business, cost reduction efforts across the operations of the Company, shift in allocation of costs from operating entities to the Corporate Cost center as further integration of services and supplies occurs, and minor recoveries in fee revenue from Recruiting and HR Consulting services.

Although Operating Income before Corporate Costs increased, Corporate Costs for the year end rose by $1,634.0 impacting the overall financial gain from the increase in operating profit. Corporate Costs for the year ended August 31, 2010 were $2,936.2 compared to $1,302.2 incurred in the prior year, and are representative of the integration of services and supplies from the operating entities to the Corporate Cost center, the Company's investment in management, systems and corporate initiatives which are expected to support the Company's existing and planned acquisitions over future fiscal periods.

As a result of the above, EBITDA increased to $1,937.2 in fiscal 2010 from $1,239.8 for fiscal 2009 which represents an increase of $697.4 or 56.3%.

Cash balances were $1,663.6 as at August 31, 2010, a decrease of $440.4 from August 31, 2009. While the Company continued to focus on maintaining liquidity and building capital resources, seasonal and cyclical cash impacts, coupled with repayment of long-term debt in the amount of $1,312.0, have largely contributed to the decrease in cash. To allow for future acquisition growth the Company had been searching for long-term debt facilities and was successful in entering into a funding agreement with a major Canadian financial institution that will allow for $9,000.0 in acquisition financing. In order to support our working capital we arranged for a $1,000.0 line of credit.

Three Month Financial Results

The results for the three months ended August 31, 2010 is the second quarter of fully comparative operations since the acquisitions of White Willow and People Corporation. The Company experienced strong revenue growth of 14.1% from the prior year's revenues of $5,160.6 to $5,889.8. The improved revenue performance is due to the Company's focused approach on building on organic growth opportunities coupled with ongoing growth in its client base.

Revenue for the fourth quarter increased by $729.2 while operating costs decreased by $198.3 thereby causing Operating Income before Corporate Costs to increase by $927.5 or 141.9% over the period to $1,581.5 compared to $653.9 for the prior period. This continues to illustrate the benefits experienced by the Company's focused effort to generate organic growth in revenues and reduce operating costs across the Company.

Corporate Costs for the three months ending August 31, 2010 were $784.1, an increase of $522.2 from the $261.9 experienced in the same period the prior year. The increase is primarily as a result of the integration of services and supplies from the various operating entities to the Corporate Cost center and the increased investment in technology and people to support ongoing growth. When combined with operating costs incurred at the operating entities, overall operating costs increased to $5,092.4 in the current quarter from $4,768.6 that was recorded in the prior quarter, an overall increase of $323.8 or 6.8%. The increase in operating costs is largely a factor of increased commissions and performance based bonuses that are directly related to the increase in revenue experienced across the Company.

As a result of the above, EBITDA increased to $797.3 in the fourth quarter of fiscal 2010 from $392.0 for the same period the prior year, representing an overall increase of $405.3 or 103.4%.

Cash has increased by $172.3 since May 31, 2010, The increase in cash is largely a result of the timing of large policy renewals and renewals of schools and universities within our client base offset by long term debt repayments and seasonal and cyclical cash impacts resulting in ending cash balances of $1,663.6 as at August 31, 2010.

Outlook

Management believes that the employee benefits industry and the business of the Company are poised for growth. The industry is poised for growth as a result of rising health care costs and the long term trend of tightening labour markets. The industry is also ripe for consolidation as a result of the aging demographics of regional consulting practices and the significant demand from mid-market employers to manage the costs and requirements of providing employee benefits to staff and while ancillary HR services like Recruiting, Outplacement and HR Consulting have suffered decreased demand through the economic downturn, these service areas are expected to grow significantly due to long term employment trends.

The Company has now completed its financial and accounting integration and consolidation which has provided management significantly improved operational and financial data from which to make business decisions. The corporate management team has implemented a planning and corporate initiatives process to better enable the execution of the Company's plan to roll up the employee benefits consulting industry in Canada.

ANALYSIS OF THE FOURTH QUARTER AND 2010 ANNUAL RESULTS

Revenue

During fiscal 2010, the Company increased its revenues by $7,070.5 over the same period in the prior year. Revenue for the year ended August 31, 2010 was $20,687.3, an increase of 51.9% from the prior year. The increase is primarily due to the acquisition of White Willow and People which contributed $70.1 and $7,088.0 of the increase respectively. The increase in revenue relating to People included marginal improvements in revenue from HR Consulting Services and Recruitment Services. Revenue from the Company's services pre-merger with White Willow and People was down $87.6 due to policy modifications and policy terminations.

Revenue for the fourth quarter ended August 31, 2010 experienced strong growth of $729.2 from $5,160.6 in the prior year, to $5,889.8 in the current quarter. The increase is comprised of $465.9 attributable to growth in Commission based revenue and $263.3 attributable to growth in Fee based revenue.

Salaries and Benefits Expenses

Salaries and benefits for the year ended August 31, 2010 were $11,571.4 versus $7,844.2 for the same period a year ago, an increase of $3,727.2. The increase is comprised of $177.5 relating to the acquisition of White Willow and a further $3,253.81 of the increase relates to the People acquisition. The remainder was due to general salary and benefit increases, and salaries and benefits associated with the addition of senior management roles in the form of the Executive Vice President of Sales, the Vice President of Corporate Development and a Senior Corporate Development Analyst. While the management roles resulted in an increase of approximately $550.0 for the year, these costs were partially offset by the termination of redundant positions identified during the integration efforts of the Company.

Of the $11,571.4 in salaries and benefits expense, $10,576.2 of the expense relates to salary and associated source deductions and benefits while the remaining $995.2 relates to bonuses. In the prior period, $486.7 related to bonus while the remaining $7,357.5 related to salaries, source deductions and benefits expense. The People acquisition contributes $423.5 of the current year bonus due to higher variable compensation arrangements that are directly related to the achievement of revenue targets.

Salaries and benefits for the three months ended August 31, 2010 were $2,947.9 versus $2,794.0 for the same period a year ago, an increase of $153.9. The increase is a result of additional performance based bonuses awarded for meeting or surpassing established revenue targets offset by the previously mentioned integration efforts of the senior management team and associated terminations of staff. As the Company continued to investigate potential methods to further integrate its services, cost saving measures in the form of terminations and a shift from full time to part time positions occurred.

General and Administrative Expenses

General and administrative expenses are composed of expenditures identified in the following table:

	August 31, 2010	August 31, 2009
Claims Adjudication	1,337.2	606.8
Office Space	1,060.8	686.1
Office Supplies and Communication	1,023.2	698.0
Professional Fees and Public Company Costs	551.1	452.3
Other	293.8	123.5
	4,266.1	2,566.7

General and administrative expenses for the year ended August 31, 2010 were $4,266.1 versus $2,566.7 for the same period in the prior year, an increase of $1,699.4. The acquisition of People contributes $1,499.6 towards this increase with the remainder of the increase being applicable to general increases in operating costs for all other company operations, including the investment in proprietary inside sales systems and financial systems. The costs relating to the People acquisition are largely comprised of the office space, office supplies and communication needs of the People subsidiary as well as general claims processing costs relating to benefit administration services.

General and administrative expenses for the fourth quarter are $1,065.5 versus $964.1, an increase of $101.4 over the prior year. This increase is comprised largely of additional public company costs in the form of insurance for Directors and Officers of the Company, Errors and Omissions insurance, Directors fees, and general professional fees and services.

Commission Expenses

Commission expenses for the fourth quarter and year ended August 31, 2010 were $812.0 and $1,851.9 respectively versus $750.7 and $1,154.8 for the same periods in the prior year. The acquisition of People contributes $642.9 of the increase of $697.2 for the year ended August 31, 2010 and $16.1 of the increase of $61.3 for the fourth quarter.

Advertising and Promotion Expenses

Advertising and promotion increased by $249.3 for the year ended August 31, 2010 to $1,060.6, from $811.3 recorded in the prior period. Of the increase, $154.3 relates to the acquisition of People and the remainder is comprised of additional costs relating to the Company efforts to generate revenue growth, and ongoing travel related to discussions with entities within the Company's acquisition funnel.

Advertising and promotion for the fourth quarter of Fiscal 2010 increased to $267.0 from the $259.8 that was incurred in the prior period, an increase of $7.2.

Stock-based Compensation

Stock-based compensation for the fourth quarter and year ended August 31, 2010 was $nil and $68.7 compared to $3.6 and $36.4 respectively for the same period a year ago. Stock-based compensation expenses relates to the vesting of various options issued under the Company's Stock Option Plan.

Interest Expense

Interest expense for the year ended August 31, 2010 was $534.4 an increase of $202.0 from the $332.4 incurred for the same period last year. The increase is due to an overall increase in debt, comprised of: new and refinanced long term debt balances, short term financing, and vendor-take-back ("VTB") debt balances relating to the White Willow and People acquisitions.

Interest expense for the fourth quarter ended August 31, 2010 was $121.0 which is a decrease of $13.5 from the $134.5 incurred in the third quarter in the prior year. The decrease is due to a decrease in debt balances between the periods due to repayments of principal.

Depreciation and Amortization

Depreciation and amortization for the year ended August 31, 2010 was $1,149.0, an increase of $266.0 over the same period last year. The increase relates to additional amortization related to the People acquisition as well as general increases related to additional depreciation of capital assets acquired since the same period last year.

Depreciation and amortization for the fourth quarter ended August 31, 2010 was $294.2, an increase of $27.1 over the same period last year. The increase relates to additional amortization attributable to capital assets acquired since the same period last year.

Income Tax Expense

For the year ended August 31, 2010 current income taxes have decreased from the $505.3 incurred in the prior year to $389.0 in the current year. This is primarily a result of the application of tax loss carry forwards and a general decrease in taxable income for the year due to decreases in statutory rates. For the fourth quarter ended August 31, 2010 the current income tax expense was $167.2 compared to an expense of $194.9 in the same period a year ago.

For the fourth quarter and year ended August 31, 2010, current taxes are down primarily related to the use of tax loss carry forwards and the reduced tax rate as the statutory rate has changed from 33.50% to 31.12% for fiscal 2010. The change in future tax charge reflects both the reduced statutory rate and general reduction of future tax assets and the impact of retroactive adjustments relating to correction of an error in regards to future tax valuations.

Net Income

As a result of the revenue and expenses described above, the results for the fourth quarter was a loss of $129.7, a decrease from a net income of $32.1 recorded in the same quarter last year. Loss for the year ended August 31, 2010 was $131.5, a decrease of $476.0 from the income of $344.5 recorded in the prior year

NON-GAAP FINANCIAL MEASURES: OPERATING INCOME BEFORE CORPORATE COSTS, CORPORATE COSTS, EBITDA

The following summary financial information is derived from the Company's unaudited consolidated financial statements for the year ended August 31, 2010.

Net income details for the four quarters and year ended August 31, 2010: (amounts derived from the unaudited interim financial statements).

	Q1		Q2		Q3		Q4		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenue	4,896	1,422	4,999	2,280	4,902	4,754	5,890	5,161	20,687	13,617
Operating costs (i)	3,861	1,028	3,937	1,062	3,708	4,478	4,308	4,507	15,814	11,075
Operating Income before Corporate Costs	1,035	394	1,062	1,218	1,194	276	1,582	654	4,873	2,542
Corporate costs (ii)	687	258	685	271	780	511	784	262	2,936	1,302
EBITDA (iii)	349	136	378	947	414	(235)	797	392	1,937	1,239
Less:										
Stock-based compensation expense	-	3	-	9	69	21	-	4	69	37
Income before undernoted items	349	133	378	938	345	(256)	797	388	1,868	1,203
Interest expense	140	18	137	38	136	141	121	134	534	332
Depreciation of capital assets	62	18	63	18	65	64	73	65	263	165
Amortization of intangibles	231	138	212	147	222	231	222	202	886	718
Recovery of development costs			-	-	-	(15)	-	-	-	(15)
Gain on settlement of debt			-	-	-	(289)	-	-	-	(289)
Income taxes	(67)	(132)	(97)	259	(32)	(134)	512	(45)	317	(52)
Net income	(18)	91	62	475	(46)	(253)	(130)	32	(132)	344

(i) Represent operating expenses of the acquired businesses and are part of the expense disclosed in the unaudited interim and audited annual financial statements.

(ii) Represent expenses incurred at the corporate head office and are part of the expense disclosed in the unaudited interim and audited annual financial statements.

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

Operating Income before Corporate Costs

Operating Income before Corporate Costs for the year ended August 31, 2010 increased from $2,542.0 in the prior year to $4,873.4 in the current period, an increase of 91.7%. The increase in Operating Income before Corporate Costs is comprised of a combination of the increases in revenues from the acquisitions of People and White Willow coupled with the decrease in operating costs experienced as a result of the integration of various services and supplies which include Error and Omission insurance, Property and Casualty insurance, consolidation of professional services including recruiting, legal and accounting services and the corresponding absorption of these costs within the Corporate Cost Center. These costs will be allocated to the underlying subsidiaries effective for the next fiscal year now that the Company has integrated its financial systems and processes.

Operating Income before Corporate Costs for the three months ended August 31, 2010 grew substantially from $654.0 in the prior period to $1,581.5 in the current fiscal year, an increase of $927.5. This increase is largely attributable to the successful generation of organic growth within the existing client bases coupled with cost saving measures that were implemented by the corporate management team throughout the course of the year.

Corporate Costs

Corporate Costs for the year ended August 31, 2010 were $2,936.2 versus $1,302.2 incurred in the prior year. The increase in Corporate Costs are a result of merging the Corporate Costs from the Company pre-merger with that of People post merger. In addition, the Company has invested in expanding the management team as previously mentioned and has experienced increased costs relating to the development of an acquisition funnel and overall general business development efforts. As integration of services and supplies has occurred, the transfer of certain costs from operating entities to Corporate Costs has also lead to increased costs within the Corporate Cost Center. The increase in costs has been reduced in part by the cost reduction program that has been instituted by the corporate management team.

Corporate Costs for the fourth quarter ended August 31, 2010 were $784.1 versus $262.0 for the same period in the prior year. The increase in Corporate Costs for the period is the result of merging various costs from the operating entities into the Corporate Cost Center.

EBITDA

Due to the factors identified above, EBITDA for the year ended August 31, 2010 was $1,937.2, an increase of $697.4 from the $1,239.8 of EBITDA that was reported for the year ended August 31, 2009. In the fourth quarter of 2010 EBITDA was $797.3, an increase of $405.3 from the EBITDA that was experienced in the fourth quarter of 2009.

SUPPLEMENTARY SELECTED QUARTERLY FINANCIAL INFORMATION

	August 31, 2010	May 31, 2010	February 28, 2010	November 30, 2009	August 31, 2009	May 31, 2009	February 28, 2009	November 30, 2008
Income Statement Information								
Revenue	5,890	4,902	4,999	4,896	5,161	4,754	2,280	1,422
Expenses								
Salaries and benefits	2,948	2,798	2,996	2,829	2,794	3,285	953	812
General and administrative	1,066	1,051	1,035	1,115	964	1,055	274	274
Commissions	812	350	317	373	751	320	18	66
Advertising and promotion	267	289	273	231	260	329	89	134
EBITDA	797	413	378	349	392	(235)	947	136
Stock based compensation	-	69	-	-	4	21	9	3
Income before undernoted items	797	345	378	349	388	(256)	938	133
Other expenses								
Interest expense	(121)	(136)	(137)	(140)	(134)	(142)	(38)	(18)
Depreciation of capital assets	(73)	(65)	(63)	(62)	(65)	(64)	(18)	(18)
Amortization of intangible assets	(222)	(222)	(212)	(231)	(202)	(231)	(147)	(138)
Recovery of development costs	-	-	-	-	-	15	-	-
Gain on settlement of debt	-	-	-	-	-	289	-	-
Income (loss) before taxes	382	(78)	(34)	(84)	(13)	(388)	734	(41)
Income taxes (recovered)								
Current	167	136	35	51	195	(65)	298	78
Future	345	(168)	(132)	(118)	(240)	(69)	(39)	(209)
Net income (loss) and comprehensive income (loss)	(132)	(46)	62	(18)	32	(253)	475	90
Balance Sheet Information								
Total assets	25,082	25,246	25,844	27,105	26,079	26,972	14,358	13,112
Total debt	3,716	4,100	4,349	4,686	4,816	4,942	2,249	1,813
Other liabilities (excl. future taxes)	7,327	6,399	6,682	7,585	7,140	7,134	1,894	1,966
Shareholders' equity	12,366	12,521	12,511	12,412	12,378	12,309	8,584	7,831
Total liabilities and shareholders' equity	25,082	25,246	25,844	27,105	26,079	26,972	14,358	13,112
Weighted average shares outstanding								
- basic	32,970,527	32,970,527	32,811,268	32,803,861	32,803,861	32,803,861	16,199,264	15,831,931
- fully diluted	32,970,527	32,970,527	35,468,223	32,803,861	35,851,578	32,803,861	21,344,264	21,272,931
Income (loss) per share	$ (0.003)	$ (0.001)	$ 0.002	$ (0.001)	$ 0.01	$ (0.008)	$ 0.03	$ 0.01
Fully diluted income (loss) per share	$ (0.003)	$ (0.001)	$ 0.002	$ (0.001)	$ 0.01	$ (0.007)	$ 0.02	$ 0.01

SELECTED ANNUAL FINANCIAL INFORMATION

Amounts are derived from the audited annual financial statements.

	Year Ended August 31			
	2010	**2009**	**2008**	**2007**
Income Statement Information				
Revenue	20,687	13,617	6,898	3,848
Expenses				
Salaries and benefits	11,571	7,844	3,171	1,787
General and administrative	4,266	2,567	1,211	686
Commissions	1,852	1,155	831	650
Advertising and promotion	1,061	811	460	224
EBITDA (see note (i) below)	1,937	1,240	1,226	501
Stock based compensation	69	36	143	124
Income before undernoted items	1,868	1,203	1,083	377
Other Expenses				
Interest expense	(534)	(332)	(169)	(296)
Depreciation of capital assets	(263)	(165)	(99)	(48)
Amortization of intangible assets	(886)	(718)	(552)	(297)
Recovery of development costs	-	15	-	-
Gain on settlement of debt	-	289	-	-
Writedown of capital asset	-	-	(26)	(49)
Income (loss) before taxes	185	292	271	(312)
Income taxes (recovered)				
Current	389	505	318	113
Future	(72)	(557)	(231)	(11)
Net income (loss) and comprehensive income (loss)	(132)	344	149	(414)
Balance Sheet Information				
Total assets	25,082	26,079	13,806	15,327
Total debt	3,716	4,816	2,385	3,574
Other liabilities (excl. future taxes)	7,327	7,140	1,948	2,343
Shareholders' equity	12,366	12,378	7,762	7,468
Total liabilities and shareholders' equity	25,082	26,079	13,806	15,327
Weighted average shares outstanding				
- basic	32,889,705	24,434,844	15,806,049	7,955,969
- fully diluted	32,889,705	29,209,328	21,173,956	7,955,969
Income (loss) per share	$ (0.004)	$ 0.014	$ 0.009	$ (0.052)
Fully diluted income (loss) per share	$ (0.004)	$ 0.012	$ 0.007	$ (0.052)

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

SEASONALITY

As a result of the acquisition of White Willow and People, the revenues for the first three quarters of the fiscal year has minimal fluctuations due to seasonal impacts. For the fourth quarter, the Company expects marginally higher revenues due to the renewal of a large association client, as well as, the seasonal impacts associated with student benefit advisory services. While revenues are generally consistent from quarter to quarter, cash flows are greatest in the first quarter, followed by the fourth quarter. These seasonal cash flow impacts are the result of the renewal of a large association client and the receipt of commission advances relating to student benefit advisory services.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following table summarizes the Company's cash flows for the four quarters and year ended August 31, 2010: (amounts derived from the unaudited interim financial statements).

	Q1		Q2		Q3		Q4		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Operating activities	$ 928.3	$ 181.6	$ (494.2)	$ 25.3	$ (170.5)	$ 164.1	$ 803.2	$ (99.3)	$ 1,066.8	$ 271.7
Investing activities	(25.9)	394.9	(23.5)	(431.1)	(17.0)	2,498.8	(206.4)	(46.8)	(272.7)	2,415.9
Financing activities	(181.7)	(580.7)	(333.7)	45.9	(294.6)	(524.0)	(424.5)	(179.6)	(1,234.6)	(1,238.4)
Increase (decrease) in cash	$ 720.7	$ (4.2)	$ (851.4)	$ (359.9)	$ (482.1)	$ 2,138.9	$ 172.3	$ (325.7)	$ (440.5)	$ 1,449.2

Cash Flow Analysis of the Fourth Quarter and Year Ended August 31, 2010

Cash flow generated from operating activities for the year ended August 31, 2010 was $1,066.8 an increase of $795.1 or 292.6% from the $271.7 of cash generated in the prior year. Increases in non-cash items were offset by an increase in accounts receivable balances and an increase in cash utilized in payment of accounts payable and accrued liabilities. Cash flow generated from operating activities was $803.2 in the fourth quarter of fiscal 2010, a change of $902.5 from the fourth quarter of fiscal 2009. The substantial amount of deferred revenue recorded in the fourth quarter of 2010 was partially offset by the adjustment for accrual of income taxes payable.

Cash flow used by investing activities for the year ended August 31, 2010 of $272.7 was a result of capital asset additions. In the prior period, the Company was impacted by the cash transactions from the acquisition of People and White Willow. The cash outlay associated with the acquisitions was largely offset by the sale of a building and the cash acquired on acquisition. Cash flow utilized from investing activities in the fourth quarter was $206.4 compared to the prior period utilization of $46.8. The use of cash is solely comprised of asset additions throughout the Company.

Financing activities for the year ended August 31, 2010 observed substantial cash payments relating to long term debt in the amount of $1,312.0 and bank indebtedness repayments of $42.1, offset by a private placement of shares of $50.0, and receipt of short term financing agreements totaling $103.5 with favourable rates to fund Directors and Officers Insurance, Errors and Omissions Insurance, and Property and Casualty Insurance. Management made the decision during the third quarter to pay down the remaining $200.0 of acquisition debt owing to vendors which wasn't due until October 31, 2010 in an effort to reduce interest rate cost on its most expensive debt. During the third quarter, the Company actively pursued financing agreements to fund future acquisitions and was successful in entering into a memorandum of understanding with a major Canadian financial institution for potential acquisition financing of $9,000.0.

Financing activities for the fourth quarter of Fiscal 2010 were primarily focused on normal repayment of vendor take back debt, early payment of acquisition debt, and utilization of capital leases to fund asset additions.

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 has the opportunity to use its operating line of credit during the year to finance cash flows related to seasonal changes in non-cash working capital items. For the first nine months of the fiscal year the Company has not made use of its operating line.

As previously mentioned, in the third quarter of 2010, the Company entered into a memorandum of understanding with a major Canadian Financial Institution that will allow for up to $9,000.0 of acquisition financing. This financing arrangement has allowed the Company to intensify the efforts of its acquisition strategy.

Capital Resources

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

	August 31, 2010	**August 31, 2009**
Cash	1,663.6	2,104.0
Working capital (including cash)		
Current assets	4,327.8	4,489.7
Current liabilities		
Bank indebtedness	-	42.1
Accounts payable and accrued liabilities	3,066.6	3,137.6
Deferred revenue (i)	3,168.7	3,259.1
Income tax payable	531.6	204.8
Current portion of deferred lease inducements	39.2	15.2
Current portion of obligations under capital lease	15.8	34.0
Current portion of long-term debt (ii)	1,418.1	1,169.6
Total current liabilities	8,240.0	7,862.4
Long-term debt	2,298.3	3,603.9
Shareholders' equity	12,365.5	12,378.4

(i) Deferred revenue represents funds received in advance for services that will be provided in future periods

(ii) Included in the current portion of long-term debt is $1,310.1 relating to vendor-take-back debt held by senior management of the company (August 31, 2010 - $1,310.1, August 31, 2009 - $949.4)

Deferred revenue is a non-cash liability and therefore management believes that adding back the deferred revenue provides a more accurate reflection of the liquidity and working capital position of the Company. Deferred revenue has a substantial impact on the traditional working capital position of the Company and therefore it is worth fully understanding the nature of the deferred revenue when assessing the liquidity and working capital position of the Company.

Most insurance brokerage and consulting firms are paid commissions at the beginning of the policy year for a twelve month period. It is general practice in the industry to record 90% to 100% of the commission received as revenue on receipt of payment or on implementation of the client or renewal of the client.

The Company is paid commissions 12 to 27 months in advance depending on what rate guarantee was sold on the group. Unlike the typical broker or consulting firm, the Company does not record 90% to 100% of the commission received in advance as revenue on groups where it provides both the consulting and the advisory services. Instead it records the revenue monthly over the period for which it was received. The primary reason for the revenue being recognized in this manner is the fact that services are provided on an ongoing basis, as compared to when only providing the advisory or consulting services where almost all of the services are provided at the time of renewal or implementation.

The ongoing services relate to billing & administration and customer service support. The only time deferred revenue is paid back to the insurance carrier is when the client terminates the policy with an effective date of termination which falls within the policy year. Clients that terminate generally do so close to or at the end of the policy year and therefore any claw back by the carrier is generally for a small amount relative to the original advance. In addition, the Company has negotiated with its primary insurance carriers that any claw back of deferred revenue be offset against future commission due.

The vendor-take-back debt is all with senior employees of the Company that are also substantial shareholders of the Company. Given the nature of this relationship it is management's belief that this debt can be renegotiated if required to ensure the ongoing operating of the Company. Therefore, it makes sense to add back the vendor-take-back debt when assessing the true operating working capital of the Company. After these adjustments, the calculation of working capital is as follows:

	August 31, 2010	**August 31, 2009**
Working capital (including cash)		
Current assets	4,327.8	4,489.7
Total current liabilities	8,240.0	7,862.3
Add back:		
Deferred revenue	3,168.7	3,259.1
Current portion of VTB debt held by senior management	1,310.1	949.4
Adjusted current liabilities	3,761.2	3,653.8
Adjusted operating working capital	566.6	835.9

Adjusted operating working capital has decreased by $269.3 to an adjusted working capital of $566.6 from the adjusted working capital experienced a year ago. The decrease of $269.3 from the prior year end is primarily a result of the repayments of external non vendor-take-back debt, repayment of higher interest debt, and general fluctuations in accounts receivable and accounts payable balances. The cash balances of the company have remained fairly consistent over the course of fiscal 2010, decreasing to $1,663.6 from the cash balances of $2,104.0 at the prior year end. The Company has committed to keeping strong levels of cash and cash equivalents to ensure that they have sufficient funds to fund existing and future liabilities.

The following summarizes the Company's future expected payments:

		Payments due as follows:		
	Total	**Next 12 months**	**13 to 24 months**	**Thereafter**
Current portion of long-term debt	$ 1,418	$ 1,418	$ -	$ -
Long-tern debt	2,298	-	1,312	986
Operating leases	1,936	745	543	648
	$ 5,652	$ 2,163	$ 1,855	$ 1,634

With enhanced controls around cash management, Management believes that operations will generate sufficient cash flows to fund ongoing operations and finance its seasonal working capital needs. With healthy cash balances and discussions being held in regard to an additional line of credit, Management decided in the third quarter to fully pay down the debt related to the Investment Guild acquisition. This repayment occurred in the fourth quarter of 2010. On September 15, 2010, management paid down the remaining debt relating to the Gallivan and Associates acquisition.

Future acquisitions may be financed in part from the acquisition funding that is available via the memorandum of understanding. Although the acquisition funding arrangement will allow for greater flexibility in funding future acquisitions, the Company may still need to fund future acquisition and development in part from equity financing. The Company's future needs may, however, change, and in such event the Company's ability to satisfy its obligations will be dependent upon its future financial performance.

RELATED PARTY TRANSACTIONS

During the year ended August 31, 2010 outlined below, the Company had significant activity with directors and officers or shareholders of the Company. All the transactions are in the normal course of operations and are measured at the exchanged amount, which is the consideration agreed to by the parties. The related party transactions and balances are as follows:

	2010	2009
Revenue (i)	$ -	$ 88.8
Expenses		
Salaries, wages and benefits (ii)	1,158.3	877.6
Commissions (iii)	-	156.7
General and administrative (iv)	55.6	34.1
Interest expense (v)	238.1	173.9

	As at	
	August 31, 2010	**August 31, 2009**
Accounts receivable (i)	**$ -**	$ 13.8
Commission advances (iii)	**-**	30.5
Accounts payable and accrued liabilities (vi)	305.6	258.5
Current portion of long-term debt (vii)	906.6	332.2
Long-term debt (vii)	1,484.2	2,698.9

(i) Fee revenue is earned from a client for which the Company provides administration services. The client has two directors and shareholders who are also former directors and current 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 $nil for the year ended August 31, 2010 (2009 – $156.7) to two former Directors of the Company who are also employees, of which $nil (August 31, 2009 –$30.5) is owed to the Company and included in commission advances in the financial statements. The commissions are strictly a component of negotiated employment agreements which entitle the two former Directors to a percentage of new business that they are able to acquire.

(iv) Consulting fees are paid to a vendor that provides technology and administrative services to the Company. The vendor has two directors and shareholders who are also former directors and current shareholders of the Company. Directors' fees totaling $55.6 for the year ended August 31, 2010 (2009 – $22.0) were paid or accrued to certain directors of the Company.

(v) Interest on vendor-take-back debt related to prior acquisitions was paid or accrued totaling $238.1 for the year ended August 31, 2010 (2009 – $173.9) to certain officers and directors of the Company.

(vi) Accrued interest on the vendor-take-back loan amounting to $2.1 (August 31, 2009 – $1.6), Directors fees of $15.3 (August 31, 2009- $22.0) and $288.3 (August 31, 2009 – $233.2) bonus is payable to certain members of management; and $nil (August 31, 2009 - $1.6) 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 (Financial Statement note 15 (a), (b), (e),(f), (h) and (i)) owed to officers and directors of the Company.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Revenue recognition

Revenue 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 by management 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 by management based on historical data.

Fee revenue from administrative and consulting services are recognized on the percentage of completion basis of accounting. 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 account. For each deliverable to the client the Company establishes a separate agreement 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.

Business combinations

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

Amortization of finite-life intangible assets

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

Goodwill

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

Future income tax

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

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.

For interim and annual financial statements relating to its fiscal year commencing on or after January 1, 2011, the Company will be required to adopt new CICA Section 1582 “Business Combinations”, Section 1601 “Consolidated Financial Statements” and Section 1602 “Non-Controlling Interests”. Section 1582 replaces existing Section 1581 “Business Combinations”, and Sections 1601 and 1602 together replace Section 1600 “Consolidated Financial Statements.” The adoption of Sections 1582 and collectively, 1601 and 1602 provides the Canadian equivalent to IFRS 3 “Business Combinations” and International Accounting Standard IAS 27 “Consolidated and Separate Financial Statements” respectively. The impact of adopting these new standards has not yet been assessed and cannot reasonably be estimated at this time.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year ended August 31, 2011. The Company has developed a formal action plan and has allocated internal resources towards ensuring a smooth transition to IFRS. In addition, the Company is considering the use of external consultants to assist in the transition from Canadian GAAP to IFRS reporting.

The Company's plan consists of four phases plus a comprehensive risk management program that is being executed. Phase one of the plan includes mapping out in detail the expected impact of adopting IFRS on the business, operations and human capital of the Company together with a comprehensive plan to deal with each impact. Phase two of the plan details the specific impact on the Company's financial reporting and disclosure obligations. Phase three deal with rolling out all the changes including process changes, system changes and human capital training. Phase four deals with quality control and testing to ensure compliance and a smooth transition. All four phases includes risk management which deals with the impact of IFRS on governance, strategy and planning, operations and infrastructure, compliance, reporting and human capital. Management believes that its current progress is sufficient to ensure a smooth transition. Management will continue to provide additional disclosure as it progresses with its plan.

RISKS AND UNCERTAINTIES

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

Key Personnel

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

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

Regulation and Certification

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

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

Currently the provisions of recruitment services and HR consulting engagements are not generally subject to government regulation. However, there is no certainty that regulation will not be introduced.
Any changes to laws, rules, regulations or policies could have a material adverse effect on the Company's business, financial condition and operating results.

Termination of Contracts

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

Competitive Conditions

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

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

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

The Company may be unable to successfully integrate its future acquisitions

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

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

The Company has relied principally on equity and vendor-take-back debt financing to fund its acquisitions. The Company may require additional funds to make future acquisitions of Group Benefit, Pension Advisory and HR Consulting or Recruitment businesses and may require additional funds to market and sell its products into the marketplace. The ability of the Company to arrange such financing in the future, and to repay its existing debt, will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, when needed, on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution. If additional financing is not available on terms favorable to the Company, the Company may be unable to grow or may be required to limit or halt its expansion plans. In addition, the Company's existing creditors, some of whom have security interests in the Company's assets, may exercise their rights to acquire or dispose of the Company's assets.

No intention to declare dividends

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

Reputational Risk

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

Canadian Economy

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

ADDITIONAL INFORMATION

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