



**Smart Employee Benefits Inc.**

**Unaudited Condensed Interim Consolidated Financial Statements  
August 31, 2015**

The accompanying unaudited condensed interim consolidated financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

To the Shareholders of Smart Employee Benefits Inc.:

Management is responsible for the preparation and presentation of the accompanying unaudited interim condensed consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the quarterly reporting is consistent with the financial statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the quarterly report. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Company's external auditor.

MNP LLP, an independent firm of Chartered Professional Accountants, was appointed by the shareholders to audit the annual consolidated financial statements and report directly to them.

October 30, 2015

*John McKimm*

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Chief Executive Officer

*Robert Prentice*

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Chief Financial Officer

# Smart Employee Benefits Inc.

Table of Contents

August 31, 2015

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	<b>Page</b>
<b>Unaudited Condensed Interim Consolidated Financial Statements</b>	
Unaudited Condensed Interim Consolidated Statements of Financial Position	4
Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity	5
Unaudited Condensed Interim Consolidated Statements of Comprehensive Loss	6
Unaudited Condensed Interim Consolidated Statements of Cash Flows	7
Notes to Unaudited Condensed Interim Consolidated Financial Statements	8 – 32

Smart Employee Benefits Inc.  
Unaudited Condensed Interim Consolidated Statements of Financial Position

	Note	Aug 31, 2015	Nov 30, 2014
Cash and cash equivalents		\$ 2,576,672	\$ 403,096
Accounts receivable		9,032,444	5,092,777
Inventory		83,998	95,825
Prepays and deposits		690,996	464,910
<b>Total Current Assets</b>		<b>12,384,110</b>	<b>6,056,608</b>
Long-term deposits		275,352	275,352
Associate investments		-	3,300,892
Equipment	5	859,381	623,489
Software	6	2,703,725	1,990,169
Intellectual property	6	84,333	92,583
Customer relationships	7	6,924,393	2,013,808
Trade names	8	3,142,834	1,235,369
Goodwill	4	11,236,313	3,283,157
<b>Total Assets</b>		<b>\$ 37,610,441</b>	<b>\$ 18,871,427</b>
Bank loan	9	\$ 3,761,694	\$ 1,482,208
Accounts payable and accrued liabilities		5,366,678	4,504,779
Deferred revenue	10	454,127	721,520
Short-term notes	14, 18	2,113,229	7,099
Current portion of equipment leases payable	11	8,749	35,260
Equipment loans	12	18,750	32,625
Government remittances and current taxes payable		678,087	775,091
Current portion of contingent consideration payable	21	90,000	93,962
Current portion of term bank loan	9	1,050,000	-
Current portion of convertible debt	13	3,719,884	678,928
<b>Total Current Liabilities</b>		<b>17,261,198</b>	<b>8,331,472</b>
Equipment leases payable	11	-	8,998
Contingent consideration payable	21	2,224,226	1,137,555
Convertible debt	13	1,514,700	4,009,624
Term bank loan	9	2,625,000	-
Deferred income taxes		3,365,027	865,027
Preferred shares		350,000	350,000
<b>Total Long Term Liabilities</b>		<b>10,078,953</b>	<b>6,371,204</b>
Share capital	15	20,005,568	15,093,132
Share issue costs		(612,979)	(612,979)
Contributed surplus		1,308,502	926,216
Warrants	15	3,996,188	3,693,108
Options	15	1,792,299	1,255,222
Deficit		(18,612,240)	(15,499,981)
<b>Total Shareholders' Equity</b>		<b>7,877,338</b>	<b>4,854,718</b>
<b>Non-controlling interest in subsidiaries</b>	4	<b>2,392,952</b>	<b>(685,967)</b>
		<b>10,270,290</b>	<b>4,168,751</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 37,610,441</b>	<b>\$ 18,871,427</b>

Going concern (Note 2), Related party transactions (Note 18), Commitments (Note 20)

Approved on behalf of the Board:

John McKimm

Director

Stephen Peacock

Director

*The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.*

Smart Employee Benefits Inc.  
Unaudited Condensed Interim Consolidated Statements of Shareholders' Equity

	Share Capital		Warrants		Options		Contributed Share Issue		Accumulated Shareholders		Total Non-	
	Number	\$	Number	\$	Number	\$	Surplus	Costs	Deficit	Equity	Interest	\$
<b>Balances November 30, 2014</b>	<b>78,973,943</b>	<b>15,093,132</b>	<b>21,636,223</b>	<b>3,693,108</b>	<b>7,094,000</b>	<b>1,255,222</b>	<b>926,216</b>	<b>(612,979)</b>	<b>(15,499,981)</b>	<b>4,854,718</b>	<b>(685,967)</b>	
Acquisition of Banyan Acquisition of Paradigm Consulting Group Inc.	5,913,877	2,956,966	1,000,000	290,000	-	-	382,286	-	-	-	-	1,213,804
Acquisition of SEB Consulting and HR Benefits Inc.	200,000	100,000	50,000	13,080	-	-	-	-	-	-	-	-
Conversion of notes	1,164,441	529,000	-	-	-	-	-	-	-	-	-	113,080
Exercise of warrants	2,367,722	1,262,725	(2,367,722)	-	-	-	-	-	-	-	-	529,000
Expiration of warrants	-	-	(55,333)	-	-	-	-	-	-	-	-	1,262,725
Issue of options	-	-	-	-	900,000	157,837	-	-	-	-	-	-
Exercise of options	160,000	56,000	-	-	(160,000)	-	-	-	-	-	-	157,837
Expiration of options	-	-	-	-	(240,000)	-	-	-	-	-	-	56,000
Net income for the period	-	-	-	-	-	-	-	-	454,945	-	-	454,945
Net income for the period attributed to non-controlling interest	-	-	-	-	-	-	-	-	(52,486)	-	-	(52,486)
<b>Balances February 28, 2015</b>	<b>88,779,983</b>	<b>19,997,823</b>	<b>20,263,168</b>	<b>3,996,188</b>	<b>7,594,000</b>	<b>1,413,059</b>	<b>1,308,502</b>	<b>(612,979)</b>	<b>(15,097,522)</b>	<b>11,005,071</b>	<b>580,323</b>	
Issue of options	-	-	-	-	300,000	373,603	-	-	-	-	-	373,603
Exercise of options	3,750	1,313	-	-	(3,750)	-	-	-	-	-	-	1,313
Adjustment re Banyan acquisition	-	(128,630)	-	-	-	-	-	-	-	-	-	(128,630)
Dividend from Banyan to SEB	-	-	-	-	-	-	-	-	-	-	-	1,758,097
Net income for the period	-	-	-	-	-	-	-	-	(1,929,888)	-	-	(150,000)
Net income for the period attributed to non-controlling interest	-	-	-	-	-	-	-	-	(170,498)	-	-	(170,498)
<b>Balances May 31, 2015</b>	<b>88,783,733</b>	<b>19,870,506</b>	<b>20,263,168</b>	<b>3,996,188</b>	<b>7,890,250</b>	<b>1,786,662</b>	<b>1,308,502</b>	<b>(612,979)</b>	<b>(17,197,908)</b>	<b>9,150,971</b>	<b>2,358,918</b>	
Exercise of options	408,750	135,063	-	-	(408,750)	-	-	-	-	-	-	135,063
Expiration of options	-	-	-	-	(50,000)	-	-	-	-	-	-	-
Issue of options	-	-	-	-	-	5,637	-	-	-	-	-	5,637
Expiration of warrants	-	-	(5,941,668)	-	-	-	-	-	-	-	-	-
Net income for the period	-	-	-	-	-	-	-	-	(1,380,298)	-	-	(1,380,298)
Net income for the period attributed to non-controlling interest	-	-	-	-	-	-	-	-	(34,034)	-	-	(34,034)
<b>Balances Aug 31, 2015</b>	<b>89,192,483</b>	<b>20,005,568</b>	<b>14,321,500</b>	<b>3,996,188</b>	<b>7,431,500</b>	<b>1,792,299</b>	<b>1,308,502</b>	<b>(612,979)</b>	<b>(18,612,240)</b>	<b>7,877,338</b>	<b>2,392,952</b>	

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

# Smart Employee Benefits Inc.

## Unaudited Condensed Interim Consolidated Statements of Comprehensive Loss

	Note	Jun 1, 2015 to Aug 31, 2015	Jun 1, 2014 to Aug 31, 2014	Dec 1, 2014 to Aug 31, 2015	Dec 1, 2013 to Aug 31, 2014
<b>Revenue</b>		<b>\$ 11,878,990</b>	<b>\$ 5,749,929</b>	<b>\$ 36,503,100</b>	<b>\$ 15,461,758</b>
<b>Cost of revenues</b>					
Compensation		7,369,965	4,290,056	23,551,071	11,172,234
Other		1,340,516	297,888	3,917,534	974,135
		8,710,481	4,587,944	27,468,605	12,146,369
<b>Gross Margin</b>		<b>3,168,509</b>	<b>1,161,985</b>	<b>9,034,495</b>	<b>3,315,389</b>
<b>Expenses</b>					
Salaries and other compensation costs		1,586,263	1,229,655	3,921,790	3,182,578
Professional fees		421,658	129,160	956,467	432,937
Office and general		1,131,625	814,458	2,995,949	1,788,479
<b>Income (Loss) before the following items</b>		<b>28,963</b>	<b>(1,011,288)</b>	<b>1,160,289</b>	<b>(2,088,605)</b>
Share-based compensation		5,637	106,071	537,077	381,151
Interest		295,741	153,532	751,323	420,350
Amortization	<b>6, 7, 8</b>	716,647	249,287	2,124,749	640,749
Depreciation of equipment	<b>5</b>	103,732	24,188	204,453	77,647
Accretion of interest	<b>13</b>	189,504	134,214	571,908	347,605
Total		1,311,261	667,292	4,189,510	1,867,502
		(1,282,298)	(1,678,580)	(3,029,221)	(3,956,107)
Less: Provision for income tax		98,000	-	95,893	-
<b>Loss before acquisition and financing costs and sale of portion of business</b>		<b>(1,380,298)</b>	<b>(1,678,580)</b>	<b>(3,125,114)</b>	<b>(3,956,107)</b>
Acquisition and financing costs		-	-	830,127	-
Gain on sale of a portion of the business	<b>4</b>	-	-	1,350,000	-
Less: Provision for income tax	<b>4</b>	-	-	250,000	-
Gain on sale net of tax		-	-	1,100,000	-
<b>Net (Loss)</b>		<b>(1,380,298)</b>	<b>(1,678,580)</b>	<b>(2,855,241)</b>	<b>(3,956,107)</b>
Attributed to non-controlling interest		34,034	7,093	257,018	5,533
<b>Attributed to SEB shareholders</b>		<b>\$ (1,414,332)</b>	<b>\$ (1,685,673)</b>	<b>\$ (3,112,259)</b>	<b>\$ (3,961,640)</b>
Weighted average number of shares - basic and diluted	<b>15</b>	88,923,516	70,825,998	87,128,281	66,933,515
Loss per common share - basic and diluted		\$ (0.02)	\$ (0.02)	\$ (0.04)	\$ (0.06)

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

Smart Employee Benefits Inc.  
Unaudited Condensed Interim Consolidated Statements of Cash Flows

	Note	Jun 1, 2015 to Aug 31, 2015	Jun 1, 2014 to Aug 31, 2014	Dec 1, 2014 to Aug 31, 2015	Dec 1, 2013 to Aug 31, 2014
<b>Loss before acquisition and financing costs and sale of portion of business</b>					
		\$ (1,380,299)	\$ (1,685,673)	\$ (3,125,114)	\$ (3,961,640)
Add items not involving cash:					
Amortization		716,647	249,287	2,124,749	640,749
Depreciation of equipment		103,731	24,188	204,453	77,647
Accretion of interest		191,118	138,722	573,522	352,113
Share-based compensation		5,637	106,071	537,077	381,151
		<b>(363,166)</b>	<b>(1,167,405)</b>	<b>314,687</b>	<b>(2,509,980)</b>
Non-cash working capital	19	503,827	(395,147)	701,454	(736,730)
<b>Cash from (used in) operating activities</b>		<b>140,661</b>	<b>(1,562,552)</b>	<b>1,016,141</b>	<b>(3,246,710)</b>
<b>Cash flows from investing activities</b>					
Cash received on sale of portion of business	4	100,000	-	1,850,000	-
Purchase of software and equipment		(200,391)	(137,283)	(710,827)	(245,734)
Net cash on acquisition of Adeeva		-	-	-	6,209
Net cash on acquisition of Antian		-	-	-	98,458
Net cash on investment in Inforica		-	-	-	29,064
Net cash on acquisition of Stroma		-	(650,000)	-	(650,000)
Net cash on investment in Banyan	4	-	-	848,558	-
Net cash on acquisition of Paradigm	4	-	-	(6,814,422)	-
Acquisition and financing costs		-	-	(830,127)	-
<b>Cash flows from (used in) investing activities</b>		<b>(100,391)</b>	<b>(787,283)</b>	<b>(5,656,818)</b>	<b>(762,003)</b>
<b>Cash flows from financing activities</b>					
Proceeds from convertible financing		-	12,611	-	1,764,420
Proceeds from exercised warrants		-	59,750	1,262,725	1,683,400
Proceeds from exercised options		135,063	9,100	192,376	36,263
Proceeds from short term loans		37,500	672,699	2,106,130	655,152
Proceeds from term bank loan		-	-	4,200,000	-
Repayment of term bank loan		(262,500)	-	(525,000)	-
Shareholder loans		-	-	-	(163,923)
Dividend declared by Banyan		(150,000)	-	(150,000)	-
Net change in equipment leases		(5,289)	44,377	(35,509)	(7,637)
Repayment of equipment loans		(3,125)	(5,375)	(13,875)	(35,708)
Repayment of convertible loans		(81,455)	-	(222,594)	-
<b>Cash from (used in) financing activities</b>		<b>(329,806)</b>	<b>793,162</b>	<b>6,814,253</b>	<b>3,931,967</b>
Net change in cash and cash equivalents		(289,536)	(1,556,673)	2,173,576	(76,746)
Cash and cash equivalents, beginning of period		2,866,208	1,737,535	403,096	257,608
<b>Cash and cash equivalents, end of period</b>		<b>\$ 2,576,672</b>	<b>\$ 180,862</b>	<b>\$ 2,576,672</b>	<b>\$ 180,862</b>

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

# Smart Employee Benefits Inc.

## Notes to Unaudited Condensed Interim Consolidated Financial Statements

August 31, 2015

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### 1. Nature of Operations

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Smart Employee Benefits Inc. (the "Company" or "SEB") is a technology company providing software-enabled services in the areas of healthcare transaction processing, software solutions and professional services for corporate and government clients.

These financial statements are the unaudited condensed interim consolidated financial statements of Smart Employee Benefits Inc. and its active subsidiary companies:

<u>Company</u>	<u>SEB Ownership</u>
<b>Technology Division</b>	
Logitek Technology Ltd.	100%
SOMOS Consulting Group Ltd.	100%
APS - Antian Professional Services Inc.	100%
Stroma Service Consulting Inc.	100%
Inforica Inc.	50%
Paradigm Consulting Group Inc.	100%
<b>Benefits Division</b>	
Smart Employee Solutions Inc.	100%
SES Benefits Canada Corporation	100%
SEB Insurance and Financial Services Corporation	58%
SEB Benefits and HR Consulting Inc.	50%
Banyan Work Health Solutions Inc.	50%
BITS Licencing Inc.	50%
Adeeva Nutrutionals Canada Inc.	100%
Meschino Health and Wellness Corporation	75%

The Company's head office address is 5500 Explorer Drive, Mississauga, Ontario, L4W 5C7 and its registered and records office address is Suite 300, 2355 Skymark Avenue, Mississauga, Ontario, L4W 4Y6.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on October 27, 2015.

### 2. Going Concern

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These consolidated financial statements have been prepared on a going concern basis which presumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of its operations.

The Company has incurred an operating loss during the period of the unaudited condensed interim consolidated financial statements and negative cash flow from operations for the period. There is no assurance that the Company will be able to generate net income or positive cash flow from operations in the foreseeable future. Based on these events and conditions there are uncertainties that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.



# Smart Employee Benefits Inc.

## Notes to Unaudited Condensed Interim Consolidated Financial Statements

August 31, 2015

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To remain a going concern, the Company will require additional capital to enable it to further develop its software and achieve other business objectives. It cannot be determined at this time whether these objectives will be realized. These unaudited condensed interim consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue as a going concern.

### **3. Basis of Presentation**

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#### *Statement of Compliance*

These unaudited condensed interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements for the year ended November 30, 2014. The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period. Furthermore the information on accounting standards effective in future periods and not yet adopted remains unchanged from that disclosed in the annual financial statements.

### **4. Acquisitions, Investments and Divestments**

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#### **(a) Investment in Banyan Work Health Solutions Inc.**

On November 3, 2014 the Company acquired 50% of Banyan Work Health Solutions Inc. and BITS Licensing Inc. (collectively “Banyan”). The Company has 50% Board representation and 50% of the voting rights, as does one other shareholder. As of December 1, 2014 the Company has the right to appoint a further Director. This ability is determined to give the Company control over Banyan and therefore the investment is accounted for as of December 1, 2014 by consolidating the results and financial position of Banyan with that of the Company.

The purchase price to acquire the 50% equity interest in Banyan was \$3.0 million, consisting of \$2.0 million of cash and \$1.0 million of common shares. A portion of this purchase price was performance based. \$1.575 million of the cash portion was paid at closing, while the remaining \$425,000 of cash is payable over 4 years, based on Banyan achieving certain earnings performance criteria post-closing. Of the \$1.0 million of common share consideration, \$750,000 of the shares was released at closing, subject to a contractual escrow over 36 months, while the release of the remaining \$250,000 of shares is subject to Banyan achieving the same performance criteria post-closing that is applicable to the cash consideration. The common shares issued, including the escrowed common shares, have been valued at fair value based on the closing market price on the date of issuance. The \$425,000 cash payable has been recorded as a contingent consideration payable and recorded at fair value using a discount rate of 4.75%. The \$1.0 million of common share consideration consisted of 2,000,000 common shares. If the performance criteria are not achieved by the expiry of the escrow period, all or part of the 500,000 SEB shares subject to the performance escrow will be cancelled, as will be all or part of the \$425,000 of performance cash payments. Additionally, 1,000,000 common share purchase warrants were issued as retention warrants to key Banyan employees. The retention warrants have an exercise price of \$0.50 per share and a term of 48 months, with one-third of the warrants vesting at the end of each year for the first 36 months. The common share purchase warrants issued to employees has been determined to be part of the consideration and not a normal

## Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements  
August 31, 2015

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operating expenditure. The contingent consideration payable was valued at fair value using a discount rate of 4.75%. The allocation of that portion of the purchase price allocated to intangible assets is believed to be reasonable but remains subject to final adjustment. Given that the Company acquired 50% of the equity of Banyan, the other 50% of the equity (the Non-controlling interest) was determined to be equal in value to the consideration paid and payable by the Company.

**The cost of the acquisition to SEB is determined as follows:**

Cash payment	\$	1,575,000
Common shares issued		871,370
Warrants issued		319,200
Contingent liability		206,330
<b>Total fair value of consideration paid</b>	<b>\$</b>	<b>2,971,900</b>

**The fair value is allocated to assets acquired as follows:**

Net tangible assets	\$	1,627,607
Non-controlling interest		(2,971,900)
Tradename		540,000
Customer relations		900,000
Goodwill		3,276,193
Deferred taxes		(400,000)
<b>Total</b>	<b>\$</b>	<b>2,971,900</b>

**Net tangible assets of Banyan on acquisition:**

Cash	\$	848,558
Accounts receivable		997,851
Prepaid expenses		20,212
Equipment		271,652
Software		303,326
<b>Total assets</b>	<b>\$</b>	<b>2,441,599</b>

Accounts payable	\$	813,992
<b>Total liabilities</b>	<b>\$</b>	<b>813,992</b>

<b>Net tangible assets</b>	<b>\$</b>	<b>1,627,607</b>
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**(b) Acquisition of Paradigm Consulting Group Inc. and PCGI Consulting Services Partnership**

On December 31, 2014 the Company acquired Paradigm Consulting Group Inc. and PCGI Consulting Services Partnership, which were subsequently amalgamated into one company, named Paradigm Consulting Group Inc (“Paradigm”). The purchase price of Paradigm is up to \$15,793,436, consisting of firm consideration of \$13,427,864 and additional consideration of up to \$2,365,572 if certain performance targets are achieved.

The “firm consideration” consisted of the following:

- 1) Cash of \$9,288,112 (including a proposed \$1,600,000 working capital balance sheet adjustment—see below). On closing, \$7,688,112 of Short Term notes was issued.
- 2) Vendor convertible notes in the aggregate principal amount of \$1,182,786, with interest accruing at an annual rate of 3% payable quarterly in arrears with one third of the outstanding principal payable at the end of year two and the balance payable at the end of year three. The notes are

## Smart Employee Benefits Inc.

### Notes to Unaudited Condensed Interim Consolidated Financial Statements

August 31, 2015

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convertible into SEB shares at \$0.50 per share.

- 3) 5,913,877 SEB shares with a deemed value of \$2,956,966. The shares are subject to a 36-month contractual escrow, with one-sixth of the shares being released every six months over the 36 months following the closing of the transaction.

In addition, 1,000,000 share purchase warrants were issued to Paradigm employees as a retention incentive. All warrants have a 48-month term and an exercise price of \$0.50 per share. The warrants vest one-sixth every six months over a 36 month period following the closing of the transaction.

The “additional consideration”, payable in cash, consists of up to:

- 1) \$1,774,179 to be paid at the end of year three following closing, subject to meeting a cumulative EBITDA of \$8,870,898.
- 2) \$591,393 to be paid at the end of year four following closing, subject to meeting a cumulative EBITDA of \$11,827,864.

Prior to the close of the transaction, Paradigm Consulting Group Inc. paid out \$1,101,575 to its shareholders by way of a reduction of Paid-up Capital. This payment plus the payment of \$286,158 noted below satisfied the obligation of the originally estimated and announced \$1,600,000 working capital adjustment payment.

That portion of the purchase consideration allocated to intangible assets was valued at fair value. The allocation remains subject to final adjustments.

# Smart Employee Benefits Inc.

## Notes to Unaudited Condensed Interim Consolidated Financial Statements

August 31, 2015

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### The fair value of consideration transferred is as follows:

Cash paid on closing	\$	7,688,112
Payment re working capital adjustment		286,158
Total cash payment		7,974,270
Shares issued (Note 15)		2,956,939
Warrants issued (Note 15)		290,000
Convertible note issued (Note 13)		1,106,390
Contingent liability		1,208,634
<b>Total</b>	<b>\$</b>	<b>13,536,233</b>

### The fair value is allocated to assets acquired as follows:

Net tangible assets	\$	3,162,350
Trademark		5,250,000
Customer		1,960,000
Goodwill		5,263,883
Deferred taxes		(2,100,000)
<b>Total</b>	<b>\$</b>	<b>13,536,233</b>

### Net tangible assets of Paradigm on acquisition are as follows:

Cash	\$	1,159,848
Accounts receivable		4,154,714
Prepays		143,649
Equipment		160,589
<b>Total assets</b>	<b>\$</b>	<b>5,618,800</b>

Accounts payable and accruals	\$	2,412,739
Income taxes payable		38,593
Deferred revenue		5,118
<b>Total liabilities</b>	<b>\$</b>	<b>2,456,450</b>

<b>Net tangible assets</b>	<b>\$</b>	<b>3,162,350</b>
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### (c) Acquisition of 50% of SEB Benefits & HR Consulting Inc.

On February 11, 2015, the Company acquired 50% of SEB Benefits & HR Consulting Inc. The terms of the transaction are as follows:

- 1) \$100,000 of SEB shares at \$0.50 per share, the shares being subject to a contractual escrow over a 24 month period, released 25% every 6 months.
- 2) 50,000 share purchase warrants to acquire SEB shares. The warrants are exercisable at \$0.50 per SEB share for a term of 36 months and vest on the same terms as the SEB Shares stated above.
- 3) In addition, SEB will provide start-up support in areas of business infrastructure, working capital loans and other aspects

That portion of the purchase consideration allocated to intangible assets was valued at fair value. The allocation remains subject to final adjustments.

# Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements  
August 31, 2015

**The fair value of consideration transferred is as follows:**

Shares issued (Note 15)	\$ 100,000
Warrants issued (Note 15)	13,080
<b>Total</b>	<b>\$ 113,080</b>

**The fair value is allocated to assets as follows:**

Goodwill	<b>\$ 113,080</b>
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**(d) Divestment of portion of business**

On December 19, 2014, Logitek Technology Ltd. (“Logitek”), a wholly owned subsidiary of SEB, entered into an agreement with DiCentral Corporation (“DiCentral”) to jointly service the Canadian Electronic Data Interchange (“EDI”) market. As part of this transaction, DiCentral has acquired Logitek’s EDI business, including all existing IP and support infrastructure in Canada, for \$2,150,000. On closing, Logitek received \$1,000,000, \$750,000 cash was paid January 15, 2015 and the remaining \$400,000 is payable over 24 months in varying amounts in 6 month intervals.

**The proceeds from the sale were accounted for as follows:**

		<b>Tax</b>	
	<b>Proceeds</b>	<b>Provision</b>	<b>Net</b>
Proceeds	\$ 2,150,000	250,000	\$ 1,900,000
Transaction costs	100,000	-	100,000
Net proceeds	2,050,000	250,000	1,800,000
Allocated against assets	700,000	-	700,000
<b>Total</b>	<b>\$ 1,350,000</b>	<b>\$ 250,000</b>	<b>\$ 1,100,000</b>

**(e) Goodwill**

	<b>Fiscal 2015</b>						
	<b>Balance Nov 30, 2014</b>	<b>Changes Q1</b>	<b>Balance Feb 28</b>	<b>Changes Q2</b>	<b>Balance May 31</b>	<b>Changes Q3 (1)</b>	<b>Balance Aug 31</b>
Logitek Technology Ltd.	\$ 878,818	\$ (700,000)	\$ 178,818	\$ -	\$ 178,818	\$ -	\$ 178,818
SOMOS Consulting Group Ltd.	268,975	-	268,975	-	268,975	-	268,975
Inforica Inc.	935,165	-	935,165	-	935,165	-	935,165
APS - Antian Professional Services Inc.	16,411	-	16,411	-	16,411	-	16,411
Adeeva Nutritionals Canada Inc.	620,464	-	620,464	-	620,464	-	620,464
Stroma Service Consulting Inc.	563,324	-	563,324	-	563,324	-	563,324
Banyan Work Health Solutions Inc.	-	858,896	858,896	1,217,297	2,076,193	1,200,000	3,276,193
Paradigm Consulting Group	-	3,167,727	3,167,727	(3,844)	3,163,883	2,100,000	5,263,883
SEB Benefits and HR Consulting Inc.	-	113,080	113,080	-	113,080	-	113,080
<b>Total</b>	<b>\$ 3,283,157</b>	<b>\$ 3,439,703</b>	<b>\$ 6,722,860</b>	<b>\$ 1,213,453</b>	<b>\$ 7,936,313</b>	<b>\$ 3,300,000</b>	<b>\$ 11,236,313</b>

(1) re-allocation of costs from Software to Goodwill and calculation of deferred taxes arising from acquisitions

# Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements  
August 31, 2015

## (f) Non-controlling interest

Continuity of non-controlling interest as follows:	Investment	Earnings	Total
Acquisition of Inforica Inc.	\$ (435,165)	-	\$ (435,165)
Acquisition of Meschino	30,500	-	30,500
Net loss and comprehensive loss attributed to non-controlling interest	-	(281,302)	(281,302)
<b>Balance, November 30, 2014</b>	<b>(404,665)</b>	<b>(281,302)</b>	<b>(685,967)</b>
Acquisition of control of Banyan	1,213,804	-	1,213,804
Net profit attributed to non-controlling interest	-	52,486	52,486
<b>Balance February 28, 2015</b>	<b>809,139</b>	<b>(228,816)</b>	<b>580,323</b>
Dividend received from Banyan	(150,000)	-	(150,000)
Adjustment to Banyan acquisition costs (1)	1,758,097	-	1,758,097
Net profit attributed to non-controlling interest	-	170,498	170,498
<b>Balance May 31, 2015</b>	<b>2,417,236</b>	<b>(58,318)</b>	<b>2,358,918</b>
Net profit attributed to non-controlling interest	-	34,034	34,034
<b>Balance August 31, 2015</b>	<b>\$ 2,417,236</b>	<b>\$ (24,284)</b>	<b>\$ 2,392,952</b>

(1) Adjustment related to the acquisition of control of Banyan by the Company

## 5. Equipment

	Nov 30, 2014	Acquire Banyan	Acquire Paradigm	Additions	Feb 28, 2015	Additions	May 31, 2015	Additions	August 31, 2015
<b>Cost</b>									
Furniture and office equipment	\$ 244,569	\$ 136,245	\$ 119,829	\$ 3,745	\$ 504,388	\$ 829	\$ 505,217	\$ -	\$ 505,217
Computer hardware	477,685	928,605	371,434	(19,095)	1,758,629	5,185	1,763,814	28,367	1,792,181
Computer hardware under lease	267,786	-	-	-	267,786	-	267,786	-	267,786
<b>Total</b>	<b>990,040</b>	<b>1,064,850</b>	<b>491,263</b>	<b>(15,350)</b>	<b>2,530,803</b>	<b>6,014</b>	<b>2,536,817</b>	<b>28,367</b>	<b>2,565,184</b>
<b>Accumulated depreciation</b>									
Furniture and office equipment	69,772	113,788	73,718	9,727	267,005	9,613	276,618	9,303	285,921
Computer hardware	180,836	679,409	256,956	17,754	1,134,955	48,699	1,183,654	97,704	1,281,358
Computer hardware under lease	115,943	-	-	7,527	123,470	7,527	130,997	7,527	138,524
<b>Total</b>	<b>366,551</b>	<b>793,197</b>	<b>330,674</b>	<b>35,008</b>	<b>1,525,430</b>	<b>65,839</b>	<b>1,591,269</b>	<b>114,534</b>	<b>1,705,803</b>
<b>Net balance</b>									
Furniture and office equipment	174,797	22,457	46,111	(5,982)	237,383	(8,784)	228,599	(9,303)	219,296
Computer hardware	296,849	249,196	114,478	(36,849)	623,674	(43,514)	580,160	(69,337)	510,823
Computer hardware under lease	151,843	-	-	(7,527)	144,316	(7,527)	136,789	(7,527)	129,262
<b>Total</b>	<b>\$ 623,489</b>	<b>\$ 271,653</b>	<b>\$ 160,589</b>	<b>\$ (50,358)</b>	<b>\$ 1,005,373</b>	<b>\$ (59,825)</b>	<b>\$ 945,548</b>	<b>\$ (86,167)</b>	<b>\$ 859,381</b>

## Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements  
August 31, 2015

### 6. Software and Intellectual Property

#### (a) Software

	Cost			Accumulated Amortization			Net	
	May 31, 2015	Adjust	Aug 31, 2015	May 31, 2015	Expense	Aug 31, 2015	Aug 31, 2015	Nov 30, 2014
HCS licence								
(1)	\$ 500,000	\$ -	\$ 500,000	\$195,833	\$ 12,500	\$ 208,333	\$ 291,667	\$ 329,167
HCS admin								
system (2)	594,350	-	594,350	23,402	14,859	38,260	556,090	341,702
Logitek (3)	1,267,000	-	1,267,000	295,633	31,675	327,308	939,692	1,034,717
Inforica (4)	240,000	-	240,000	60,000	6,000	66,000	174,000	192,000
Meschino	195,470	9,273	204,743	-	-	-	204,743	92,583
Adeeva	110,000	-	110,000	22,917	2,750	25,667	84,333	-
Banyan (5)	1,452,242	(800,000)	652,242	221,261	(19,429)	201,832	450,410	-
Paradigm	2,790	-	2,790	-	-	-	2,790	-
<b>Total</b>	<b>\$ 4,361,852</b>	<b>\$ (790,727)</b>	<b>\$ 3,571,125</b>	<b>\$ 819,046</b>	<b>\$ 48,355</b>	<b>\$ 867,400</b>	<b>\$ 2,703,725</b>	<b>\$ 1,990,169</b>

- 1) A licence of software which provides the adjudication of health benefit claims (“Adjudication Software”). The Licence provides (a) a perpetual, irrevocable, transferable and exclusive right and license to use the Adjudication Software in Canada; and (b) a perpetual, irrevocable, transferable and non-exclusive right and world-wide license to use the Adjudication Software outside Canada. It is being amortized over 10 years on a straight-line basis.
- 2) The Company has engaged software development companies to develop benefit administration computer software.
- 3) Logitek has developed a number of proprietary pieces of software, particularly in the management of customer’s supply-chain in the retail field. The internet-based software is used extensively and repeatedly by a number of well-known large retailers to manage their product supply arrangements, incorporating suppliers in 170 countries. The software is being amortized over 10 years on a straight-line basis.
- 4) Inforica has developed proprietary software, particularly in the field of energy management. Its use is being expanded to include significant Middle East business.
- 5) Banyan has developed proprietary software, particularly in the field of disability and work-absence management. The adjustment in Q3 results from a re-allocation of the purchase cost of Banyan by SEB being re-allocated to Goodwill.

#### (b) Intellectual Property

Property acquired with Adeeva; video and written content relating to health issues.

## Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements  
August 31, 2015

	Cost		Accumulated Amortization			Net		
	May 31, 2015	Adds during period	Aug 31, 2015	May 31, 2015	Expense	Aug 31, 2015	Aug 31, 2015	Nov 30, 2014
<b>Balance</b>	\$ 110,000	\$ -	\$ 110,000	\$ 22,917	\$ 2,750	\$ 25,667	\$ 84,333	\$ 92,583
<b>Total</b>	<b>\$ 110,000</b>	<b>\$ -</b>	<b>\$ 110,000</b>	<b>\$ 22,917</b>	<b>\$ 2,750</b>	<b>\$ 25,667</b>	<b>\$ 84,333</b>	<b>\$ 92,583</b>

### 7. Customer relationships

	Cost		Accumulated Amortization			Net Balance	
	May 31, 2015	Aug 31, 2015	May 31, 2015	Expense	Aug 31, 2015	Aug 31, 2015	Nov 30, 2014
Logitek	\$ 803,000	\$ 803,000	\$ 374,733	\$ 40,150	\$ 414,883	\$ 388,117	\$ 508,567
SOMOS	500,000	500,000	225,000	25,000	250,000	250,000	325,000
Inforica	500,000	500,000	150,000	25,000	175,000	325,000	400,000
Antian	63,097	63,097	15,249	3,155	18,404	44,693	54,158
Adeeva	170,000	170,000	43,917	33,000	76,917	93,083	143,083
Stroma	660,000	660,000	143,000	8,500	151,500	508,500	583,000
Banyan	900,000	900,000	90,000	45,000	135,000	765,000	-
Paradigm	5,250,000	5,250,000	437,500	262,500	700,000	4,550,000	-
<b>Total</b>	<b>\$ 8,846,097</b>	<b>\$ 8,846,097</b>	<b>\$ 1,479,399</b>	<b>\$ 442,305</b>	<b>\$ 1,921,704</b>	<b>\$ 6,924,393</b>	<b>\$ 2,013,808</b>

### 8. Trade names

	Cost		Accumulated Amortization			Net Balance	
	May 31, 2015	Aug 31, 2015	May 31, 2015	Expense	Aug 31, 2015	Aug 31, 2015	Nov 30, 2014
Logitek	\$ 450,000	\$ 450,000	\$ 210,000	\$ 22,500	\$ 232,500	\$ 217,500	\$ 285,000
SOMOS	388,000	388,000	174,600	19,400	194,000	194,000	252,200
Inforica	270,000	270,000	81,000	13,500	94,500	175,500	216,000
Adeeva	300,000	300,000	77,500	15,000	92,500	207,500	252,500
Stroma	260,000	260,000	56,331	13,000	69,331	190,669	229,669
Banyan	540,000	540,000	54,000	27,000	81,000	459,000	-
Paradigm	1,960,000	1,960,000	163,335	98,000	261,335	1,698,665	-
<b>Total</b>	<b>\$ 4,168,000</b>	<b>\$ 4,168,000</b>	<b>\$ 816,766</b>	<b>\$ 208,400</b>	<b>\$ 1,025,166</b>	<b>\$ 3,142,834</b>	<b>\$ 1,235,369</b>

### 9. Bank loan

On March 9, 2015 the Company closed new credit facilities with a major Canadian Schedule I bank in the amount of \$8,775,000. The credit facilities were obtained by Paradigm Consulting Group Inc. (“Paradigm”) and SOMOS Consulting Group Ltd. (“SOMOS”), both wholly owned subsidiaries of SEB. The new financing arrangements include a \$4,200,000 term loan acquisition facility which was used in connection with the Company’s acquisition of Paradigm. The acquisition facility bears interest at the Canadian Dollar Prime Rate (the “Prime Rate”) to Prime Rate plus 1.75%, depending on the amount advanced under the facility, has a term of 3 years and may be repaid at any time



# Smart Employee Benefits Inc.

## Notes to Unaudited Condensed Interim Consolidated Financial Statements

August 31, 2015

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without penalty.

Paradigm has also obtained a \$3,000,000 operating demand facility, bearing interest at the Prime Rate plus 0.75% to 1.75%, depending on Paradigm's debt to EBITDA ratio, along with a \$50,000 corporate credit card.

At the same time, SEB's wholly owned subsidiary, SOMOS, has entered into a new credit facility with the same Canadian bank to replace the current credit facility of SOMOS. The new SOMOS facility consists of a \$1,500,000 operating demand loan bearing interest at the Prime Rate plus 1.875% and a \$25,000 corporate credit card. Concurrent with the new SOMOS facility, the Stroma facility was terminated.

Both Paradigm's new credit facilities and the new SOMOS facility are secured by a first charge over all of the assets of certain subsidiaries of the Company, contain positive, negative and financial covenants, and include other usual and customary terms and conditions. The Corporation, Paradigm, SOMOS and certain other subsidiaries have provided guarantees pursuant to the new credit facilities.

### 10. Deferred revenue

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The bulk of this amount arises from Stroma Service Consulting receiving annual licence fees and Logitek Technology Ltd. receiving advance payments from clients for licencing revenues and for software development work to be done. The amounts are amortized as revenue in accordance with the Company's revenue recognition policy.

### 11. Equipment leases payable

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The Company has obligations under capital leases for computer hardware, with various maturity dates and monthly payments:

<b>Maturity</b>	<b>Monthly Payment</b>	<b>Aug 31, 2015</b>	<b>Nov 30, 2014</b>
2015 May	3,136	\$ -	\$ 15,682
2015 Aug	1,106	-	6,570
2015 Aug	1,010	-	6,696
2016 Aug	789	8,749	15,311
		<b>8,749</b>	<b>44,258</b>
<b>Current portion of leases payable</b>		<b>8,749</b>	<b>35,260</b>
<b>Long term portion of leases payable</b>		<b>\$ -</b>	<b>\$ 8,998</b>

### 12. Equipment loans

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The Company finances computer equipment from time to time using equipment loans secured by the specific pieces of equipment financed by the loans. As the loans are due on demand, the full balance owing has been classified as current.

# Smart Employee Benefits Inc.

## Notes to Unaudited Condensed Interim Consolidated Financial Statements

August 31, 2015

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<b>Lender</b>	<b>Int Rate</b>	<b>Monthly Payment</b>	<b>Maturity</b>	<b>Aug 31, 2015</b>	<b>Nov 30, 2014</b>
Bank of Montreal	BMO Prime + 1.75%	\$750	May, 2015	\$ -	\$ 4,500
Business Dev Bank of Canada	BDC floating base rate + 1%	\$1,042	Feb, 2017	18,750	28,125
<b>Total</b>				<b>18,750</b>	<b>32,625</b>
Current portion of loans				18,750	32,625
<b>Long term portion of loans</b>				<b>\$ -</b>	<b>\$ -</b>

# Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements  
August 31, 2015

## 13. Convertible debt

Maturity Date	Conversion Price	Liability at Fair Value					Accreted Interest			Balance	
		Face Value of Notes	Equity Component	Warrants	Debt Issue Costs	Liability at Fair Value	Bal May 31 2015	Accretion	Bal Aug 31 2015	Aug 31/15	Nov 30/14
(1) Dec 27, 2014	\$ 0.45	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 548,992
(6) Feb 14, 2016	\$ 0.60	1,950,000	(240,523)	(147,232)	(248,191)	1,314,054	397,340	84,006	481,346	1,795,400	1,593,382
(3) May 13, 2016	\$ 0.75	1,025,000	(143,656)	(75,850)	(87,630)	717,864	200,883	27,212	228,095	945,959	864,323
(4) May 13, 2016	\$ 0.75	725,000	(98,330)	(59,198)	(24,307)	543,165	113,402	17,512	130,914	674,079	621,545
(5) May 13, 2016	\$ 0.75	250,000	(34,531)	(14,875)	(8,540)	192,054	36,104	5,597	41,701	233,755	216,964
(8) Jun 6, 2017	\$0.60 to Jun 6, 2016 \$0.70 to Jun 6, 2017	166,667	(80,802)	-	-	85,865	24,034	6,321	30,355	116,220	180,590
(9) Dec 30, 2017	\$ 0.50	1,106,390	(382,286)	-	-	724,104	56,036	28,018	84,054	808,158	-
(2) Feb 6, 2018	\$0.65 to Feb 6, 2016 \$0.70 to Feb 6, 2017 \$0.75 to Feb 6, 2018	651,858	(303,437)	-	-	348,421	120,692	14,666	135,358	483,779	439,781
(7) Mar 18, 2019	\$ 0.75	242,740	(96,230)	-	-	146,510	24,551	6,173	30,724	177,234	222,975
<b>Totals</b>		<b>\$ 6,117,655</b>	<b>\$(1,379,795)</b>	<b>\$(297,155)</b>	<b>\$(368,668)</b>	<b>\$ 4,072,037</b>	<b>\$ 973,042</b>	<b>\$ 189,505</b>	<b>\$ 1,162,547</b>	<b>\$ 5,234,584</b>	<b>\$ 4,688,552</b>
Current portion of convertible debt		3,719,884									
<b>Long term portion of convertible debt</b>		<b>\$ 1,514,700</b>									
		<b>\$ 4,009,624</b>									

## Smart Employee Benefits Inc.

### Notes to Unaudited Condensed Interim Consolidated Financial Statements

August 31, 2015

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- 1) On December 27, 2012 the Company closed a financing of \$554,000 worth of convertible notes with a term of 2 years, paying 10% interest per annum, payable quarterly. The notes were convertible into common shares of the Company at \$0.45 per share any time during the term of the notes. The Company paid finder's fees of \$22,550 in cash, incurred legal costs directly attributed to the issuance of \$31,842 and issued 99,777 share purchase warrants to the finder which were exercisable at \$0.45 per share for a period of two years. The value of the warrants and debt issue costs have been allocated against the liability and equity components based on their relative fair values. At November 30, 2012, an amount of \$30,000 had been advanced towards the convertible notes.

During the period ending February 28, 2015, \$479,000 of the notes were converted into SEB shares according to the terms above. The remaining \$75,000 of the notes was repaid subsequent to the quarter end.

- 2) On February 6, 2013, the Company closed the acquisition of Logitek. As part of the transaction and in order to retire \$651,858 of debt owing by Logitek, the Company issued a five year convertible note in the amount of \$651,858 with an annualized interest rate of 3%, payable quarterly and an escalating conversion price of \$0.45, \$0.55, \$0.65, \$0.70 and \$0.75 from years one through five, respectively.

The equity component of \$303,437 arose from the difference between the coupon and effective interest rates. The difference between the face value and fair value of the notes is being charged against earnings as accreted interest using the effective interest rate method. In arriving at a fair value of the liability component of the convertible notes, the Company used a discount rate of 18% to determine the present value of the debt.

- 3) On May 13, 2013 the Company completed a private placement offering of \$1,025,000 of units (the "Units"); with each Unit consisting of (i) a \$1.00 principal amount convertible secured subordinated promissory note of the Company (the "Notes") and (ii) one common share purchase warrant of SEB (the "Warrants"). The Company paid a finder's fee of \$60,000 and legal fees of \$27,630. The value of the warrants and debt issue costs have been allocated against the liability and equity components based on their relative fair values. These Notes were issued to two Directors of the Company.

The Warrants were exercisable at any time for a period of 12 months from the date of closing at an exercise price of \$0.50 for 1 common share of the Company.

The Notes have a three year term maturing May 13, 2016 (the "Maturity Date"). The Notes bear interest at an annual rate of 9.75%, with interest calculated and paid monthly in arrears. The principal amount of the Notes, to the extent not previously converted or repaid, will, on the Maturity Date, be repayable in its entirety. The Notes are convertible into the common shares of the Company at any time at \$0.50 per share in year 1, \$0.60 per share in year 2 and \$0.75 per share in year 3.

The equity component of \$143,656 arose from the difference between the coupon and effective interest rates and has been recorded as Contributed Surplus. The difference between the face value and fair value of the Notes is being charged against earnings as accreted interest using the effective interest rate method. In arriving at a fair value of the liability component of the convertible Notes, the Company used a discount rate of 18% to determine a discounted present value of the debt.

The warrants were valued at \$75,850 using the Black-Scholes option-pricing model using the following assumptions: expected life of 12 months, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.

- 4) On August 30, 2013 the Company issued \$725,000 of units, under the terms of a private placement offering totaling \$975,000 of units (the "Units"); with each Unit consisting of (i) a \$1.00 principal

## Smart Employee Benefits Inc.

### Notes to Unaudited Condensed Interim Consolidated Financial Statements

August 31, 2015

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amount convertible secured subordinated promissory note of the Company (the "Notes") and (ii) one common share purchase warrant of the Company (the "Warrants"). The Warrants were exercisable at any time until May 13, 2014 at an exercise price of \$0.50 for 1 common share of the Company.

The Notes have a three year term maturing May 13, 2016 (the "Maturity Date"). The Notes bear interest at an annual rate of 9.75%, with interest calculated and paid monthly in arrears. The principal amount of the Notes, to the extent not previously converted or repaid, will, on the Maturity Date, be repayable in its entirety. The Notes are convertible into the common shares of SEB at any time at \$0.50 per share until May 13, 2014, \$0.60 per share until May 13, 2015 and \$0.75 per share until May 13, 2016.

The equity component of \$98,330 arose from the difference between the coupon and effective interest rates and has been recorded as Contributed Surplus. The difference between the face value and fair value of the Notes is being charged against earnings as accreted interest using the effective interest rate method. In arriving at a fair value of the liability component of the convertible Notes, the Company has used a discount rate of 18% to determine a discounted present value of the debt.

The warrants were valued at \$43,138 using the Black-Scholes option-pricing model using the following assumptions: expected life of 9 months, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.

The Company incurred legal costs directly attributed to the issuance of \$24,307 and issued 100,000 share purchase warrants to the finder, exercisable at \$0.35 per share for a period of two years. The finder warrants were valued at \$16,060 using the Black-Scholes option-pricing model using the following assumptions: expected life of 2 years, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%. The value of the warrants and debt issue costs have been allocated against the liability and equity components based on their relative fair values.

- 5) On September 6, 2013 the Company issued \$250,000 of units, under the terms of a private placement offering totaling \$975,000 of units (the "Units"); with each Unit consisting of (i) a \$1.00 principal amount convertible secured subordinated promissory note of the Company (the "Notes") and (ii) one common share purchase warrant of the Company (the "Warrants").

The Company incurred legal costs directly attributed to the issuance of \$8,540. The value of the warrants and debt issue costs have been allocated against the liability and equity components based on their relative fair values.

The Warrants were exercisable at any time until May 13, 2014 at an exercise price of \$0.50 for 1 common share of the Company.

The Notes have a three year term maturing May 13, 2016 (the "Maturity Date"). The Notes bear interest at an annual rate of 9.75%, with interest calculated and paid monthly in arrears. The principal amount of the Notes, to the extent not previously converted or repaid, will, on the Maturity Date, be repayable in its entirety. The Notes are convertible into the common shares of SEB at any time at \$0.50 per share until May 13, 2014, \$0.60 per share until May 13, 2015 and \$0.75 per share until May 13, 2016.

The equity component of \$34,531 arose from the difference between the coupon and effective interest rates and has been recorded as Contributed Surplus. The difference between the face value and fair value of the Notes is being charged against earnings as accreted interest using the effective interest rate method. In arriving at a fair value of the liability component of the convertible Notes, the Company used a discount rate of 18% to determine a discounted present value of the debt.

The warrants were valued at \$14,875 using the Black-Scholes option-pricing model using the following assumptions: expected life of 9 months, risk free rate of 0.98%, expected dividend yield of

## Smart Employee Benefits Inc.

### Notes to Unaudited Condensed Interim Consolidated Financial Statements

August 31, 2015

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0% and expected volatility of 100%.

- 6) On February 14, 2014 the Company closed a financing of \$2,000,000 of convertible Notes with a term of 2 years, paying 8% interest. The Notes are convertible into common shares of the Company at \$0.50 per share during the first year of the Notes, and \$0.60 during the second year of the Notes. The Company paid finder's fees of \$205,600 in cash and 320,000 share purchase warrants, exercisable at \$0.50 per share for a period of three years.

In arriving at a fair value of the liability component of the convertible Notes, the Company used a discount rate of 18% to determine a discounted present value of the debt due on conversion. The equity component of \$240,523 at February 14, 2014, arising from the difference between the coupon and effective interest rates, has been recorded as Contributed Surplus. The difference between the face value and fair value of the Notes is being charged against earnings as accreted interest using the effective interest rate method.

The warrants were valued at \$147,232 using the Black-Scholes option-pricing model using the following assumptions: expected life of two years, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.

During the period ending February 28, 2015, \$50,000 of the Notes was converted to SEB common shares (see Note 15).

- 7) On March 1, 2014 the Company closed the acquisition of APS - Antian Professional Services. A portion of the consideration was a convertible Note in the amount of \$324,482 paying interest at 3% per annum with a term of 5 years. Payments of principal are made quarterly. The note is convertible at any time to SEB common shares during the term at a rate of \$0.75 per share.

In arriving at a fair value of the liability component of the convertible Notes, the Company used a discount rate of 18% to determine a discounted present value of the debt due on conversion. The equity component of \$96,230, arising from the difference between the coupon and effective interest rates, has been recorded as Contributed Surplus. The difference between the face value and fair value of the Notes is being charged against earnings as accreted interest using the effective interest rate method.

- 8) On June 6, 2014, the Company closed the acquisition of Stroma Service Consulting Inc. Part of the purchase price was \$250,000 in promissory notes paying interest at an annualized rate of 3% with annual principal repayments over a 3 year period and convertible into shares of SEB at \$0.50, \$0.60 and \$0.70 per common share of SEB in years one, two and three, respectively

In arriving at a fair value of the liability component of the convertible Notes, the Company used a discount rate of 18% to determine a discounted present value of the debt due on conversion. The equity component of \$80,802, arising from the difference between the coupon and effective interest rates, has been recorded as Contributed Surplus. The difference between the face value and fair value of the Notes is being charged against earnings as accreted interest using the effective interest rate method.

- 9) On December 31, 2014 the Company acquired Paradigm Consulting Group Inc. and PCGI Consulting Services Partnership, amalgamated into one company, named Paradigm Consulting Group Inc. The purchase price included vendor notes ("Notes") in the aggregate principal amount of \$1,182,786, with interest accruing at an annual rate of 3% payable quarterly in arrears with one third of the outstanding principal payable at the end of year two and the balance payable at the end of year three. The notes are convertible into SEB shares at \$0.50 per share.

In arriving at a fair value of the liability component of the convertible Notes, the Company used a

# Smart Employee Benefits Inc.

## Notes to Unaudited Condensed Interim Consolidated Financial Statements

August 31, 2015

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discount rate of 18% to determine a discounted present value of the debt due on conversion. The equity component of \$ 382,286, arising from the difference between the coupon and effective interest rates, has been recorded as Contributed Surplus. The difference between the face value and fair value of the Notes is being charged against earnings as accreted interest using the effective interest rate method.

### 14. Short term notes

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Advance from Chairman of the Board (Note 18)	\$	1,595,229
Loan (1)		518,000
<b>Total</b>	<b>\$</b>	<b>2,113,229</b>

(1) Interest is calculated at 10% per annum. The maturity date is October 31, 2015.

### 15. Share Capital

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#### (a) Authorized

Unlimited number of common shares

#### (b) Common shares issued and outstanding

	Number of shares	Amount \$
<b>Balance November 30, 2014</b>	<b>78,973,943</b>	<b>15,093,132</b>
Acquisition of Paradigm Consulting Group (Note 4)	5,913,877	2,956,966
Acquisition of SEB Consulting and HR Benefits Inc. (Note 4)	200,000	100,000
Conversion of notes (Note 13)	1,064,441	479,000
Conversion of notes (Note 13)	100,000	50,000
Exercise of warrants	2,367,722	1,262,725
Exercise of options	160,000	56,000
<b>Balance February 28, 2015</b>	<b>88,779,983</b>	<b>19,997,823</b>
Adjustment to Banyan acquisition	-	(128,630)
Exercise of options	3,750	1,313
<b>Balance May 31, 2015</b>	<b>88,783,733</b>	<b>19,870,506</b>
Exercise of options	408,750	135,063
<b>Balance August 31, 2015</b>	<b>89,192,483</b>	<b>20,005,568</b>

# Smart Employee Benefits Inc.

## Notes to Unaudited Condensed Interim Consolidated Financial Statements

August 31, 2015

### (c) Share purchase warrants

	Exercise Price	Expiry	Activity During Period					Outstanding	Exercisable
			May 31, 2015		August 31, 2015				
			Outstanding	Issued	Expired	Exercised			
(1)	\$ 0.65	Jul 11, 2015	5,841,667	-	(5,841,667)	-	-	-	
(2)	\$ 0.35	Aug 30, 2015	100,000	-	(100,000)	-	-	-	
(3)	\$ 0.40	Nov 14, 2015	75,000	-	-	-	75,000	75,000	
(4)	\$0.65 to Feb 6, 2016 \$0.75 to Aug 6, 2016	Aug 6, 2016	1,000,000	-	-	-	1,000,000	-	
(6)	\$ 0.50	Oct 29, 2016	200,000	-	-	-	200,000	200,000	
(7)	\$0.55 to Nov 14, 2015 \$0.65 to Nov 14, 2016	Nov 14, 2016	1,250,000	-	-	-	1,250,000	1,250,000	
(8)	\$ 0.50	Feb 12, 2017	320,000	-	-	-	320,000	320,000	
(9)	\$0.65 to Feb 27, 2016 \$0.75 to Feb 27, 2017	Feb 27, 2017	2,651,500	-	-	-	2,651,500	2,651,000	
(5)	\$0.60 to Oct 29, 2016 \$0.75 to Oct 29, 2017	Oct 29, 2017	2,000,000	-	-	-	2,000,000	2,000,000	
(6)	\$0.60 to Oct 29, 2016 \$0.75 to Oct 29, 2017	Oct 29, 2017	3,050,000	-	-	-	3,050,000	3,050,000	
(6)	\$0.60 to Nov 6, 2016 \$0.75 to Nov 6, 2017	Nov 6, 2017	950,000	-	-	-	950,000	950,000	
(10)	\$0.65 to Mar 1, 2016 \$0.70 to Mar 1, 2017 \$0.75 to Mar 1, 2018	Mar 1, 2018	675,000	-	-	-	675,000	675,000	
(11)	\$0.50 to Jun 6, 2015 \$0.55 to Jun 6, 2016 \$0.60 to Jun 6, 2017 \$0.70 to Jun 6, 2018	Jun 6, 2018	100,000	-	-	-	100,000	100,000	
(12)	\$ 0.50	Nov 4, 2018	1,000,000	-	-	-	1,000,000	-	
(13)	\$ 0.50	Feb 11, 2018	50,000	-	-	-	50,000	12,500	
(14)	\$ 0.50	Feb 27, 2019	1,000,000	-	-	-	1,000,000	166,666	
			<b>20,263,167</b>	<b>-</b>	<b>(5,941,667)</b>	<b>-</b>	<b>14,321,500</b>	<b>11,450,166</b>	
<b>Weighted average exercise price per share</b>			<b>\$ 0.60</b>	<b>N/A</b>	<b>\$ 0.64</b>	<b>N/A</b>	<b>\$ 0.59</b>	<b>\$ 0.60</b>	

- On July 11, 2012, 6,491,667 share purchase warrants were issued as part of a financing executed concurrently to the closing of the RTO Transaction by which the Company became listed on the TSXV. The share purchase warrants were valued at \$908,342 using the Black-Scholes option-pricing model with the following assumptions: expected life of 36 months, risk-free rate of 0.96%, expected dividend yield of 0% and expected volatility of 100%.
- In conjunction with the August 30, 2013 and September 6, 2013 financings, the Company issued 100,000 share purchase warrants to a finder, exercisable at \$0.35 per share for a period of two years. The finder warrants were valued at \$16,060 using the Black-Scholes option-pricing model using the following assumptions: expected life of 2 years, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.
- In conjunction with the issue of the \$500,000 of Units, the Company paid 75,000 finder warrants exercisable for 24 months from closing at \$0.40 for 1 common share of the Company. The finder warrants were valued at \$12,945 using the Black-Scholes option-pricing model using the following assumptions: expected life of 24 months, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.
- On February 6, 2013 SEB closed the acquisition of Logitek. As part of the price, the Company issued, 1,000,000 share purchase warrants. The warrants have a term of 42 months and an escalating exercise price every 12 months of \$0.45, \$0.55 and \$0.65 during the first three years



## Smart Employee Benefits Inc.

### Notes to Unaudited Condensed Interim Consolidated Financial Statements

August 31, 2015

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of the term and at \$0.75 for the last six months of the term. These warrants contain performance vesting conditions during their term equating to revenue and earnings targets. The warrants were valued at \$159,500 using the Black-Scholes option-pricing model using the following assumptions: expected life of 42 months, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%. The Company has recorded \$159,500 which equates to the value attributable to the number of warrants the Company estimates will ultimately vest.

- 5) On October 29, 2014 the Company closed a financing of \$1,000,000 of Equity Units. The Equity Units were issued at \$0.50 per unit and each Unit consists of one SEB common share and one SEB common share purchase warrant exercisable for a period of 36 months at \$0.60 per share for year one and year two and \$0.75 per share for year three. The warrants were valued at \$350,227 using the Black-Scholes option-pricing model using the following assumptions: expected life of three years, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.
- 6) On October 29, 2014 and November 6, 2014, the Company closed a financing of \$2,000,000 of Equity Units. The Equity Units were issued at \$0.50 per unit and each Equity Unit consists of one SEB common share and one SEB common share purchase warrant exercisable for a period of 36 months at \$0.60 per share for year one and year two and \$0.75 per share for year three. As part of the financing, SEB issued 200,000 finders warrants exercisable at \$0.50 per share for a period of 24 months. The warrants were valued at \$697,904 using the Black-Scholes option-pricing model using the following assumptions: expected life of three years, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%. The finder warrants were valued at \$52,540 using the Black-Scholes option-pricing model using the following assumptions: expected life of two years, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.
- 7) On November 18, 2013, the Company closed an equity financing of \$500,000 consisting of 1,250,000 units at \$0.40 per unit where each unit consists of one common share and one common share purchase warrant. The common share purchase warrants have a term of 36 months and an escalating exercise price every 12 months of \$0.50, \$0.55, and \$0.65 during the term. The warrants were valued at \$165,648 using the Black-Scholes option-pricing model using the following assumptions: expected life of 36 months, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.
- 8) On February 14, 2014 the Company closed a financing of \$2,000,000 of convertible Notes. The Company paid 320,000 share purchase warrants as finder's fees exercisable at \$0.50 per share for a period of three years. The warrants were valued at \$147,232 using the Black-Scholes option-pricing model using the following assumptions: expected life of three years, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.
- 9) On February 27, 2013 the Company closed an equity financing of \$1,106,000 consisting of 3,160,000 units at \$0.35 per unit where each unit consists of one common share and one common share purchase warrant. The common share purchase warrants are exercisable over a four year period at a price of \$0.50 in year one, \$0.55 in year two, \$0.65 in year three and \$0.75 in year four. The warrants were valued at \$378,368 using the Black-Scholes option-pricing model using the following assumptions: expected life of four years, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.

## Smart Employee Benefits Inc.

### Notes to Unaudited Condensed Interim Consolidated Financial Statements

August 31, 2015

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- 10) On March 5, 2013 the Company closed the acquisition of SOMOS. As part of the purchase price the Company issued 1,000,000 warrants. The warrants have a term of 60 months and an escalating exercise price every 12 months of \$0.45, \$0.55, \$0.65, \$0.70 and \$0.75 during the term. The warrants were valued at \$174,100 using the Black-Scholes option-pricing model using the following assumptions: expected life of 5 years, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.
- 11) On June 11, 2014 the Company acquired 100% of Stroma Service Consulting Inc. In connection with the transaction, 1,000,000 SEB share purchase warrants were granted to employees of Stroma. The warrants have a four year term and are exercisable at \$0.50, \$0.55, \$0.60 and \$0.70 per common share of SEB in years one, two, three and four of the term, respectively. The warrants were valued at \$317,100 using the Black-Scholes option-pricing model using the following assumptions: expected life of four years, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.
- 12) On November 4, 2014 the Company acquired 50% of Banyan Work Health Solutions Inc. and BITS Licensing Inc. As part of the purchase price, the Company issued 1,000,000 share purchase warrants as retention warrants to key Banyan employees. The retention warrants have an exercise price of \$0.50 per share and a term of 48 months, with one-third of the warrants vesting at the end of each year for the first 36 months. The warrants were valued at \$319,200 using the Black-Scholes option-pricing model using the following assumptions: expected life of four years, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.
- 13) On February 11, 2015 the Company acquired 50% of SEB Benefits & HR Consulting Inc. As part of the purchase price, the Company issued 50,000 share purchase warrants to acquire SEB shares. The warrants are exercisable at \$0.50 per SEB share for a term of 36 months and vest 25% every six months. The warrants were valued at \$13,080 using the Black-Scholes option-pricing model using the following assumptions: expected life of three years, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.
- 14) Effective December 31, 2014, the Company closed in escrow the acquisition of Paradigm Consulting Group Inc. and PCGI Consulting Services Partnership, amalgamated into one company, named Paradigm Consulting Group Inc. As part of the Purchase Price, the Company issued 1,000,000 share purchase warrants to Paradigm employees as a retention incentive. All warrants have a 48-month term and an exercise price of \$0.50 per share. The warrants vest one-sixth every six months over a 36 month period following the closing of the transaction. The warrants were valued at \$290,000 using the Black-Scholes option-pricing model using the following assumptions: expected life of three years, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.

#### **(d) Share purchase options**

The SEB stock option plan (the “Plan”) is administered by the Board of Directors of the Company which establishes the exercise prices, vesting conditions and expiry date of the options. The number of common shares reserved for issuance under the Plan at August 31, 2015 is 8,919,483. At August 31, 2015, the Company had 7,431,500 options issued and outstanding under the terms of the Plan.

# Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements  
August 31, 2015

Exercise Price	Expiry	Activity During the Period					
		May 31, 2015	Granted	Expired	Exercised	Aug 31, 2015	Exercisable
\$ 0.35	Jul 24, 2015	50,000	-	(50,000)	-	-	-
\$ 0.33	Aug 16, 2015	400,000	-	-	(400,000)	-	-
\$ 0.34	Sep 13, 2015	200,000	-	-	-	200,000	200,000
\$ 0.60	Feb 7, 2016	400,000	-	-	-	400,000	400,000
\$ 0.35	Mar 15, 2016	140,000	-	-	-	140,000	140,000
\$ 0.20	Apr 5, 2016	87,000	-	-	-	87,000	87,000
\$ 0.35	Apr 23, 2016	1,028,250	-	-	(8,750)	1,019,500	1,019,500
\$ 0.35	Apr 23, 2016	100,000	-	-	-	100,000	100,000
\$ 0.50	Feb 7, 2017	300,000	-	-	-	300,000	225,000
\$ 0.58	Mar 20, 2017	130,000	-	-	-	130,000	65,000
\$ 0.58	Mar 20, 2017	100,000	-	-	-	100,000	100,000
\$ 0.42	Jul 24, 2017	250,000	-	-	-	250,000	162,500
\$ 0.50	Sep 5, 2017	200,000	-	-	-	200,000	50,000
\$ 0.45	Oct 23, 2017	200,000	-	-	-	200,000	100,000
\$ 0.45	Oct 23, 2017	505,000	-	-	-	505,000	126,250
\$ 0.50	Oct 23, 2017	600,000	-	-	-	600,000	240,000
\$ 0.50	Oct 24, 2017	1,400,000	-	-	-	1,400,000	1,400,000
\$ 0.50	Oct 24, 2017	600,000	-	-	-	600,000	600,000
\$ 0.50	Jan 20, 2018	900,000	-	-	-	900,000	900,000
\$ 0.50	Mar 26, 2018	300,000	-	-	-	300,000	30,000
<b>Totals</b>		<b>7,890,250</b>	<b>-</b>	<b>(50,000)</b>	<b>(408,750)</b>	<b>7,431,500</b>	<b>5,945,250</b>
<b>Weighted avg exercise price</b>		<b>\$ 0.46</b>	<b>N/A</b>	<b>\$ 0.35</b>	<b>\$ 0.33</b>	<b>\$ 0.47</b>	<b>\$ 0.46</b>

## (e) Loss per Share

The weighted average number of common shares outstanding for the three months ending August 31, 2015 was 88,923,516 (70,825,998 for the three months ending August 31, 2014).

The dilutive effect of options and warrants outstanding was not included as it would serve to reduce the loss per share reported.

## 16. Financial Instruments

### Fair Values

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued liabilities, convertible debt, equipment leases and loans, and amounts due to shareholders. The convertible debt has been discounted to its fair value. The fair values of the remaining financial instruments approximate their carrying values due to the short-term nature of these financial instruments.

### Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. For financial assets, this is typically the gross carrying amount, net of any amounts

# Smart Employee Benefits Inc.

## Notes to Unaudited Condensed Interim Consolidated Financial Statements

August 31, 2015

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offset and any impairment losses. The Company is not exposed to any significant credit risk.

### **Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. The Company is not exposed to any significant interest rate risk.

### **Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations such as accounts payable out of cash.

The Company is not exposed to any material foreign exchange or price risk.

## **17. Capital Management**

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The Company's capital consists of share capital, contributed surplus, options, warrants and convertible debt in the amount of \$26,489,578 at August 31, 2015 (\$20,354,669 at November 30, 2014). The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets. The Company is not subject to any externally imposed capital requirements. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

## **18. Related Party Transactions**

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### **Management fees**

Two shareholders of the Company, one acting in the capacity of President, Chief Executive Officer and Chief Information Officer and the other acting as Chief Financial Officer, Chief Operating Officer and Corporate Secretary, were paid management fees during the period June 1, 2015 to August 31, 2015 totalling \$135,750 (\$106,500 during the period June 1, 2014 to August 31, 2014). The President, Chief Executive Officer and Chief Information Officer is also a Director of the Company.

### **Short term notes receivable**

Included in accounts receivables are amounts due from two Directors, in the amounts of \$60,000 and \$112,539, both of which advances have no set repayment terms.

### **Short term notes payable**

Included in Short Term Loans was an amount of \$1,500,000 plus accrued interest advanced by the Chairman of the Board at an interest rate of 10% per annum, with a maturity date of October 31, 2015 (see Note 14).

# Smart Employee Benefits Inc.

## Notes to Unaudited Condensed Interim Consolidated Financial Statements

August 31, 2015

### 19. Net Change in Non-cash Working Capital items

	<i>Jun 1, 2015 to Aug 31, 2015</i>	<i>Jun 1, 2014 to Aug 31, 2014</i>	<i>Dec 1, 2014 to Aug 31, 2015</i>	<i>Dec 1, 2013 to Aug 31, 2014</i>
Accounts receivable	\$ 722,718	\$ (131,092)	\$ 1,212,898	\$ (473,062)
Inventory	(28,754)	(10,066)	11,827	(3,587)
Prepaid and deposits	307,647	101,440	-	(462,520)
Bank loan	(41,770)	330,044	2,279,486	142,252
Accounts payable and accrued liabilities	(333,480)	(569,581)	(2,332,424)	(217,892)
Deferred revenue	(51,983)	(105,324)	(334,736)	268,058
Government remittances and current income taxes payable	(70,551)	(10,568)	(135,597)	10,021
<b>Total</b>	<b>\$ 503,827</b>	<b>\$ (395,147)</b>	<b>\$ 701,454</b>	<b>\$ (736,730)</b>

### 20. Commitments

Commitments at August 31, 2015 consist of the following:

	<b>Short Term Notes</b>	<b>Convertible loans (1)</b>	<b>Equipment loans</b>	<b>Equipment leases</b>	<b>Term bank loan</b>	<b>Premise leases</b>	<b>Total</b>
Fiscal 2015	\$ 2,113,229	\$ 15,667	\$ 3,125	\$ 2,187	\$ 262,500	\$ 243,641	\$ 2,640,349
Fiscal 2016	-	4,097,198	12,500	6,562	1,050,000	925,160	6,091,420
Fiscal 2017	-	517,955	3,125	-	1,050,000	983,756	2,554,835
Fiscal 2018	-	1,457,295	-	-	1,050,000	1,013,054	3,520,349
Fiscal 2019	-	29,540	-	-	262,500	572,253	864,293
<b>Total</b>	<b>\$ 2,113,229</b>	<b>\$ 6,117,655</b>	<b>\$ 18,750</b>	<b>\$ 8,749</b>	<b>\$ 3,675,000</b>	<b>\$ 3,737,863</b>	<b>\$ 15,671,246</b>

(1) Convertible loans are shown at face value.

### 21. Contingent Consideration Payable

1) Adeeva acquisition	\$ 659,000
2) Inforica acquisition	211,118
3) Banyan acquisition (note 4a)	206,330
4) Paradigm acquisition (note 4b)	1,208,634
	2,285,082
Less: current portion	(90,000)
<b>Balance Aug 31, 2015</b>	<b>\$ 2,195,082</b>

- As part of the consideration for the Adeeva acquisition the Company is obligated to pay additional royalties based on future financial results of Adeeva. The royalty payment provisions provide that, for an indefinite term, the Company will pay to the former debtholders of Adeeva a future royalty of 1% of Adeeva sales and 3% of Adeeva gross margins to a maximum aggregate payment of \$1,000,000.
- As part of the consideration for the Inforica acquisition the Company is obligated to pay additional royalties based on future financial results of Inforica. The royalty payment provisions provide that, for an indefinite term, the Company will pay to the preferred shareholders of

## Smart Employee Benefits Inc.

### Notes to Unaudited Condensed Interim Consolidated Financial Statements

August 31, 2015

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Inforica a future royalty of 3.68% of energy revenue to a maximum aggregate payment of \$350,000.

- 3) As part of the consideration for the Banyan investment the Company is obligated to pay up to \$425,000 based on certain performance measures. The \$425,000 is payable on a pro-rated basis based on Banyan's cumulative pre-tax earnings between \$3,840,000 and \$4,800,000 on or before November 3, 2018.
- 4) As part of the consideration for the Paradigm acquisition the Company is obligated to pay up to \$2,365,572 based on certain performance measures. The \$2,365,572 is payable based on Paradigm's cumulative EBITDA on or before December 31, 2019.

An estimate of the ranges of outcomes for the contingent consideration payable is as follows:

	<b>Minimum</b>	<b>Maximum</b>
Adeeva acquisition	\$ 43,842	\$ 1,000,000
Inforica acquisition	50,120	350,000
Banyan acquisition	-	425,000
Paradigm acquisition	-	2,365,572
	<b>\$ 93,962</b>	<b>\$ 4,140,572</b>

## **22. Segment Disclosures**

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The Company organizes its reporting structure into three reportable segments. The reportable segments have been adjusted for significant business acquisitions and different revenue streams. For management purposes, the Company is organized into divisions based on their products and services provided. Management monitors the operating results of each division separately for the purpose of making decisions about resource allocation and performance assessment.

The Company has three reportable operating segments as follows:

- Benefits division provides software, solutions, services and products focused on managing group benefit and wellness solutions and healthcare claims processing environments for corporate and government clients.
- Technology division provides professional services and solutions in the areas of supply chain management, integration and energy, as well as training and resource provisioning and supports the Health Care division.
- The Corporate division does not represent an operating segment and is included for information purposes only. Corporate division expenses consist of public company costs, as well as salaries, share-based compensation, interest and finance costs and office and administrative costs relating to corporate employees.

# Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated Financial Statements

August 31, 2015

## Segmented Statement of Financial Position at August 31, 2015

	Benefits	Technology	Corporate	Total
Current assets	\$ 1,722,769	\$ 10,150,491	\$ 510,850	\$ 12,384,110
Long term deposits	-	-	275,352	275,352
Equipment	250,882	608,499	-	859,381
Acquired software	1,587,243	1,116,482	-	2,703,725
Customer relationships	858,083	6,066,310	-	6,924,393
Trade names	666,500	2,476,334	-	3,142,834
Intellectual property	84,333	-	-	84,333
Goodwill	4,009,737	7,226,576	-	11,236,313
<b>Total assets</b>	<b>\$ 9,179,547</b>	<b>\$ 27,644,692</b>	<b>\$ 786,202</b>	<b>\$ 37,610,441</b>
Current liabilities	1,273,546	9,547,715	6,439,937	17,261,198
Long term liabilities	1,265,330	7,288,758	1,524,865	10,078,953
<b>Total liabilities</b>	<b>\$ 2,538,876</b>	<b>\$ 16,836,473</b>	<b>\$ 7,964,802</b>	<b>\$ 27,340,151</b>

## Segmented Statement of Comprehensive Loss for 9 months ending August 31, 2015

	Benefits	Technology	Corporate	Total
Revenues	\$ 7,546,784	\$ 28,956,316	\$ -	\$ 36,503,100
Cost of revenues	5,723,362	21,745,244	-	27,468,606
Operating costs	2,006,909	4,224,360	1,642,936	7,874,205
<b>Operating income (loss)</b>	<b>(183,487)</b>	<b>2,986,712</b>	<b>(1,642,936)</b>	<b>1,160,289</b>
Interest	25,988	266,885	458,450	751,323
Share-based compensation	-	-	537,077	537,077
Acquisition and financing	-	830,127	-	830,127
Amortization	487,790	1,636,959	-	2,124,749
Depreciation	39,261	165,192	-	204,453
Accretion of interest	-	165,534	406,374	571,908
Gain on sale of business	-	1,350,000	-	1,350,000
Income tax	95,893	250,000	-	345,893
<b>Income (Loss) for the period</b>	<b>\$ (832,419)</b>	<b>\$ 1,022,015</b>	<b>\$ (3,044,837)</b>	<b>\$ (2,855,241)</b>

## Smart Employee Benefits Inc.

### Notes to Unaudited Condensed Interim Consolidated Financial Statements

August 31, 2015

#### Segmented Statement of Comprehensive Loss for 3 months ending August 31, 2015

	Benefits	Technology	Corporate	Total
Revenues	\$ 2,546,346	\$ 9,332,644	\$ -	\$ 11,878,990
Cost of revenues	2,018,332	6,692,149	-	8,710,481
Operating costs	760,727	1,483,561	895,257	3,139,545
<b>Operating income (loss)</b>	<b>(232,713)</b>	<b>1,156,934</b>	<b>(895,257)</b>	<b>28,964</b>
Interest	5,695	126,632	163,414	295,741
Share-based compensation	-	-	5,637	5,637
Acquisition and financing	-	-	-	-
Amortization	193,430	523,217	-	716,647
Depreciation	14,859	88,873	-	103,732
Accretion of interest	-	55,178	134,327	189,505
Gain on sale of business	-	-	-	-
Income tax	98,000	-	-	98,000
<b>Income (Loss) for the period</b>	<b>\$ (544,697)</b>	<b>\$ 363,034</b>	<b>\$ (1,198,635)</b>	<b>\$ (1,380,298)</b>

#### 23. Reclassification

Certain amounts in comparative financial statements have been reclassified to conform to current presentation.

#### 24. Subsequent Event

On October 30, 2015 the Company completed the first tranche (“First Tranche”) of a private placement equity financing for gross proceeds of \$2,400,000 out of maximum aggregate proceeds of \$4,000,000. The First Tranche financing consists of 6,000,000 units (the “Units”) at a price of \$0.40 per Unit. Each Unit consists of (i) one common share of SEB and (ii) one common share purchase warrant of SEB (the “Warrants”). Each Warrant has a term of 24 months from the date of issuance and vests on December 31, 2016 at an exercise price of \$0.75 per share.