



**Smart Employee Benefits Inc.**

**Unaudited Condensed Interim Consolidated Financial Statements  
August 31, 2013**

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

The Corporation's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of unaudited condensed interim consolidated financial statements by an entity's auditor.

To the Shareholders of Smart Employee Benefits Inc.:

Management is responsible for the preparation and presentation of the accompanying 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 annual report 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 annual 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 Accountants, was appointed by the shareholders to audit the annual consolidated financial statements and report directly to them.

MNP LLP has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of unaudited condensed interim consolidated financial statements by an entity's auditor.

October 22, 2013

*John McKimm*

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Chief Executive Officer

*Robert Prentice*

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Chief Financial Officer

Smart Employee Benefits Inc.  
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# Smart Employee Benefits Inc.

## Unaudited Condensed Interim Consolidated Statements of Financial Position

	<i>August 31, 2013</i>	<i>November 30,</i>
	<i>(unaudited)</i>	<i>2012</i>
Cash	\$ 685,766	\$ 135,189
Accounts receivable	2,032,056	15,144
Prepays and deposits	149,115	48,354
<b>Total Current Assets</b>	<b>2,866,937</b>	<b>198,687</b>
Advances to acquisition target (Note 20)	745,000	-
Equipment, net of depreciation (Note 5)	462,422	29,335
Acquired software, net of amortization (Note 6)	2,485,000	429,167
Customer relationships, net of amortization (Note 7)	1,583,415	-
<b>Total Assets</b>	<b>\$ 8,142,774</b>	<b>\$ 657,189</b>
Bank loan (Note 8)	\$ 969,802	\$ -
Accounts payable and accrued liabilities	1,209,013	426,179
Deferred revenue (Note 9)	569,565	-
Current portion of Leases payable (Note 10)	14,491	-
Current portion of Equipment loans (Note 11)	17,125	-
Due to shareholders (Note 13)	5,100	5,100
<b>Total Current Liabilities</b>	<b>2,785,096</b>	<b>431,279</b>
Leases payable (Note 10)	48,870	-
Equipment loans (Note 11)	73,708	-
Convertible debt (Note 12)	2,334,815	30,000
<b>Total Long Term Liabilities</b>	<b>2,457,393</b>	<b>30,000</b>
Share capital (Note 14)	7,113,837	3,657,558
Share issue costs	(306,012)	(306,012)
Contributed surplus	977,599	49,191
Warrants (Note 14)	2,732,504	1,462,029
Options (Note 14)	447,099	64,518
Deficit	(8,064,742)	(4,731,374)
<b>Total Shareholders' Equity</b>	<b>2,900,285</b>	<b>195,910</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 8,142,774</b>	<b>\$ 657,189</b>

Going concern (Note 2)  
 Related party transactions (Note 17)  
 Commitments (Note 19)

Approved on behalf of the Board:

Ron Barbaro  
 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 Statement of Changes in Shareholders' Equity

	Share Capital		Warrants		Options		Contrib Surplus		Share Issue Costs		Total Equity	
	Number	\$	Number	\$	Number	\$	\$	\$	\$	\$	Deficit	(Deficiency)
<b>Balances November 30, 2012</b>	48,384,677	3,657,558	10,440,834	1,462,029	1,380,000	64,518	49,191	(306,012)	(4,731,375)	195,909		
<b>Convertible debt December 27, 2012</b>												
Issue of debt	-	-	-	-	-	-	95,082	-	-	-	-	95,082
Issue of Finder warrants	-	-	99,777	16,224	-	-	-	-	-	-	-	16,224
<b>Acquisition of Logitek Feb 6, 2013</b>												
Issue of shares	6,698,173	2,009,452	-	-	-	-	-	-	-	-	-	2,009,452
Issue of warrants	-	-	1,000,000	227,200	-	-	-	-	-	-	-	227,200
Issue of convertible debt	-	-	-	-	-	-	381,503	-	-	-	-	381,503
<b>Equity financing Feb 27, 2013</b>												
Issue of units	3,160,000	507,496	3,160,000	598,504	-	-	-	-	-	-	-	1,106,000
Issue of Finder warrants	-	(62,949)	286,000	62,949	-	-	-	-	-	-	-	-
Net loss for the period	-	-	-	-	-	36,650	-	-	-	-	(879,709)	(843,059)
<b>Balances February 28, 2013</b>	58,242,850	6,111,557	14,986,611	2,366,906	1,380,000	101,168	525,776	(306,012)	(5,611,084)	3,188,311		
<b>Acquisition of Somos March 5, 2013</b>												
Issue of shares	2,500,000	875,000	-	-	-	-	-	-	-	-	-	875,000
Issue of warrants	-	-	1,000,000	222,700	-	-	-	-	-	-	-	222,700
Issue of convertible debt	-	-	-	-	-	-	217,637	-	-	-	-	217,637
Convertible financing May 13, 2013	-	-	1,025,000	89,175	-	-	128,185	-	-	-	-	217,360
Exercise of warrants	300,000	60,000	(300,000)	-	-	-	-	-	-	-	-	60,000
Issue of options to employees, consultants and directors	-	-	-	-	1,519,000	335,091	-	-	-	-	-	335,091
Net loss for the period	-	-	-	-	-	-	-	-	-	-	(1,281,475)	(1,281,475)
<b>Balances May 31, 2013</b>	61,042,850	7,046,557	16,711,611	2,678,781	2,899,000	436,259	871,598	(306,012)	(6,892,559)	3,834,624		
Exercise of options	336,400	67,280	-	-	(336,400)	-	-	-	-	-	-	67,280
Expiration of options	-	-	-	-	(256,600)	-	-	-	-	-	-	-
Issue of options	-	-	-	-	50,000	10,840	-	-	-	-	-	10,840
Convertible financing Aug 30, 2013	-	-	-	-	-	-	106,001	-	-	-	-	106,001
Warrants issued with convertible	-	-	725,000	53,723	-	-	-	-	-	-	-	53,723
Net loss for the period	-	-	-	-	-	-	-	-	-	-	(1,172,183)	(1,172,183)
<b>Balances August 31, 2013</b>	61,379,250	7,113,837	17,436,611	2,732,504	2,356,000	447,099	977,599	(306,012)	(8,064,742)	2,900,285		

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

	<i>Jun 1, 2013 to Aug 31, 2013 (unaudited)</i>	<i>Jul 1, 2012 to Sep 30, 2012 (unaudited)</i>	<i>Dec 1, 2012 to Aug 31, 2013 (unaudited)</i>	<i>Jan 1, 2012 to Sep 30, 2012 (unaudited)</i>
<b>Revenue</b>	<b>\$ 3,005,052</b>	<b>\$ 57,937</b>	<b>\$ 6,647,665</b>	<b>\$ 169,799</b>
<b>Cost of revenues</b>				
Compensation	2,319,632	-	4,733,511	-
Other	123,658	50,213	588,248	132,806
	<u>2,443,290</u>	<u>50,213</u>	<u>5,321,759</u>	<u>132,806</u>
<b>Gross Margin</b>	<b>561,762</b>	<b>7,724</b>	<b>1,325,906</b>	<b>36,993</b>
<b>Operating Costs</b>				
Salaries and other compensation costs	973,570	263,360	2,412,319	842,812
Professional fees	168,499	142,785	492,907	406,809
Office and general	283,023	93,946	683,039	234,129
	<u>1,425,092</u>	<u>500,091</u>	<u>3,588,265</u>	<u>1,483,750</u>
<b>Income before the undernoted</b>	<b>(863,330)</b>	<b>(492,367)</b>	<b>(2,262,359)</b>	<b>(1,446,757)</b>
Share-based compensation (Note 14)	10,840	274,250	382,581	274,250
Interest and financing fees	58,975	5,775	174,982	62,781
Amortization (Notes 6, 7)	151,082	12,500	341,536	37,500
Depreciation of equipment (Note 5)	20,973	1,749	45,422	5,247
Accretion of bonus shares re convertible notes	-	-	-	159,752
Share adjustment on RTO	-	856,238	-	856,238
Accretion of interest (Note 12)	66,983	-	126,487	128,024
	<u>308,853</u>	<u>1,150,512</u>	<u>1,071,008</u>	<u>1,523,792</u>
<b>Net loss and comprehensive loss</b>	<b>\$ (1,172,183)</b>	<b>\$ (1,642,879)</b>	<b>\$ (3,333,367)</b>	<b>\$ (2,970,549)</b>
Weighted average number of shares outstanding for the period (Note 14)				
- basic and diluted	<u>61,269,554</u>	<u>30,000,010</u>	<u>59,450,284</u>	<u>30,000,010</u>
Loss from operations per common share				
- basic and diluted	<u>\$ (0.02)</u>	<u>\$ (0.05)</u>	<u>\$ (0.06)</u>	<u>\$ (0.10)</u>

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

	<i>Jun 1, 2013 to Aug 31, 2013 (unaudited)</i>	<i>Jul 1, 2012 to Sep 30, 2012 (unaudited)</i>	<i>Dec 1, 2012 to Aug 31, 2013 (unaudited)</i>	<i>Jan 1, 2012 to Sep 30, 2012 (unaudited)</i>
<b>Net loss for the period</b>	<b>\$ (1,172,183)</b>	<b>\$ (1,642,879)</b>	<b>\$ (3,333,367)</b>	<b>\$ (2,970,549)</b>
Add items not involving cash:				
amortization	151,037	12,500	341,491	37,500
depreciation	20,973	1,749	45,422	5,247
accreted interest	66,983	-	126,487	128,024
accretion of bonus shares re convertible notes	-	-	-	159,752
share-based compensation	10,840	274,250	382,581	274,250
share adjustment for RTO	-	856,238	-	856,238
non-cash working capital (Note 18)	216,633	(242,824)	614,419	197,362
<b>Total adjustments</b>	<b>466,466</b>	<b>901,913</b>	<b>1,510,400</b>	<b>1,658,373</b>
<b>Cash used in operating activities</b>	<b>(705,717)</b>	<b>(740,966)</b>	<b>(1,822,967)</b>	<b>(1,312,176)</b>
<b>Cash flows from investing activities</b>				
Purchase of software (Note 6)	-	(257,405)	(160,000)	(371,255)
Advances to acquisition target	(245,000)	-	(730,000)	-
Purchase of equipment (Note 5)	(9,859)	(7,161)	(93,464)	(7,844)
<b>Cash flows from investing activities</b>	<b>(254,859)</b>	<b>(264,566)</b>	<b>(983,464)</b>	<b>(379,099)</b>
<b>Cash flows from financing activities</b>				
Proceeds from convertible issue (Note 12)	725,000	-	2,214,000	-
Cash acquired on acquisition of Logitek (Note 4)	-	-	90,628	-
Net cash on acquisition of Somos (Note 4)	-	-	(119,504)	-
Proceeds from equity issue (Note 14)	-	1,730,175	1,106,000	1,730,175
Exercise of warrants and warrants	67,280	-	127,280	-
Short term loans	-	(225,000)	-	-
Funds held in trust	-	-	-	135,510
Net change in capital leases	(9,873)	-	(2,368)	-
Related party obligation	-	(750,000)	-	(750,000)
Cash acquired on RTO	-	443,598	-	443,598
Repayment of equipment loans	(17,125)	-	(59,028)	-
<b>Cash provided by financing activities</b>	<b>765,282</b>	<b>1,198,773</b>	<b>3,357,008</b>	<b>1,559,283</b>
Net change in cash for the period	(195,294)	193,241	550,577	(131,992)
Cash, beginning of period	881,060	40,775	135,189	366,008
<b>Cash, end of period</b>	<b>\$ 685,766</b>	<b>\$ 234,016</b>	<b>\$ 685,766</b>	<b>\$ 234,016</b>

Supplemental Information:

\$63,068 in interest was paid in cash during the three months ending August 31, 2013.

*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, 2013

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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 subsidiary companies, all incorporated in Canada:

- Logitek Technology Ltd.,
- SOMOS Consulting Group Ltd.,
- Smart Employee Solutions Inc.,
- SES Benefits Canada Corporation,
- SES Financial Corporation,
- SES International Inc.

SES Financial Corporation and SES International Inc. have no material assets and have engaged in no activities up to the date of the unaudited condensed interim consolidated statements of financial position.

SES Financial Corporation is owned 50% by the Company and 50% by certain shareholders of the Company on an individual basis. SES Financial Corporation had no significant operations during the period and had no assets or liabilities and therefore, the non-controlling interest is determined to be nil.

The Company's head office is Suite 100, 125 Commerce Valley Drive West, Markham, Ontario, L3T 7W4 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 22, 2013.

## **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 a significant operating loss during the periods of the unaudited condensed interim consolidated financial statements and negative cash flows from operations for the periods. There is no assurance that the Company will be able to generate net income or positive cash flows from operations in the foreseeable future. Based on these events and conditions there are material 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.

To remain a going concern, the Company will require additional capital to enable it to



# Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements

August 31, 2013

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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, 2012. 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**

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#### **(a) Acquisition of Logitek Technology Ltd.**

On February 6, 2013 SEB closed the acquisition of Logitek Technology Ltd (“Qlogitek”).

SEB issued, in satisfaction of the purchase price, 6,698,173 SEB shares (“Shares”) and 1,000,000 Share Purchase Warrants (“Warrants”). SEB and the seller of QLogitek, Logitek Data Sciences Ltd., agreed to a contractual escrow arrangement pursuant to which one million Shares would be released on the closing and the balance over a period of 30 months in various amounts at 6 month intervals. 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 of the term and at \$0.75 for the last six months of the term. The Warrants contain performance vesting conditions during their term equating to cumulative revenue and EBITDA targets of \$15.0 million and \$3.0 million, respectively. As part of the transaction and in order to retire \$651,858 of debt owing by QLogitek, SEB issued a five year convertible note in the amount of \$651,858 with an annualized interest rate of 3% and an escalating conversion price of \$0.45, \$0.55, \$0.65, \$0.70 and \$0.75 from years one through five.

SEB has allocated the portion of the purchase cost which exceeds the net assets acquired to software developed by Qlogitek (\$2,000,000) and to Qlogitek’s customer relations (\$675,750).

**Software** (Note 6)--Qlogitek has developed a number of proprietary pieces of software, particularly in the management of customer’s supply-chain in the retail field. The internet-

## Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements  
August 31, 2013

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based software is used extensively and continuously by a number of well-known large retailers to manage their product supply arrangements, incorporating suppliers in 170 countries.

**Customer relations** (Note 7)--The customer base which utilizes Qlogitek's supply-chain management software is broad-based, from appliances to electronics to alcohol to general merchandise. The customers include the LCBO, the Bay, Rogers, Danby, etc.

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

Shares issued (Note 14)	\$ 2,009,452
Warrants issued (Note 14)	227,200
Convertible note issued (Note 12)	651,858
<b>Total</b>	<b>\$ 2,888,510</b>

**The cost to SEB is allocated on a preliminary basis to assets acquired as follows:**

Net assets of Logitek on acquisition	\$ 212,760
Customer relationships (Note 7)	675,750
Developed software (Note 6)	2,000,000
<b>Total</b>	<b>\$ 2,888,510</b>

**Net assets of Logitek on acquisition were as follows:**

<b>Assets</b>	
Cash	\$ 90,628
Accounts receivable	754,373
Prepaid expenses	2,383
Advances	15,000
Intangibles	50,000
Property, plant and equipment	217,203
Equipment under capital leases	152,353
<b>Total assets</b>	<b>\$ 1,281,940</b>

**Liabilities**

Bank loan	228,022
Accounts payable and accrued liabilities	298,875
Deferred revenue	261,953
Income taxes payable	64,740
Equipment loans	149,861
Obligations under capital leases	65,729
<b>Total liabilities</b>	<b>\$ 1,069,180</b>

<b>Net assets</b>	<b>\$ 212,760</b>
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## Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements

August 31, 2013

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### **(b) Acquisition of Somos Consulting Group Ltd.**

On March 5, 2013 the Company announced the closing of the acquisition of Somos Consulting Group Ltd. (“SOMOS”). SOMOS shareholders, as part of the Transaction price terms, received \$325,000 in cash, 2,500,000 SEB shares (“Shares”) and 1,000,000 SEB Share Purchase Warrants (“Warrants”). The Shares will be escrowed over a period of 30 months released in various amounts at 6 month intervals. The Warrants will have a term of 60 months and an escalating exercise price per common share of SEB every 12 months of \$0.45, \$0.55, \$0.65, \$0.70, and \$0.75. In addition, the purchase price also included SEB issuing to the SOMOS shareholders a five year convertible note in the aggregate principal amount of \$400,000 (the “Convertible Note”). The Convertible Note bears interest at a rate of 3% per annum. Interest shall be paid quarterly and principal may be repaid annually in equal installments. The Convertible Note shall be convertible into common shares of SEB at an escalating conversion price of \$0.45, \$0.55, \$0.65, \$0.70 and \$0.75 per common share of SEB from years’ one through five, respectively. The parties have also agreed to adjust the purchase price upwards by a portion of outstanding SRED credits collected by SOMOS, post-closing, to a maximum increase in the purchase price of \$287,000, as such credits are paid/remitted to SOMOS or for its benefit.

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

Cash	\$ 325,000
Shares issued (Note 14)	875,000
Warrants issued (Note 14)	222,700
Convertible note issued (Note 12)	400,000
<b>Total</b>	<b>\$ 1,822,700</b>

#### **The cost to SEB is allocated on a preliminary basis to assets acquired as follows:**

Net assets of Somos on acquisition	\$ 727,711
Customer relationships (Note 7)	1,094,989
<b>Total</b>	<b>\$ 1,822,700</b>

# Smart Employee Benefits Inc.

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August 31, 2013

## Net assets of Somos on acquisition were as follows:

### Assets

Cash	\$ 205,496
Accounts receivable	1,402,865
Prepaid expenses	23,079
Property, plant and equipment	15,422
<b>Total assets</b>	<b>\$ 1,646,862</b>

### Liabilities

Accounts payable and accrued liabilities	879,788
Deferred revenue	39,363
<b>Total liabilities</b>	<b>\$ 919,151</b>

<b>Net assets</b>	<b>\$ 727,711</b>
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## 5. Equipment

	Cost			Accumulated Depreciation			Net Balance	
	Bal May 31/13	Change in period	Bal Aug 31/13	Bal May 31/13	Change in period	Bal Aug 31/13	Aug 31/13	Nov 30/12
<b>Cost</b>								
Furniture	220,023	6,148	226,171	162,637	2,730	165,367	60,805	5,331
Computer hardware	1,146,547	(24,383)	1,122,164	980,984	(18,091)	962,893	159,271	24,004
Computer hardware under lease	325,325	-	325,325	156,235	6,300	162,535	162,790	-
Office equipment	158,796	(340)	158,456	<b>77,300</b>	1,599	78,899	79,557	-
<b>Total</b>	<b>1,850,692</b>	<b>(18,575)</b>	<b>1,832,117</b>	<b>1,377,156</b>	<b>(7,462)</b>	<b>1,369,694</b>	<b>462,422</b>	<b>29,335</b>

## 6. Software

	Cost	Accumulated Amortization			Net Balance	
		Balance Aug 31, 2013	Period ending Aug 31	Balance Aug 31, 2013	Aug 31, 2013	Nov 30, 2012
HCS licence (1)	500,000	95,833	12,500	108,333	391,667	429,167
HCS admin system (2)	160,000	-	-	-	160,000	-
Logitek software - previously purchased (3)	50,000	-	-	-	50,000	-
Logitek software on acquisition (4)	2,000,000	66,667	50,000	116,667	1,883,333	-
<b>Total</b>	<b>2,710,000</b>	<b>162,500</b>	<b>62,500</b>	<b>225,000</b>	<b>2,485,000</b>	<b>429,167</b>

## Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements

August 31, 2013

- 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 computer software to be used by the Company to generate revenue. The Company will begin amortizing the software when it is ready to be used by the Company to generate revenue.
- 3) This is software previously acquired by Qlogitek which is not being used yet. When it is incorporated into use, it will be suitably amortized.
- 4) Qlogitek 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. See Note 4.

### 7. Customer relationships

	<u>Cost</u>	<u>Accumulated Amortization</u>		<u>Net Balance</u>	
	<u>Balance</u>	<u>Balance</u>	<u>Period</u>	<u>Balance</u>	
	<u>Aug 31,</u>	<u>May 31,</u>	<u>ending</u>	<u>Aug 31,</u>	
	<u>2013</u>	<u>2013</u>	<u>Aug 31</u>	<u>2013</u>	
Logitek (1)	675,750	44,038	33,788	77,826	597,924
Somos (2)	1,094,989	54,749	54,749	109,498	985,491
<b>Total</b>	<b>1,770,739</b>	<b>98,787</b>	<b>88,537</b>	<b>187,324</b>	<b>1,583,415</b>

- (1) The retail customer base which utilizes Qlogitek’s supply-chain management software is broad-based, from appliances to electronics to alcohol to general merchandise. The customers include the LCBO, the Bay, Rogers, Danby, etc. See Note 4. The amount is being amortized over 5 years on a straight-line basis.
- (2) Somos’ customer base is mostly the Canadian federal government and related government agencies. The Company values the relationships and standing offers held by Somos. The amount is being amortized over 5 years on a straight-line basis.

### 8. Bank loan

On May 13, 2013, the Company entered into credit facility arrangements (the “Facility”) with a leading Canadian Chartered Bank, including a revolving credit facility of \$1,000,000, plus additional ancillary related facilities of approximately \$200,000. The Facility was

## Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements

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provided to wholly-owned subsidiaries Somos Consulting Group Ltd. and Logitek Technology Ltd. and was guaranteed by SEB.

### **9. Deferred revenue**

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The bulk of this amount arises from Logitek Technology Ltd. receiving advance payments from clients for software development work to be done and for licencing revenues. The amounts are amortized over the length of the periods covered by the advance payments. Of the balance at August 31, 2013 of \$507,549, \$423,524 is being amortized at \$52,941 per month and the remainder will be taken into revenue over an indefinite period as earned.

### **10 Equipment leases**

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The Company finances equipment from time to time using equipment leases. The leases are amortized over the term of the lease. Expiry dates range from December 1, 2013 to November 1, 2015. See Note 19.

### **11. Equipment loans**

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The Company finances equipment from time to time using equipment loans secured by the specific pieces of equipment financed by the loans. Termination dates range from May, 2014 to January, 2017. See Note 19.

## Smart Employee Benefits Inc.

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### 12. Convertible debt

Amount \$					
	Face Value of Notes	Equity Component	Warrants	Debt Issue Costs	Liability Component at Fair Value
<b>Balance November 30, 2012</b>	-	-	-	-	-
(1) Financing issued December 27, 2012	554,000	(45,032)	-	(66,274)	442,694
(2) Acquisition of Logitek, Feb 6, 2013	651,858	(381,503)	-	-	270,355
<b>Balance February 28, 2013</b>	<b>1,205,858</b>	<b>(426,535)</b>	<b>-</b>	<b>(66,274)</b>	<b>713,049</b>
(3) Acquisition of Somos, March 5, 2013	400,000	(217,637)	-	-	182,363
(4) Financing May 13, 2013	1,025,000	(128,185)	(89,175)	(60,000)	747,640
<b>Balance May 31, 2013</b>	<b>2,630,858</b>	<b>(772,357)</b>	<b>(89,175)</b>	<b>(126,274)</b>	<b>1,643,052</b>
(5) Financing August 30, 2013	725,000	(106,001)	(53,723)	-	565,276
<b>Balance May 31, 2013</b>	<b>3,355,858</b>	<b>(878,358)</b>	<b>(142,898)</b>	<b>(126,274)</b>	<b>2,208,328</b>

  

	Liability Component at Fair Value	Accreted Interest			Balance of Obligation Aug 31, 2013
		Balance May 31, 2013	Period ended Aug 31, 2013	Balance Aug 31, 2013	
<b>Balance November 30, 2012</b>	-	-	-	-	-
(1) Financing issued December 27, 2012	442,694	23,189	13,913	37,102	479,796
(2) Acquisition of Logitek, Feb 6, 2013	270,355	25,433	19,075	44,508	314,863
	<b>713,049</b>	<b>48,622</b>	<b>32,988</b>	<b>81,610</b>	<b>794,659</b>
(3) Acquisition of Somos, March 5, 2013	182,363	10,882	10,882	21,764	204,127
(4) Financing May 13, 2013	747,640	-	23,113	23,113	770,753
<b>Balance May 31, 2013</b>	<b>1,643,052</b>	<b>59,504</b>	<b>66,983</b>	<b>126,487</b>	<b>1,769,539</b>
(5) Financing August 30, 2013	565,276	-	-	-	565,276
<b>Balance May 31, 2013</b>	<b>2,208,328</b>	<b>59,504</b>	<b>66,983</b>	<b>126,487</b>	<b>2,334,815</b>

- 1) On December 27, 2012 the Company closed a financing of \$554,000 of convertible Notes with a term of 2 years, paying 10% interest. The Notes are 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 \$22,450 in cash and 99,777 share purchase warrants, exercisable at \$0.45 per share for a period of two years. At November 30, 2012, an amount of \$30,000 had been advanced towards the convertible notes.

In arriving at a fair value of the liability component of the convertible Notes, the Company has used a discount rate of 25% to determine a discounted present value of the debt due on conversion.

The equity component of \$45,032 at February 28, 2013, 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 cash issue costs of \$22,450 have been recorded as Contributed Surplus.

The cost of issuing 99,777 Finder warrants have been recorded as Warrants in shareholder's equity. The warrants were valued at \$16,224 using the Black-Scholes option-pricing model

## Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements

August 31, 2013

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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%.

- 2) On February 6, 2013, the Company closed the acquisition of Logitek Technology Ltd. (Note 4). 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% and an escalating conversion price of \$0.45, \$0.55, \$0.65, \$0.70 and \$0.75 from years one through five.

The equity component of \$381,503 at February 28, 2013, 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 was 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 25% to determine a discounted present value of the debt due on conversion.

- 3) On March 5, 2013 the Company announced the closing of the acquisition of Somos Consulting Group Ltd. The purchase price included SEB issuing to the SOMOS shareholders a five year convertible note in the aggregate principal amount of \$400,000 (the "Convertible Note"). The Convertible Note bears interest at a rate of 3% per annum. Interest shall be paid quarterly and principal may be repaid annually in equal installments. The Convertible Note shall be convertible into common shares of SEB at an escalating conversion price of \$0.45, \$0.55, \$0.65, \$0.70 and \$0.75 per common share of SEB from years' one through five, respectively.

The equity component of \$217,637 at May 31, 2013, 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 was 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 25% to determine a discounted present value of the debt due on conversion.

- 4) On May 14, 2013 the Company announced it 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 SEB (the "Notes") and (ii) one common share purchase warrant of SEB (the "Warrants").

The Warrants are 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 SEB.

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 in year 1, \$0.60 per share in year 2 and \$0.75 per share in year 3.

The equity component of \$128,185 at May 31, 2013, 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 was charged against earnings as accreted interest using the effective interest rate method. In arriving at a fair value of the liability



## Smart Employee Benefits Inc.

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component of the convertible Notes, the Company has used a discount rate of 25% to determine a discounted present value of the debt due on conversion.

The warrants were valued at \$89,175 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%.

- 5) 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 amount convertible secured subordinated promissory note of SEB (the "Notes") and (ii) one common share purchase warrant of SEB (the "Warrants").

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

The Notes mature 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 \$106,001 at August 30, 2013, 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 was 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 25% to determine a discounted present value of the debt due on conversion.

The warrants were valued at \$53,723 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%.

On September 5, 2013, the Company closed the balance of the private placement offering under the same terms, bringing the total to \$975,000.

### **13. Due to Shareholders**

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The funds were advanced by individuals who were founding shareholders of subsidiaries of the Company; the advances have no set terms of repayment and do not bear interest.

### **14. Share Capital**

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#### **(a) Authorized**

Unlimited number of common shares

## Smart Employee Benefits Inc.

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### (b) Common shares issued and outstanding

	Number of shares	Amount \$
<b>Balance November 30, 2012</b>	<b>48,384,677</b>	<b>3,657,558</b>
Acquisition of Logitek Technology Ltd. (1)	6,698,173	2,009,452
Equity financing February 27, 2013 (2)	3,160,000	507,496
Finder warrants issued re Equity financing (2)	-	(62,949)
<b>Balance February 28, 2013</b>	<b>58,242,850</b>	<b>6,111,557</b>
Acquisition of Somos Consulting Group Ltd. (3)	2,500,000	875,000
Exercise of options	300,000	60,000
<b>Balance May 31, 2013</b>	<b>61,042,850</b>	<b>7,046,557</b>
Exercise of options	336,400	67,280
<b>Balance Aug 31, 2013</b>	<b>61,379,250</b>	<b>7,113,837</b>

- 1) On February 6, 2013 SEB closed the acquisition of Logitek Technology Ltd. SEB issued, in satisfaction of the \$2,009,452 purchase price, 6,698,173 SEB shares and 1,000,000 Share Purchase Warrants. See Note 4.
- 2) On February 27, 2013 SEB closed a financing of \$1,106,000 consisting of 3,160,000 Units at \$0.35 per Unit where each Unit consists of 1 Common Share and 1 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 Company paid finder's fees of \$50,050 cash and 286,000 warrants, exercisable at \$0.35 per share for a period of two years from closing. See Note 14 (c) for discussion on warrants. At February 28, 2013, an amount of \$742,421 remained in the trust account of SEB's counsel.
- 3) On March 5, 2013 SEB closed the acquisition of Somos Consulting Group Ltd. for consideration which include 2,500,000 SEB shares, the market price of the shares being \$0.35 for a total of \$875,000. See Note 4.

# Smart Employee Benefits Inc.

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## (c) Share purchase warrants

	Exercise Price	Expiry	Number of Warrants Outstanding					
			May 31, 2013 Outstanding	Activity During Period			August 31, 2013 Outstanding	Exercisable
	\$ 0.30	May 31, 2014	1,305,000	-	-	-	1,305,000	1,305,000
	\$ 0.30	May 31, 2014	1,695,000	-	-	-	1,695,000	339,000
	\$0.55 to July 11, 2014 \$0.65 to July 11, 2015	July 11, 2015	6,491,667	-	-	-	6,491,667	4,578,333
	\$ 0.30	July 11, 2014	649,167	-	-	-	649,167	649,167
(1)	\$ 0.45	Dec 27, 2014	99,777	-	-	-	99,777	99,777
(2)	\$0.45 to Feb 6, 2014 \$0.55 to Feb 6, 2015 \$0.65 to Feb 6, 2016 \$0.75 to Aug 6, 2016	August 6, 2016	1,000,000	-	-	-	1,000,000	-
(3)	\$0.50 to Feb 27, 2014 \$0.55 to Feb 27, 2015 \$0.65 to Feb 27, 2016 \$0.75 to Feb 27, 2017	Feb 27, 2017	3,160,000	-	-	-	3,160,000	3,160,000
(4)	\$ 0.35	Feb 27, 2015	286,000	-	-	-	286,000	286,000
(5)	\$0.45 to Mar 1, 2014 \$0.55 to Mar 1, 2015 \$0.65 to Mar 1, 2016 \$0.70 to Mar 1, 2017 \$0.75 to Mar 1, 2018	March 1, 2018	1,000,000	-	-	-	1,000,000	1,000,000
(6)	\$ 0.50	May 13, 2014	1,025,000	-	-	-	1,025,000	1,025,000
(7)	\$ 0.50	May 13, 2014	-	725,000	-	-	725,000	725,000
			<b>16,711,611</b>	<b>725,000</b>	-	-	<b>17,436,611</b>	<b>13,167,277</b>
	<b>Weighted average exercise price per share</b>		<b>\$ 0.52</b>	<b>\$ 0.50</b>	-	-	<b>\$ 0.52</b>	<b>\$ 0.52</b>

- 1) On December 27, 2012 the Company closed a financing of \$554,000 of convertible Notes with a term of 2 years, paying 10% interest. The Company paid finder's fees including 99,777 share purchase warrants, exercisable at \$0.45 per share for a period of two years. The cost of issuing 99,777 Finder warrants have been recorded as Warrants in shareholder's equity. The warrants were valued at \$16,224 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%.
- 2) On February 6, 2013 SEB closed the acquisition of Logitek Technology Ltd. As part of the price, SEB issued, 1,000,000 Share Purchase Warrants ("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 of the term and at \$0.75 for the last six months of the term. The Warrants contain performance vesting conditions during their term equating to cumulative revenue and EBITDA targets of \$15.0 million and \$3.0 million, respectively. The warrants were valued at \$227,200 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%.

## Smart Employee Benefits Inc.

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- 3) On February 27, 2013 SEB closed an equity financing of \$1,106,000 consisting of 3,160,000 Units at \$0.35 per Unit where each Unit consists of 1 Common Share and 1 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 \$598,504 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%.
- 4) The Company paid finder's fees in connection with the \$1,106,000 equity financing, including 286,000 warrants, exercisable at \$0.35 per share for a period of two years from closing. The warrants were valued at \$62,949 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%.
- 5) On March 5, 2013 SEB announced it had closed the acquisition of Somos Consulting Group Ltd. As part of the price, SEB issued, 1,000,000 Share Purchase Warrants ("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 \$222,700 using the Black-Scholes option-pricing model using the following assumptions: expected life of 60 months, risk free rate of 0.98%, expected dividend yield of 0% and expected volatility of 100%.
- 6) On May 14, 2013 the Company announced it 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 SEB (the "Notes") and (ii) one common share purchase warrant of SEB (the "Warrants"). The Warrants are 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 SEB. The warrants were valued at \$89,175 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%.
- 7) 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 amount convertible secured subordinated promissory note of SEB (the "Notes") and (ii) one common share purchase warrant of SEB (the "Warrants"). The Warrants are 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 SEB. The warrants were valued at \$53,723 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%.

## Smart Employee Benefits Inc.

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### (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 May 31, 2013 is 6,104,285. At August 31, 2013, the Company had 2,356,000 options issued and outstanding under the terms of the Plan. In addition, 1,695,000 share purchase warrants, as shown in Note 14 (c) are considered to be part of the Plan.

Exercise Price	Expiry	Number of Options Outstanding					
		May 31, 2013 Outstanding	Activity During Period			Aug 31, 2013	
			Issued	Expired	Exercised	Outstanding	Exercisable
\$ 0.20	July 19, 2013	493,000	-	(156,600)	(336,400)	-	-
\$ 0.20	April 5, 2016	87,000	-	-	-	87,000	87,000
\$ 0.33	Aug 16, 2015	500,000	-	(100,000)	-	400,000	240,000
\$ 0.34	May 31, 2014	50,000	-	-	-	50,000	50,000
\$ 0.34	Sep 13, 2015	200,000	-	-	-	200,000	80,000
\$ 0.33	Nov 22, 2015	50,000	-	-	-	50,000	50,000
\$ 0.35	Mar 15, 2016	300,000	-	-	-	300,000	120,000
\$ 0.35	Apr 23, 2016	1,119,000	-	-	-	1,119,000	-
\$ 0.35	Apr 23, 2016	100,000	-	-	-	100,000	20,000
\$ 0.35	Jul 24, 2016	-	50,000	-	-	50,000	-
		<b>2,899,000</b>	<b>50,000</b>	<b>(256,600)</b>	<b>(336,400)</b>	<b>2,356,000</b>	<b>647,000</b>
<b>Weighted avg exercise price</b>		<b>\$ 0.32</b>	<b>\$ 0.35</b>	<b>\$ 0.20</b>	<b>\$ 0.20</b>	<b>\$ 0.34</b>	<b>\$ 0.32</b>

### (e) Loss per Share

The weighted average number of common shares outstanding for the three months ending August 31, 2013 was 61,269,554 and for the three months ending September 30, 2012 was 30,000,010.

The weighted average number of common shares outstanding for the nine months ending August 31, 2013 was 59,450,284 and for the nine months ending September 30, 2012 was 30,000,010.

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

## 15. Financial Instruments

### Fair Values

The Company's financial instruments consist of cash, funds in trust, accounts receivable, 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.

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

<b>Classification</b>	<b>August 31, 2013</b>		<b>November 30, 2012</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Fair value through profit and loss	685,766	685,766	135,189	135,189
Loans and receivables	2,032,056	2,032,056	15,144	15,144
Other financial liabilities	5,242,489	6,263,532	461,279	461,279

### **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 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.

## **16. Capital Management**

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The Company's capital consists of share capital, contributed surplus, options and warrants in the amount of \$13,605,854 at August 31, 2013 (\$5,233,296 at November 30, 2012). 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.

## **17. Related Party Transactions**

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### **Bevertec CST Inc.**

Bevertec is a related party to the Company by virtue of holding approximately 16% of the common shares of the Company. A Director of the Company is also an officer and director

## Smart Employee Benefits Inc.

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of Bevertec. In addition, \$49,559 in revenue recorded by the Company in these unaudited condensed interim consolidated financial statements was derived from transactions with Bevertec.

### Other

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, 2013 to August 31, 2013 totalling \$106,500 (\$97,500 during the period July 1, 2012 to September 30, 2012). The President, Chief Executive Officer and Chief Information Officer is also a director of the Company.

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

	<i>Jun 1, 2013 to Aug 31, 2013</i>	<i>July 1, 2012 to Sep 30, 2012</i>	<i>Dec 1, 2012 to Aug 31, 2013</i>	<i>Jan 1, 2012 to Sep 30, 2012</i>
Accounts receivable	\$ 81,539	\$ -	\$ 91,791	\$ (33,906)
Sundry receivables	-	(135,196)	-	(153,164)
Prepaid and deposits	39,221	-	(75,299)	(3,530)
Bank loan	421,012	-	741,780	-
Accounts payable and accrued liabilities	(206,779)	(107,628)	(322,051)	387,962
Deferred revenue	(118,360)	-	268,249	-
Government obligations	-	-	(90,051)	-
<b>Total</b>	<b>\$ 216,633</b>	<b>\$ (242,824)</b>	<b>\$ 614,419</b>	<b>\$ 197,362</b>

## 19. Commitments

Commitments at August 31, 2013 consist of the following:

	<b>Convertible loans</b>	<b>Equipment leases</b>	<b>Premise leases</b>	<b>Equipment loans</b>	<b>Total</b>
Fiscal 2013	-	14,491	99,312	17,125	130,928
Fiscal 2014	-	34,366	272,933	41,083	348,383
Fiscal 2015	554,000	14,504	98,892	17,000	684,396
Fiscal 2016	1,750,000	-	98,892	12,500	1,861,392
Fiscal 2017	-	-	8,241	3,125	11,366
Fiscal 2018	1,051,858	-	-	-	1,051,858
<b>Total</b>	<b>\$ 3,355,858</b>	<b>\$ 63,361</b>	<b>\$ 578,270</b>	<b>\$ 90,833</b>	<b>\$ 4,088,322</b>

## 20. Advance to Acquisition Target

On March 19, 2013 SEB announced that SEB's Board of Directors approved a Memorandum of Agreement to acquire a 50% interest in the Inforica Group. Inforica Group

## Smart Employee Benefits Inc.

Notes to Unaudited Condensed Interim Consolidated financial statements

August 31, 2013

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will operate as an affiliate of SEB's wholly owned subsidiary, Logitek Technology Ltd. Completion of the transaction is subject to final Closing documentation and applicable regulatory approval.

### **21. Reclassification**

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

### **22. Subsequent events**

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On September 5, 2013, the Company closed the remaining balance of \$250,000 of a convertible note private placement as described in Note 12, bringing the total to \$975,000.

On October 7, 2013, the Company announced that it had agreed via a Letter of Intent to acquire Antian Professional Services Inc. for consideration of \$450,000 cash and a \$400,000 Vendor-Take-Back loan, the terms of the loan being 3% interest, 5 year term and convertible at any time during the term to shares of the Company at \$0.75 per share.

On October 22, 2013, the Company announced that it had agreed via a Memorandum of Agreement to acquire Stroma Service Consulting Inc. for the following consideration:

- Cash: - \$700,000;
- Vendor Take Back: - \$300,000 paying interest at an annualized rate of 3% with annual principal repayments over a 3 year period and convertible into shares of the Company at \$0.50, \$0.60 and \$0.70 in years one, two and three, respectively;
- SEB Shares: - \$500,000 at \$0.40 per SEB share with escrow terms over a period of 36 months;
- Common share purchase warrants: - 1,000,000 warrants exercisable over a period of 4 years at \$0.50, \$0.55, \$0.60 and \$0.70, respectively, with escrow terms tied to retention.