Overview of the Structure of the MD&A

The following management's discussion and analysis ("MD&A") for Redishred Capital Corp. (the "Company" or "Redishred") has been prepared by management and focuses on key statistics from the consolidated financial statements and pertains to known risks and uncertainties. To ensure that the reader is obtaining the best overall perspective, this MD&A should be read in conjunction with material contained in the Company's audited consolidated financial statements for the years ended December 31, 2008 and 2007 which have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). These documents are available on SEDAR at www.sedar.com. The discussions in this MD&A are based on information available as at April 14, 2009.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In particular, certain statements in this document discuss Redishred's anticipated outlook of future events. These statements include, but are not limited to:

(i) anticipated acquisition activity, which has been and may continue to be impacted by the current global credit crisis, as well as by the Company's limited cash resources with which to identify and evaluate the acquisitions,

(ii) the Company's ability to execute its acquisition strategy which has been negatively impacted by the Company's efforts to obtain adequate financing which may continue and which may also be impacted by the availability of acquisition targets on suitable terms,

(iii) franchise development targets, which may be impacted by the economic situation in the United States and foreign exchange fluctuations,

(iv) anticipated system sales and royalty revenue which may be impacted by industry growth levels, the economic situation in the United States and foreign exchange fluctuations,

(v) commodity paper prices which will vary with market conditions,

(vi) the Company's expectations for reduced overhead which may be impacted by economic conditions facing our franchisees, and

(vii) the Company's ability to achieve breakeven levels of cash flow, which may be impacted by the number of new franchises awarded, the size of the franchise territories awarded, the growth of the system sales achieved by existing and new franchisees, the economic circumstances in the franchisees local markets and the level of corporate overhead.

These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to the date of this document. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking

statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Corporation. Additional factors are noted under “Risk Factors” in the Company’s filing statement dated February 29, 2008, a copy of which may be obtained on the SEDAR website at www.sedar.com.

Non-GAAP Measures

There are measures included in this MD&A that do not have a standardized meaning under Generally Accepted Accounting Principles (GAAP) and therefore may not be comparable to similarly titled measures presented by other publicly traded companies. The Company includes these measures as a means of measuring financial performance.

- System sales are revenues generated by franchisees. The system sales generated by franchisees drive the Company’s royalty and information technology fee revenues.
- Same store system sales results are indicators of performance of franchisees that have been in the system for equivalent periods in 2008 and 2007.

Company Overview

The Company was incorporated under the *Canada Business Corporations Act* on October 18, 2006. The head office and the registered office of the Corporation as of December 31, 2008 were located at 6790 Century Avenue, Suite 200, Mississauga, Ontario.

On August 21, 2007, the Company received final receipts for a prospectus and became a reporting issuer in the Provinces of Alberta, British Columbia, New Brunswick, Nova Scotia and Ontario. The Company completed its initial public offering to raise gross proceeds of $900,000 on August 29, 2007 and had its common shares listed for trading on the TSX Venture Exchange (“TSXV”) as a capital pool company (“CPC”) on September 5, 2007, under the symbol KUT.P.

On March 17, 2008 the Company completed a private placement by issuing 9,615,383 common shares with gross proceeds of $5,000,000. Simultaneously, the Company also completed the acquisition of Professional Shredding Corporation (“PSC”) at a cost of $3,600,000 in cash and by issuing a further 3,269,231 common shares valued at $1,700,000 to the Vendor (Professional Shredding Partnership). In addition the company recorded $143,000 in acquisition costs relating to this transaction.

The acquisition constituted Redishred’s Qualifying Transaction and was approved by the TSXV. As a result, the company is no longer considered a capital pool company and is now listed under the symbol KUT.

As a result of the acquisition, the Company assumed the royalty and fee revenue streams from 17 Proshred franchise locations. A franchise is defined as the right, granted by the Company, to operate a Proshred business in a certain geographic area(s). As of December 31, 2008 there were 16 Proshred franchise locations (see below) comprising of 66.5 territories. A territory is defined as a geographic area with 7,000 businesses having 10 or more employees. There were no closures or terminations during the fourth quarter:

Franchise Locations *	Operating since	Territories
ALBANY, NY	April, 2003	1.2
SPRINGFIELD, MA	June, 2003	2.3
MILWAUKEE, WI	August, 2003	2.7
SYRACUSE, NY	March, 2004	2.5
TAMPA BAY, FL	March, 2004	2.1
DENVER, CO	August, 2004	3.8
CHARLOTTE, NC	April, 2006	3.3
PHILADELPHIA, PA	September, 2006	5.0
KANSAS CITY, MO	December, 2006	4.0
NEW HAVEN, CT	April, 2007	3.6
CHICAGO, IL	April, 2007	3.8
RALEIGH, NC	June, 2007	4.7
BALTIMORE, MD **	November, 2007	6.7
NEW YORK, NY ***	January, 2008	11.3
MIAMI, FL	June, 2008	5.7
N. VIRGINIA, VA	July, 2008	3.8

** On May 31, 2008, the Las Vegas location closed. The impact of the closure to system sales and royalty revenue was immaterial.*

*** Includes Baltimore and Washington, DC*

**** Includes New York City and Long Island*

In addition to operating the Proshred franchising business (defined as the business of granting and managing Franchises in the United States and internationally outside of Canada, as carried on by the Company), the Company's plan is to grow its business through the acquisition and operation of independent document destruction businesses that generate stable and recurring cash flow through a scheduled client base, continuous paper recycling, and concurrent unscheduled shredding service. These acquisition plans have been delayed as management has not secured the required financing due to the global market volatility, the current credit crisis, and the eroding economic environment in the United States. Management over the past nine months has identified numerous acquisition targets and has negotiated mutually acceptable terms with a number of these targets. However, the transactions that were under negotiation have been postponed or terminated as financing has not been secured. Given the current economic circumstances, that did not exist at the time of the purchase of Professional Shredding Corporation, management's previously stated goals relating to acquisitions and financing, and financial forecasts which it may have made based upon those acquisition assumptions, including those relating to system sales, number of corporate stores, shredding and recycling revenue, total revenue, direct costs, general and administrative expenses and EBITDA.

Management will continue to monitor the capital markets with a view to capitalizing on acquisition opportunities when equity and credit markets improve. Simultaneously, management will continue its franchising efforts in order to grow the location footprint in the United States, system sales and royalty and fee revenue. The Company will continue to work with its franchisees to assist them in improving their revenues and their operations, with the view to enhancing their profitability. The Company will also rationalize overheads in order to minimize cash outflows during this period.

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2008 Goals and Objectives	Performance to December 31, 2008	Comments/Revised Goals
Complete $42M of accretive acquisitions.	Completed qualifying transaction of PROSHRED in March 2008 for $5.3M.	As a result of global capital market volatility, management did not achieve the acquisition targets for fiscal year 2008. Management continues to pursue acquisition opportunities, but cannot provide guidance on the value of the acquisitions as a result of the uncertainty in the capital markets.
Acquire 3 to 6 corporate locations.	As at December 31, 2008 Redishred has acquired no new corporate locations.	As a result of global capital market volatility, management did not achieve the acquisition targets for fiscal year 2008. Management continues to pursue acquisition opportunities, but cannot provide guidance on the number of acquisitions as a result of the uncertainty in the capital markets.
Award 2 new franchise locations.	As at September 30, 2008 awarded 2 additional franchise regions, equating to 8.8 territories to existing franchisees (Long Island and Washington, DC).	On target.
System sales of $13.7M ($6.7M from acquired locations and $7M from franchise system).	During the twelve months of 2008, franchisee system sales were $7.3M*. Redishred had no acquired locations as at December 31, 2008. * *This includes system sales from March 17, 2008 to December 31, 2008.*	On target for franchise locations. System sales from acquired locations were not realized during the fiscal year as the company has been unable to secure the required financing to finalize acquisitions.
Increase same store sales by 46.1% year over year in the franchise system.	During the year ended December 31, 2008, same store sales in the franchise system grew by 89.7% over the same period in 2007.	Exceeded target by 43.6%.

Goals and Objectives for 2009

- Grow total system sales from existing franchisees by at least 11% versus fiscal 2008
- Establish between 4 and 6 new franchise locations (equates to 12 to 18 territories)
- Reduce selling, general and administrative costs by at least 10% versus fiscal 2008

A specific acquisition target has not been set for 2009. Management will continue to pursue accretive acquisitions and partnerships based on market and general economic conditions.

Selected Financial Data and Results of Operations

Prior to March 17, 2008, the Company was a Capital Pool Company and its operating mandate was to acquire an operating business in the document destruction industry. As a result, the Company's revenues were limited to interest income and its operating expenses were limited to legal and office expenses as well as stock based compensation.

Total Revenues

Total revenues for the 3 months ended December 31, 2008 were $ 217,552. Revenue for the 12 months ended December 31, 2008 was $975,979.

For the three months ended,	December 31, 2008	December 31, 2007
Franchise territory fees	$ 20,716	$ -
Royalty and service fees	196,838	-
	$ 217,554	$ -

For the twelve months ended,	December 31, 2008	December 31, 2007
Franchise territory fees	$ 378,113	$ -
Royalty and service fees	597,866	-
	$ 975,979	$ -

Currently, the Company derives revenues predominantly from royalties and service fees charged to franchisees, and from franchise fees that are generated when a franchise is awarded. Royalties and fees are all denominated in US dollars, and are translated at the average exchange rate for the period. The Company's revenue breakdown is as follows:

For the twelve month period ended,	*Canadian $* December 31, 2008	*US $* December 31, 2008
Average exchange rate		1.087
Franchise territory fees	$ 378,113	$ 347,781
Royalty and service fees	597,866	549,903
Total revenue	$ 975,979	$ 897,684

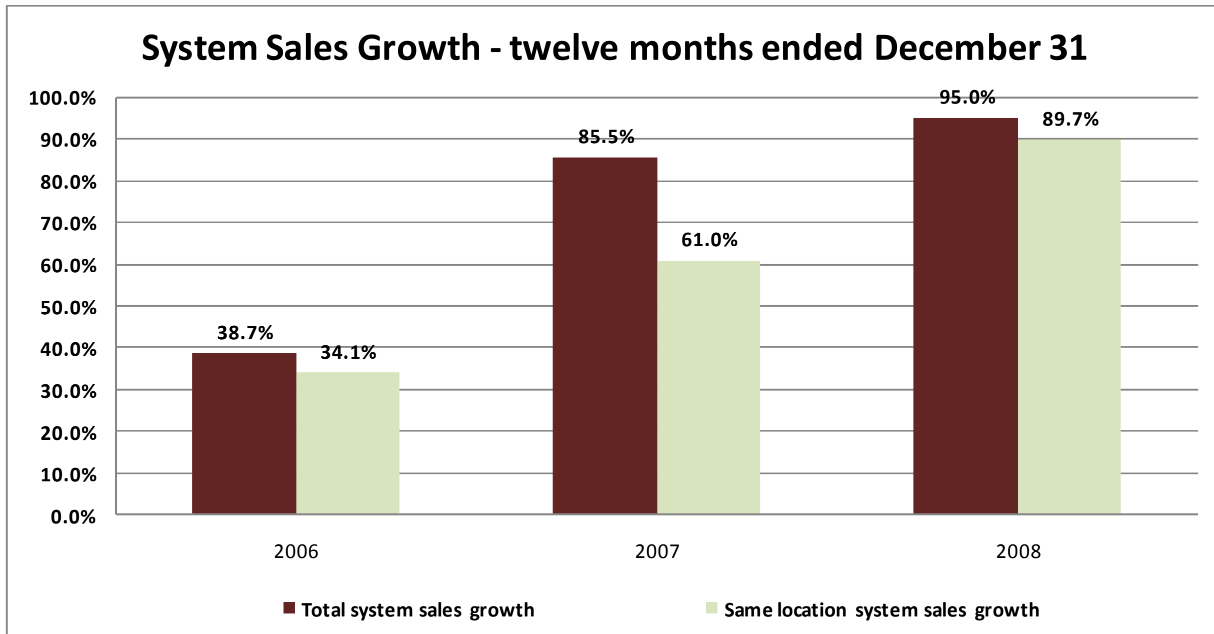
Franchisee sales are the key driver of royalty and service fee revenue. One franchise (Las Vegas) closed in the month of May and the outcome was negligible with regards to system sales from quarter to quarter. Franchisee sales (system sales) during the reported periods are as follows (system sales are reported and denominated in US Dollars):

Three month period ended,	December 31, 2008
Total operating locations at period-end	16 *(66.5 territories)*
Total system sales	$2,182,756 USD
Total system sales	$2,641,134 CDN

Twelve month period ended,	December 31, 2008
Total operating locations at period-end	16 *(66.5 territories)*
Total system sales (1)	$7,344,277 USD
Total system sales (1)	$7,983,229 CDN

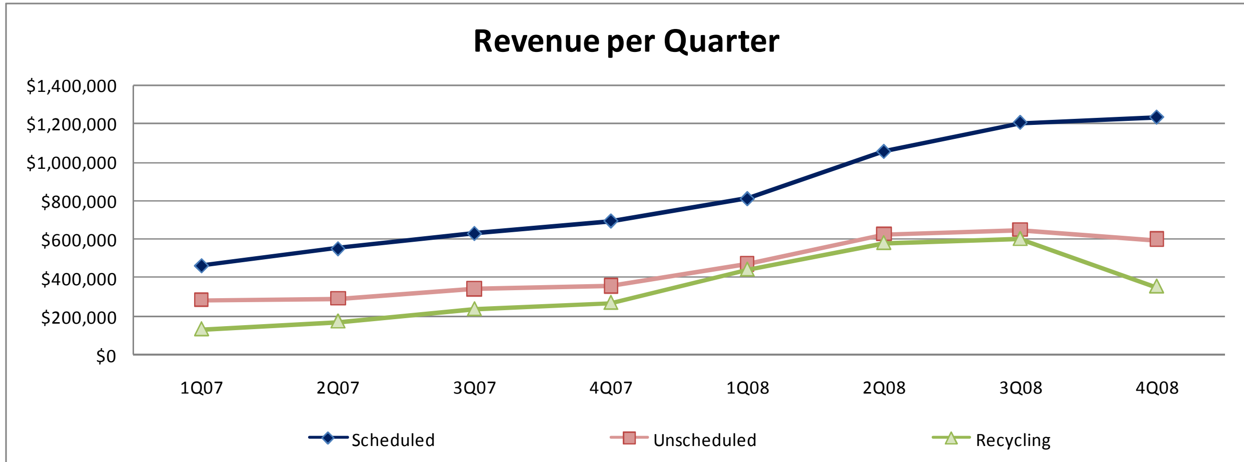
(1) System sales are shredding and destruction services revenue generated by franchised locations in operation from March 17, 2008 to September 30, 2008.

The system sales results above are compiled from March 17, 2008 to December 31, 2008. System sales data for prior years has been collected by PSC prior to the qualifying transaction. The following chart demonstrates system sales growth and same location system sales growth since calendar year 2006.



System Sales Quarter Over Quarter:

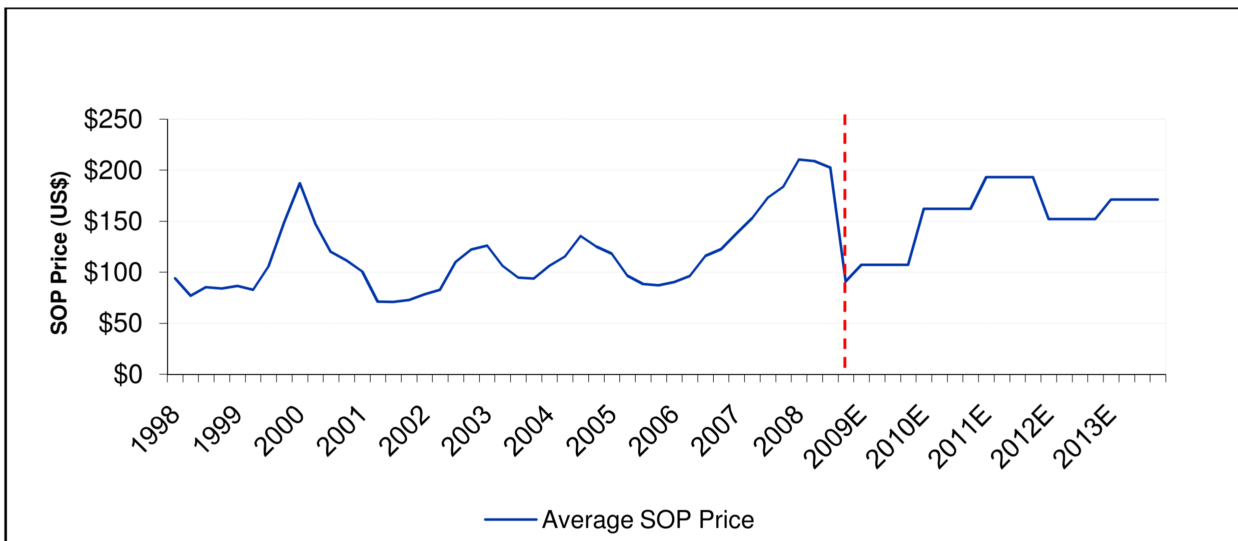
System sales are broken into three categories, scheduled, unscheduled and recycling. Scheduled sales are defined as the revenue generated from customers with regular service that may occur on a weekly, bi-weekly, or monthly basis. Unscheduled sales are defined as the revenue generated from customers who have one-time or seasonal requirements for document destruction. An example of unscheduled sales is when an accounting firm is required to destroy an abundance of confidential working papers and documents after their tax season. Recycling sales is defined as the revenue generated from the shredded paper that is sold to various recycling companies. The following chart demonstrates the last three years of system sales by category. All three categories saw a substantial increase from 2006 to 2008. During the fourth quarter, system sales continued to see strong growth at 59.2% over the same period in 2007, with all sales categories growing relative to 2007. One trend that may impact future system sales results is the reduction in recycled paper prices during the fourth quarter.



Paper Prices

The following chart depicts the historical and forecasted price of sorted office pack ("SOP") which is the most common form of shredded paper that the franchisees deliver to their respective recyclers. SOP is most often recycled into paper tissue.

The 10 year average price for SOP from January 1998 to January 2008 was $117 per ton. The 5 year average from January 2004 to December 2008 was $135 per ton. The 5 year forecasted average from January 2009 to January 2013 is being forecasted to increase to $157 per ton as international demand for this commodity increases.

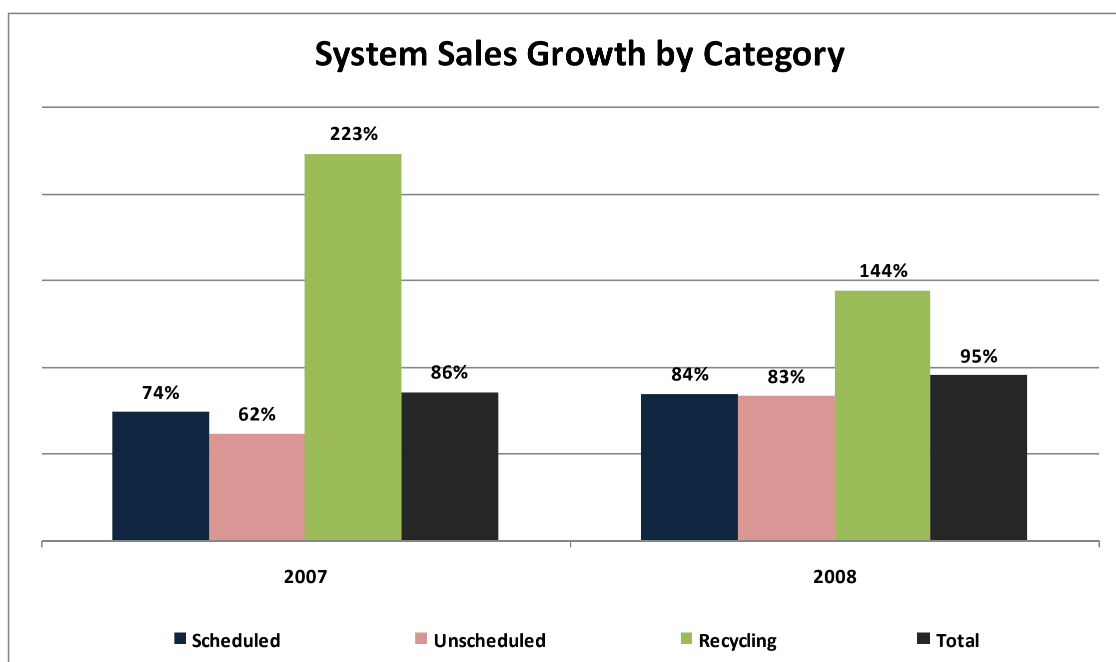


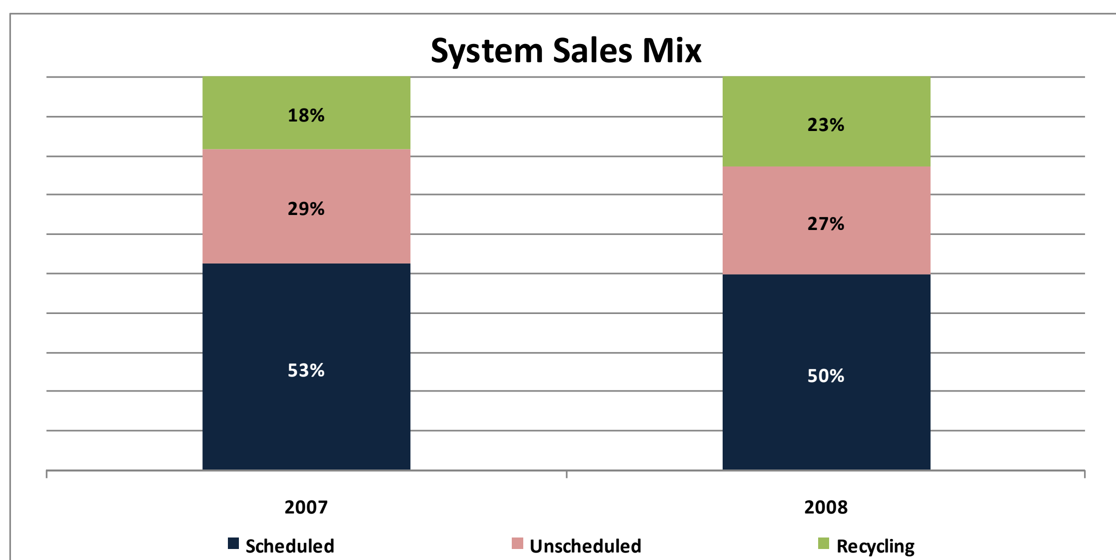
Source: RISI (Dec 24, 2008 forecast; historical prices up to January 31, 2009)

System sales mix analysis

As previously noted, system sales are broken into three categories, scheduled, unscheduled and recycling. In 2008, scheduled sales grew by 84% versus the previous calendar year; this is due to increased number of new locations, and also due to focused sales and marketing programs that are aimed at securing recurring service customers. Unscheduled sales in 2008 grew 83% over the previous calendar year as a result of new locations joining the system, and as a result of increasing legislation mandating that confidential documents be destroyed on a regular annual cycle. Recycling sales grew by 144% over the previous calendar year as a result of new locations joining the system and due to strong increases in paper prices.

The mix of revenue was as follows in 2008, 50% scheduled, 27% unscheduled and 23% recycling.





Operating Expenses

For the three months ended,	December 31, 2008	December 31, 2007
Salaries	$ 361,861	$ -
General, administrative and marketing	$ 495,310	$ 34,262
	$ 857,171	$ 34,262

For the twelve months ended,	December 31, 2008	December 31, 2007
Salaries	$ 852,149	$ 100,000
General, administrative and marketing	$ 976,797	$ 56,398
	$ 1,828,946	$ 156,398

Operating expenses for the three and twelve months ended December 31, 2008 include expenses to support the franchise network and to develop new markets by way of franchising or acquisition. Also included in Operating expenses are ongoing stock exchange listing and regulatory costs, professional services, occupancy costs and management salaries and benefits. For the three months ended December 31, 2008, the Company expensed $132,200 in non-refundable deposits relating to acquisition transactions that were not completed. An additional $30,567 in non-refundable deposits remained on the balance sheet as at December 31, 2008, and was subsequently expensed in the first quarter of 2009.

For the three months ended December 31, 2007, operating costs were minimal, as the Company was in the initial phases of its initial public offering nor did the Company have any operations.

Operating loss

The Company posted a larger than expected operating loss during the 3 months ended December 31, 2008. The loss was driven primarily from a lack of new franchise territories being awarded, and due to the expensing of non-refundable deposits relating to acquisition transactions that were not completed. The operating loss for the three and twelve months ended December 31, 2008 and 2007 was as follows:

For the three months ended,	December 31, 2008	December 31, 2007
Operating loss	$ 668,455	$ 20,753

For the twelve months ended,	December 31, 2008	December 31, 2007
Operating loss	$ 852,967	$ 156,398

Foreign currency

Foreign currency gain equated to $53,888. The gain resulted from the translation of a U.S. dollar intercompany receivable between PSC and its American subsidiary Proshred Franchising Corp. Since the U.S. dollar strengthened during the year, a foreign exchange gain was recorded when this receivable was re-valued at the year-end exchange rate.

Writedown of goodwill

Goodwill arose on the acquisition of PSC on March 17, 2008. The company completed its annual impairment testing of goodwill during the fourth quarter of 2008. The Company used a combination of valuation approaches including a market capitalization approach, a multiples approach and a discounted cash flow approach. The analysis indicated that the goodwill associated with the purchase of PSC was impaired. As a result, goodwill was written off in the amount of $300,386 during the year. The analysis did not show any impairment of other assets relating to the purchase of PSC.

Interest income

Interest income is derived from cash savings accounts held by the company and by way of finance income related to the financing of franchise fees.

For the three months ended,	December 31, 2008	December 31, 2007
Interest income	$ 10,592	$ 13,509

For the twelve months ended,	December 31, 2008	December 31, 2007
Interest income	$ 39,428	$ 18,783

Depreciation and Amortization

Depreciation and amortization during the three months and twelve months ended December 31, 2008 are attributed to the assets, software, and intangible assets purchased on March 17, 2008 and thereafter. Prior to March 17, 2008 the company owned no depreciable assets.

For the three months ended,	December 31, 2008	December 31, 2007
Depreciation and amortization	$ 145,933	$ -

For the twelve months ended,	December 31, 2008	December 31, 2007
Depreciation and amortization	$ 623,581	$ -

Income Tax

The Company booked on March 17, 2008 a future tax liability relating to the purchase of PSC and PFC. In addition as at March 31, 2008 the Company booked a future income tax recovery relating to an adjustment to the purchase price of Professional Shredding Corporation. During the three months ended December 31, 2008 the Company booked a future income tax recovery of $193,000 mainly related to the reversal of timing differences related to the future tax liability that was recorded upon the acquisition of PSC. In addition the company booked $5,000 in tax expense relating to its US subsidiary, Proshred Franchising Corp, which is in a taxable position relating to the collection of royalty and franchise fees. The Company is not currently cash taxable with the exception of its subsidiary located in the United States.

Net Loss

For the three months ended,	December 31, 2008	December 31, 2007
Net loss	$ 897,251	$ 20,753

For the twelve months ended,	December 31, 2008	December 31, 2007
Net loss	$ 1,495,618	$ 137,615

Summary of Quarterly Results

Prior to March 17, 2008, the Company was a CPC and its operating mandate was to acquire an operating business in the document destruction industry. As a result, the Company's revenues were limited to interest income and its operating expenses were limited to legal and office expenses as well as stock based compensation.

As previously noted, on March 17, 2008 the Company purchased PSC which owned the intellectual property associated with the brand name Proshred and assumed the franchise agreements for 17 franchisees that were operating in the United States. As of March 17, 2008 the Company's new revenue sources included (1) royalties and service fees relating to the use of the systems and brand Proshred and (2) franchise fees relating to the award of new territories to new or existing franchisees.

The Company's royalty revenue and fee stream is not highly seasonal as the shredding services provided by franchisees tend to be recurring in nature. The Company's franchise fee revenue is seasonal, as franchising activity is strongest in the first and third quarters.

	2008				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	$	$	$	$	$	$	$	$
Franchise territory fees	20,716	324,093	31,437	1,867	-	-	-	-
Royalty and service fees	196,838	196,467	169,861	34,700	-	-	-	-
Total revenue	217,554	520,560	201,298	36,567	-	-	-	-
Interest income	10,591	7,344	10,533	10,960	13,509	5,274	-	-
Operating income (loss)	(668,455)	67,266	(188,169)	(63,609)	(20,753)	(102,781)	(11,795)	(1,198)
Basic and diluted operating income (loss) per share	(.03)	.01	(.01)	(.01)	(.00)	(.01)	(.01)	(1,198)
Net income (loss)	(897,251)	(217,742)	(372,857)	(7,768)	(20,753)	(102,781)	(11,795)	(1,198)
Basic and diluted net income (loss) per share	(.04)	(.01)	(.02)	(.00)	(.00)	(.01)	(.01)	(1,198)

In the fourth quarter, royalty and service fee revenue decreased slightly in U.S. dollars, versus the third quarter, as system sales in our franchised locations felt the impacts of the current poor economic conditions and the significant decrease in paper prices. The impact of the slight drop in royalty and fee revenue was offset by a weaker Canadian dollar, resulting in royalty and fee revenues remaining stable versus the third quarter. Operating costs increased in the fourth quarter driven by increased legal costs relating to acquisition opportunities that were being re-negotiated and/or terminated, and due to the expensing of non-refundable deposits relating to acquisition transactions that were not completed. In the fourth quarter the Company wrote down its goodwill balance to nil, expensing $300,386.

During the third quarter, the Company awarded 8.8 franchise territories to existing franchisees in the New York and Washington, DC markets and renewed one existing franchise agreement. Furthermore, royalties continue to increase as system sales in our franchised locations continue to grow versus the second quarter of this year and versus prior year results. Operating costs increased in the third quarter versus the second quarter and were driven by increased legal costs relating to acquisitions that were postponed and a onetime broker commission relating to the award of 3 territories in the Washington, DC market. Operating income in the third quarter, as a result of the franchising activity, was $67,266 versus a loss in the second quarter.

During the second quarter, the Las Vegas franchisee closed operations and paid a one-time termination fee of $25,000 that is included in the franchise fees. The Las Vegas franchisee was unable to obtain ongoing financing due to the deteriorating real estate market in the Las Vegas market and due to the credit crisis in the United States. The impacts of this closure were immaterial to system sales and royalties as the business was in its early formative stages.

During the first quarter, the franchise system had $452,936 in system sales; as a result, the Company earned $34,700 in royalty and service fees from March 17, 2008 to March 31, 2008 and incurred operating costs relating to salaries, rents and marketing for the same period.

Balance Sheet

	December 31, 2008	December 31, 2007
Working capital	$ 1,583,499	$ 1,327,821
Total assets	$ 8,095,233	$ 1,461,958
Total liabilities	$ 1,390,638	$ 134,137

On March 17, 2008, the Company completed its private placement by issuing 9,615,383 common shares with gross proceeds of $5,000,002. Simultaneously, the Company also completed the acquisition of PSC. As a result of the acquisition of PSC, the company assumed the following assets and liabilities of PSC:

	Estimated fair value $
Assets acquired:	
Accounts receivable	16,174
Prepaid expenses and sundry	7,978
Notes receivable from franchisees	229,723
Equipment	30,000
Software	426,000
Customer List	100,000
Goodwill	300,386
Proshred System	978,000
Trademarks and intellectual	1,672,500
Franchise Agreements	2,742,000
Total assets acquired	6,502,761
Liabilities assumed:	
Accounts payable and accrued liabilities	(40,994)
Income taxes payable	(78,387)
Future tax liability	(940,000)
Total liabilities assumed	(1,059,381)
Net assets acquired	**5,443,380**

During the 12 months ended December 31, 2008, the Company purchased $101,410 in furniture, fixtures and computer equipment relating to its office move to its new location at 6790 Century Avenue, Suite 200, Mississauga, Ontario, L5N 2V8.

Financial Condition / Capital Resources

On March 17, 2008, the Company completed a private placement by issuing 9,615,383 common shares with gross proceeds of $5,000,002. Simultaneously, the Company also completed the acquisition of PSC as a cost of $3,600,000 in cash and by issuing a further 3,269,231 common shares valued at $1,700,000 to the Vendor.

As of December 31, 2008, the Company has working capital of $1,583,499.

The Company has not achieved breakeven levels of royalty and fee revenue from its franchise system. The Company will continue to award new franchise locations, and it is estimated that it will be necessary to award 10 new franchise locations over the next 24 months in order to achieve a breakeven level of cash flows from its franchise business.

The Company will continue to identify and evaluate other shredding businesses or related assets with a view to acquiring such businesses or assets that are accretive to the cash flows of the Company. In order to complete these acquisitions, the Company will be required to seek additional financing. The Company will also evaluate other potential partnership opportunities aimed at increasing location footprint and system sales.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Significant Accounting Policies

Changes in accounting policies and new accounting pronouncements

Effective January 1, 2008, the Company has adopted the following sections of the Canadian Institute of Chartered Accountants (CICA) Handbook:

Section 1400 – General Standards of Financial Statement Presentation

This Section provides revised guidance related to management's responsibility to assess and disclose the ability of an entity to continue as a going concern. The implementation of this Section did not affect the general results of the Company.

Section 1535 - Capital Disclosures

This new standard requires disclosure of the Company's objectives, policies and processes for managing capital; quantitative data about what the Company regards as capital; whether the Company has complied with any capital requirements; and if the Company has not complied, the consequences of such non-compliance. The new accounting standard covers disclosure only and had no effect on the financial results of the Company (see note 13).

Section 3862 - Financial Instruments – Disclosure and Section 3863 - Financial Instruments – Presentation

These new standards replace accounting standard 3861 Financial Instruments – Disclosure and Presentation. Presentation requirements have not changed. Enhanced disclosure is required to assist users of the financial statements in evaluating the significance of the financial instruments on the Company's financial position and performance, including qualitative and quantitative information about the Company's exposure to risks arising from financial instruments. The new accounting standards cover disclosure only and had no effect on the financial results of the Company (see note 12).

Recent accounting pronouncements issued and not yet adopted

Section 3064 – Goodwill and Intangible Assets

This Section replaces Section 3062 – Goodwill and Other Intangible Assets; and Section 3450 – Research and Development Costs. This new Section establishes standards for the recognition, measurement and disclosure of goodwill and other intangible assets. The Company is currently evaluating the impact of this Section on its consolidated financial statements and will begin application of this standard effective January 1, 2009.

Section 1601 – Consolidated Financial Statements

This Section replaces the former Section 1600 – Consolidated Financial Statements. The Company is currently evaluating the impact of this development on its consolidated financial statements and will begin application of this standard effective January 1, 2011.

International financial reporting standards (IFRS)

The Canadian Accounting Standards Board recently ratified a strategic plan that will see Canadian GAAP converged with, and replaced by, International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Further, the Company anticipates a significant increase in disclosures resulting from the adoption of IFRS and is continuing to assess the level of disclosures required and any necessary system changes to gather and process information.

Basis of presentation

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP). The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Professional Shredding Corporation (“PSC”) and Proshred Franchising Corp. (“PFC”). All transactions between the Company and its subsidiaries have been eliminated.

Use of accounting estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumption that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Estimates include, but are not limited to, the following:

i) Economic useful life of proprietary software system for purposes of calculating depreciation

ii) The allocation of the Proshred acquisition purchase prices entails various estimates to determine the fair values of, and allocation of purchase prices to, the tangible and intangible assets and liabilities acquired.

Actual results could differ from those estimates.

Cash

As at December 31, 2008 and 2007, the Company's cash balances were held in bank accounts, which the Company has full access to, and do not include any instruments related to asset-backed securities or commercial paper programs.

Revenue recognition

The Company earns revenue from initial franchise fees paid by franchisees to secure territories for a specific period and from royalties and service fees paid by franchisees as a percentage of their monthly sales volumes. Initial franchise fees are recognized as revenue when the franchisee has paid the initial franchise fee and has fully executed a franchise agreement and has been provided the prescribed training. Royalties and services fees revenue is accrued on a monthly based on sales reported by franchisees. Interest income on notes receivable is recognized in the month earned.

Income taxes

The Company uses the liability method of accounting for income taxes. Under the liability method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using substantially enacted tax rates expected to be in effect for the year in which the differences are expected to reverse. Changes in future income tax rates assets and liabilities as a result of changes to the subsidiary enacted tax rates are included in income tax recovery (expense) in the period that the substantive enactment or enactment occurs. Future income tax assets are evaluated and if realization is not considered more likely than not, a valuation allowance is provided.

Stock-based compensation

The Company accounts for stock options issued under its stock option plan using the fair value method. Under this method, compensation expense is measured at fair value at the grant date using the Black-Scholes option pricing model and is recognized over the vesting period. Option pricing models require the input of highly subjective assumptions including the expected volatility. Changes in the assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

Foreign Currency Translation

The Company's subsidiaries operate autonomously as self-sustaining companies. The functional currency of the Company's foreign subsidiary, Proshred Franchising Corp., is the U.S. dollar. Assets and liabilities of this subsidiary are translated into Canadian dollars at exchange rates at the balance sheet date. Income and expense items are translated at average exchange rates for the period. Cumulative translation adjustments are included as a component of accumulated other comprehensive income in shareholders' equity.

Foreign currency exchange gains or losses, derived from monetary assets and liabilities denominated in currencies other than the functional currency, are translated into the functional currency at the exchange rate in effect at the balance sheet date, with the resulting foreign currency gains or losses included in the determination of the income for the year.

As investments in self-sustaining subsidiaries are excluded from the financial instrument disclosure, the Company's exposure on financial instruments to the Canadian/U.S. dollar foreign currency exchange rate is primarily at the parent company. The parent has no significant financial instruments subject to foreign currency risk.

Capital assets and amortization

Equipment is carried at cost. Amortization is provided for over the estimated useful lives, using the following annual rates and methods:

Computer equipment	over two years, straight-line basis
Computer software	over three years, straight-line basis
Furniture and fixtures	over three years, straight-line basis

Intangible assets

Intangible assets are recorded at their fair value at the date of acquisition of the related subsidiary. Amortization is provided for intangible assets with limited lives on a straight-line basis over their estimated useful lives of ten years.

Impairment of Long-Lived Assets

Long-lived assets, including equipment and other intangible assets are reviewed for impairment when events or circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment losses are recognized when the carrying value of the asset is greater than the future undiscounted cash flows expected to be provided by the asset. The amount of impairment loss, if any, which is the excess of net carrying value over fair value, is charged to income for the period.

Goodwill

Goodwill represents the excess of the purchase price of an acquired business over the net amount of the fair values assigned to its assets and liabilities and is not subject to amortization. The Company evaluates the carrying value of goodwill for potential impairment through an annual review and analysis of fair market value. Goodwill is also evaluated for potential impairment between annual tests if an event or circumstances occur that more likely than not reduces the fair value of a business below its carrying values. Fair market value is determined by use of net present value financial models, which incorporate management's assumptions of future profitability.

Loss per share

Basic loss per share is computed by dividing net earnings by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is calculated based on the weighted average number of common shares outstanding during the period, plus the effect of dilutive common share equivalents such as options and warrants. The diluted per share amounts are calculated using the treasury stock method, as if all the common share equivalents where average market prices exceeds issue price and had been exercised at the beginning of the reporting period, or the period of issue, as the case may be, and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of the common shares during the period. Since the Company has losses, the exercise of outstanding stock options has not been included in the calculation of diluted loss per share as it would be anti-dilutive.

Financial instruments

i) Financial instruments – recognition and measurement

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.

The Company has implemented the following classifications:

- Cash is classified as “Financial Assets Held for Trading”. These financial assets are marked-to market through net income at each period end.
- Accounts receivable and notes receivable from franchisees are classified as “Loans and Receivables”. After their initial fair value measurement, they are measured at amortized cost using the effective interest method.
- Accounts payable and accrued liabilities are classified as “Other Financial Liabilities”. After their initial fair value measurement, they are measured at amortized cost using the effective interest method.

ii) Comprehensive income

Under Section 1530, comprehensive income is comprised of net earnings and other comprehensive income (OCI) which generally would include unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currently translation adjustments net of hedging arising from self-sustaining foreign operations, and changes in the fair value of the effective portion of cash flow hedging instruments. Accumulated other comprehensive income is presented as a category of shareholders' equity.

Changes in Accounting Polices

The Company adopted new accounting policies as previously noted.

Transactions with Related Parties

Mr. Mark MacMillan, a director of Redishred Capital Corporation, is the owner of the Tampa Bay, FL Proshred franchise via his 100% ownership of ShredPro US Ltd. ShredPro US Ltd. has owned the franchise since April 2004. ShredPro US Ltd. pays royalties and other fees in accordance with its franchise agreements at terms that are consistent with other franchisees in the system. For the 12 months ended December 31, 2008 ShredPro US Ltd has paid $45,916 in royalties and other service fees.

Mr. Phillip Gaunce, a director of Redishred Capital Corporation, is the owner of Alfred J. Bell & Grant Ltd., and insurance brokerage firm. Redishred Capital Corporation and its subsidiary Professional Shredding Corporation procures Directors & Officers Insurance and Office, Liability Insurance through Mr. Gaunce's firm. For the 12 months ended December 31, 2008, the Company had total premiums of $14,679 for the previously mentioned insurance coverage. The terms of the insurance coverage and the premium paid are consistent with other third party alternatives.

Risks and Uncertainties

The Company's financial performance is likely to be subject to the following risks:

Competition

The Company competes with numerous owners and operators in the document destruction business, some of which own or may in the future own, businesses that compete directly with the Company and some of which may have greater resources. Direct competitors to the Company include Iron Mountain Incorporated, Recall, Shred-It America, Inc., Cintas, Brinks and other small, independent mobile shredding businesses.

Negative Near-Term Cash Flow

The Company is still in its early stage of development and has not yet reached the size and scale to generate sufficient royalty and fee revenues to produce a positive cash flow from its franchise system. Accordingly, the Company may require additional capital to operate and grow in the near term so as to reach this necessary critical mass. Additionally, the Company will continue to identify and evaluate other shredding businesses or related assets with a view to acquiring such businesses or assets that are accretive to the cash flows of the Company. In order to complete these acquisitions, the Company will be required to seek additional financing.

Franchising Strategy

The Company's business strategy involves the establishment of new Franchises. The Company may not be successful in establishing new Franchises and the failure to do so will slow the Company's growth. Furthermore, even if the Company were successful in establishing new Franchises, these new Franchises may fail to perform as expected and management of the Company may underestimate the difficulties, costs, management time and financial and other resources associated with terminating these Franchises or ensuring their continued operation. If the new Franchises fail to perform as expected or incur significant increases in projected costs, the Company's revenues could be lower, and its operating expenses higher, than expected.

Acquisition Strategy

The Company's business strategy involves expansion through acquisitions and business development projects. These activities require the Company to identify acquisition or development candidates or investment opportunities that meet its criteria and are compatible with its growth strategy. The Company may not be successful in identifying document destruction businesses that meet its acquisition or development criteria or in completing acquisitions, developments or investments on satisfactory terms. Failure to complete acquisitions or developments will slow the Company's growth. The Company could also face significant competition for acquisitions and development opportunities. Some of the Company's competitors have greater financial resources than the Company and, accordingly, have a greater ability to borrow funds to acquire businesses. These competitors may also be willing and/or able to accept more risk than the Company can prudently manage, including risks with respect to the geographic concentration of investments and the payment of higher prices. This competition for investments may reduce the number of suitable investment opportunities available to the Company, may increase acquisition costs and may reduce demand for document destruction services in certain areas where the Company's business is located and, as a result, may adversely affect the Company's operating results.

In addition, even if the Company were successful in identifying suitable acquisitions or development projects, newly acquired businesses may fail to perform as expected and management of the Company may underestimate the difficulties, costs, management time and financial and other resources associated with the integration of the acquired businesses. In addition, any business expansions the Company undertakes is subject to a number of risks, including, but not limited to, having sufficient ability to raise capital to fund acquisitions, and having sufficient human resources to convert, integrate and operate the acquired businesses. If any of these problems occur, expansion costs for a project will increase, and there may be significant costs incurred for projects that are not completed. In deciding whether to acquire or expand a particular business, the Company will make certain assumptions regarding the expected future performance of that business. If the Company's acquisition or expansion businesses fail to perform as expected or incur significant increases in projected costs, the Company's revenues could be lower, and its operating expenses higher, than expected.

Currency Fluctuations

The Company's principal executive office is in Canada, all the directors and officers of the Company are Canadian and many significant expenses of the Company will be in Canadian dollars, while revenues will be measured in US dollars or other currency. Accordingly, the financial results of the Company will be impacted by fluctuations in currencies and rates.

Expansion to New Markets

It is the plan of management to continue expanding the Proshred Franchise Business in the United States, including into areas where customers are unfamiliar with the Proshred brand. The Company will need to build brand awareness in those markets through greater investments in advertising and promotional activity than in existing markets, and those activities may not promote the Proshred brand as effectively as intended, if at all. Many of the United States markets into which management intends to expand will have competitive conditions, consumer tastes and discretionary spending patterns that differ from existing markets. Franchises in those markets may have lower sales and may have higher operating or other costs than existing Franchises. Sales and profits at Franchises opened in new markets may take longer to reach expected levels or may never do so.

Litigation

The Company may become subject to disputes with employees, customers, commercial parties with whom it maintains relationships or other parties with whom it does business. Any such dispute could result in litigation between the Company and the other parties. Whether or not any dispute actually proceeds to litigation, the Company may be required to devote significant resources, including management time and attention, to its successful resolution (through litigation, settlement or otherwise), which would detract from management's ability to focus on the Company's business. Any such resolution could involve the payment of damages or expenses by the Company, which may be significant. In addition, any such resolution could involve the Company's agreement to certain settlement terms that restrict the operation of its business.

Investor Relations Activities

The Company does not have any investor relations arrangements.

Share Data

The Company's authorized share capital is unlimited common shares without par value. As at March 31, 2008 and as at the date hereof, there were 22,884,614 issued and outstanding common shares.

On March 17, 2008, the Corporation issued options to acquire 380,000 common shares of the Corporation at a price of $0.52 per share. The 380,000 options will expire March 17, 2013 and vest 25% per year commencing on March 17, 2009. In addition, on March 17, 2008, the Corporation issued options to acquire 335,849 common shares of the Corporation at a price of $0.52 per share. The 335,849 options will expire March 17, 2010 and were fully vested upon granting.

On May 26, 2008, the Corporation issued options to acquire 10,000 common shares of the Corporation at a price of $0.52 per share. The 10,000 options will expire May 26, 2013 and vest 25% per year commencing on May 26, 2009.

On August 21, 2008, the Corporation issued options to acquire 80,000 common shares of the Corporation at a price of $0.52 per share. The 80,000 options will expire August 21, 2013 and vest 25% per year commencing on August 21, 2009.

No options were exercised or forfeited during the year.

As of December 31, 2008, the Corporation had outstanding 22,884,614 common shares, and 2,050,849 options to acquire common shares.