



Consolidated Financial Statements
September 30, 2009
(Unaudited – Prepared by Management)

November 27, 2009

In accordance with National Instrument 51-102, released by the Canadian Securities Administrators, the Corporation discloses that its auditors have not reviewed the unaudited financial statements for the period ended September 30, 2009.

RediShred Capital Corp.

Consolidated Balance Sheets

As at September 30, 2009 and December 31, 2008

(Unaudited – Prepared by Management)

	September 30, 2009	December 31, 2008
Assets		
Current Assets		
Cash	\$ 385,781	\$ 1,653,604
Accounts receivable	344,959	156,455
Prepaid expenses and deferred charges	22,028	74,293
Deposits and other assets	-	66,707
Notes receivable from franchisees (note 4)	24,886	99,078
	<u>777,653</u>	<u>2,050,137</u>
Notes receivable from franchisees (note 4)	196,595	131,505
Equipment (note 5)	254,669	403,682
Intangible assets (note 6)	4,774,048	5,509,909
	<u>6,002,965</u>	<u>8,095,233</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	276,644	376,666
Income taxes payable	7,745	89,972
	<u>284,389</u>	<u>466,638</u>
Future income tax liability	763,207	924,000
	<u>1,047,595</u>	<u>1,390,638</u>
Shareholders' Equity (Deficiency)		
Capital Stock (note 7)	7,650,565	7,650,565
Contributed surplus	205,096	189,400
Accumulated other comprehensive income	204,307	503,873
Deficit	(3,104,599)	(1,639,243)
	<u>4,955,369</u>	<u>6,704,595</u>
	<u>\$ 6,002,965</u>	<u>\$ 8,095,233</u>
Commitments and contingency (note 8)		

RediShred Capital Corp.

Consolidated Statements of Operations (Unaudited – Prepared by Management)

	<i>For the 3 months ended September 30</i>		<i>For the 9 months ended September 30</i>	
	2009	2008	2009	2008
Revenue				
Franchise territory fees	\$ 121,569	\$ 324,093	\$ 143,321	\$ 357,397
Royalty and service fees	208,857	196,467	612,739	401,029
	330,426	520,560	756,061	758,426
Operating Expenses				
Salaries	\$ 248,856	238,322	830,512	490,288
General, administrative and marketing	199,199	222,316	857,440	481,487
	448,055	460,637	1,687,952	971,774
Operating loss before the following	(117,629)	59,923	(931,891)	(213,348)
Depreciation and amortization	(165,915)	(210,738)	(560,468)	(477,648)
Unrealized foreign currency gain (loss)	(30,640)		(24,842)	
Interest income	1,702	7,344	10,656	28,836
Loss before income tax	(312,482)	(143,472)	(1,506,545)	(662,160)
Income tax expense (recovery)	3,508	74,270	(41,189)	(63,793)
Net loss for the period	\$ (315,990)	\$ (217,742)	\$ (1,465,356)	\$ (598,367)
Loss per share - Basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.06)	\$ (0.03)
Weighted average number of common shares outstanding	22,884,614	22,884,614	22,884,614	19,263,757

RediShred Capital Corp.

Consolidated Statements of Comprehensive Loss

(Unaudited – Prepared by Management)

	<i>For the 3 months ended September 30</i>		<i>For the 9 months ended September 30</i>	
	2009	2008	2009	2008
Net loss for the period	\$ (315,990)	\$ (217,742)	\$ (1,465,356)	\$ (598,367)
Foreign currency translation gain (loss)	(161,724)	-	(299,566)	-
Comprehensive loss	\$ (477,714)	\$ (217,742)	\$ (1,764,922)	\$ (598,367)

RediShred Capital Corp.

Consolidated Statements of Shareholders' Equity and Accumulated Other Comprehensive Income (Unaudited – Prepared by Management)

	Capital stock \$ (note 8)	Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Total shareholders' equity \$
Balance - December 31, 2008	7,650,565	189,400	503,873	(1,639,243)	6,704,595
Net loss	-	-	-	(397,726)	(397,726)
Other comprehensive income:					
Foreign currency translation gain (loss)	-	-	60,074	-	60,074
Comprehensive loss	-	-	-	-	(337,652)
Stock-based compensation	-	10,657	-	-	10,657
Balance - March 31, 2009	7,650,565	200,057	563,947	(2,036,969)	6,377,601
Net loss				(751,641)	(751,641)
Other comprehensive income:					
Foreign currency translation gain (loss)			(197,916)		(197,916)
Comprehensive loss					(949,557)
Stock-based compensation	-	7,399			7,399
Balance - June 30, 2009	7,650,565	207,456	366,031	(2,788,609)	5,435,443
Net loss				(315,990)	(315,990)
Other comprehensive income:					
Foreign currency translation gain (loss)			(161,724)		(161,724)
Comprehensive loss					(477,714)
Stock-based compensation	-	(2,360)			(2,360)
Balance - September 30, 2009	7,650,565	205,096	204,307	(3,104,599)	4,955,369

RediShred Capital Corp.

Consolidated Statements of Shareholders' Equity and Accumulated Other Comprehensive Income (continued) (Unaudited – Prepared by Management)

	Capital stock \$ (note 8)	Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Total shareholders' equity \$
Balance - December 31, 2007	1,354,446	117,000	-	(143,625)	1,327,821
Net loss				(7,768)	(7,768)
Issue of shares (net of costs)	6,296,119				6,296,119
Balance - March 31, 2008	7,650,565	117,000	-	(151,393)	7,616,172
Net loss				(372,857)	(372,857)
Balance - June 30, 2008	7,650,565	117,000	-	(524,250)	7,243,315
Net loss				(217,742)	(217,742)
Balance - September 30, 2008	7,650,565	117,000	-	(741,992)	7,025,573
Net loss	-	-	-	(897,251)	(897,251)
Other comprehensive income:					
Foreign currency translation gain (loss)	-	-	503,873	-	503,873
Comprehensive loss					(393,378)
Issue of shares (net of costs)	-	-	-	-	-
Stock-based compensation	-	72,400	-	-	72,400
Balance - December 31, 2008	7,650,565	189,400	503,873	(1,639,243)	6,704,595

RediShred Capital Corp.

Statements of Cash Flows

(Unaudited – Prepared by Management)

	<i>For the 3 months ended September 30</i>		<i>For the 9 months ended September 30</i>	
	2009	2008	2009	2008
Cash provided by (used in)				
Operating activities				
Net loss for the periods	\$ (315,990)	\$ (217,742)	(1,465,356)	\$ (598,367)
Add Items not affecting cash				
Depreciation and amortization	165,915	210,738	560,468	477,648
Unrealized foreign currency loss (gain)	30,640	-	24,842	-
Stock-based compensation	(2,360)	-	15,696	-
	(121,795)	(7,004)	(864,351)	(120,719)
Net change in non-cash working capital balances related to operations				
Decrease (increase) in accounts receivable	(158,100)	(153,930)	(188,504)	(274,858)
Decrease (increase) in prepaid expenses and deferred charges	7,416	(82,240)	52,265	(52,049)
Decrease (increase) in deposits	16,823	(67,623)	66,707	(118,298)
Decrease (increase) in notes receivable from franchisees	8,531	80,727	9,102	100,283
Increase (decrease) in accounts payable and accrued liabilities	(103,371)	298,578	(182,249)	312,315
Increase (decrease) in future income tax liability liabilities	(64,876)	(24,979)	(160,793)	(280,779)
	(415,373)	43,528	(1,267,823)	(434,105)
Financing activities				
Net cash proceeds from issuance of common shares	-	-	-	4,756,819
Investing Activities				
Cash paid on acquisition of subsidiary, net of cash acquired	-	-	-	(3,643,380)
Purchase of capital assets		(114,526)		(116,550)
Effect of foreign exchange rate changes on cash	(26,951)	-	(96,734)	-
Net change in cash for the period	(388,422)	(70,998)	(1,171,089)	562,784
Cash - Beginning of period	801,154	1,996,034	1,653,604	1,362,252
Cash - End of period	\$ 385,781	\$ 1,925,036	\$ 385,781	\$ 1,925,036

RediShred Capital Corp.

Notes to Consolidated Financial Statements
(Unaudited – Prepared by Management)

1 Nature of operations

RediShred Capital Corp. (the “Company”) was incorporated under the Canada Business Corporations Act on October 18, 2006. The Company’s common shares were listed for trading on the TSX Venture Exchange on September 5, 2007 as a Capital Pool Company. The Company’s business until March 17, 2008, was the identification and evaluation of shredding businesses that could qualify as a Qualifying Transaction under TSX Venture Exchange policies. On March 17, 2008, the Company acquired the shares of Professional Shredding Corporation, which directly and indirectly carries on the business of granting and managing shredding business franchises under the “Proshred” trademark. The acquisition served as the Company’s “Qualifying Transaction” pursuant to the policies of the TSX Venture Exchange and was approved by the TSX Venture Exchange.

2 Significant accounting policies

Changes in accounting policies and new accounting pronouncements

Effective January 1, 2009, the Company has adopted the following sections of the Canadian Institute of Chartered Accountants (CICA) Handbook:

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. This new standard is effective for the Company’s interim and annual financial statements commencing January 1, 2009. The adoption of this section did not have an impact on the Company’s financial results.

EIC-173, Credit Risk and the Fair value of Financial Assets and Financial Liabilities

On January 20, 2009 the Emerging Issues Committee (“EIC”) issued a new abstract EIC 173 “Credit risk and the fair value of financial assets and financial liabilities”. This abstract concludes that an entity’s own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities, including derivative instruments. This abstract is to apply to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this abstract did not impact the Company’s financial statements.

RediShred Capital Corp.

Notes to Consolidated Financial Statements
(Unaudited – Prepared by Management)

2 Significant accounting policies (continued)

Recent accounting pronouncements issued and not yet adopted

Business Combinations

In January 2009, the CICA issued CICA Handbook Section 1582, Business Combinations, Section 1601, Consolidations, and Section 1602, Non-controlling Interests. These sections replace the former CICA Handbook Section 1581, Business Combinations and Section 1600, Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary. Section 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections

International financial reporting standards (IFRS)

The Canadian Accounting Standards Board recently ratified a strategic plan that will see Canadian generally accepted accounting principles (“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

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with the requirements of Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1751, “Interim Financial Statements”. Accordingly, certain information and note disclosure normally included in annual financial statements prepared in accordance with Canadian GAAP have been omitted or condensed. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2008.

RediShred Capital Corp.

Notes to Consolidated Financial Statements
(Unaudited – Prepared by Management)

2 Significant accounting policies (continued)

In the opinion of management, these unaudited interim consolidated financial statements include all adjustments considered necessary by management to present a fair statement of the results of operations, financial position and cash flows. Except as otherwise indicated hereunder, these unaudited interim consolidated financial statements have been prepared using the same policies and methods of computation as the annual consolidated financial statements of the Company for the year ended December 31, 2008.

These consolidated financial statements are prepared in accordance with 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 assumptions 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:

- Economic useful life of proprietary software system for purposes of calculating depreciation.
- 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 September 30, 2009 and 2008, 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 monthly based on sales reported by franchisees. Interest income on notes receivable is recognized in the month earned.

RediShred Capital Corp.

Notes to Consolidated Financial Statements (Unaudited – Prepared by Management)

2 Significant accounting policies (continued)

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 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 US 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/US dollar foreign currency exchange rate is primarily at the parent company. The parent has no significant financial instruments subject to foreign currency risk.

RediShred Capital Corp.

Notes to Consolidated Financial Statements
(Unaudited – Prepared by Management)

2 Significant accounting policies (continued)

Equipment 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.

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 price 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.

RediShred Capital Corp.

Notes to Consolidated Financial Statements
(Unaudited – Prepared by Management)

2 Significant accounting policies (continued)

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 OCI is presented as a category of shareholders’ equity.

RediShred Capital Corp.

Notes to Consolidated Financial Statements
(Unaudited – Prepared by Management)

3 Acquisition of Professional Shredding Corporation

On March 17, 2008, the Company completed the purchase of Professional Shredding Corporation by acquiring all of the outstanding shares. The purchase consideration of \$5,443,380 is inclusive of cash consideration paid to the vendor of \$3,600,000, common share consideration (3,269,231 in common shares issued to the vendor valued at \$1,700,000) and \$143,380 in acquisition costs.

The purchase price has been allocated, to the assets acquired (including all identifiable intangible assets arising from the purchase) and liabilities assumed based on their estimated fair value at the date of acquisition as follows:

	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 property	1,672,500
Franchise agreements	2,742,000
	<hr/>
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)
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Total liabilities assumed	(1,059,381)
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Net assets acquired	5,443,380

RediShred Capital Corp.

Notes to Consolidated Financial Statements
(Unaudited – Prepared by Management)

4 Notes receivable from franchisees

Notes receivable arise from the financing of the initial franchise fee by franchisees, are guaranteed by the respective owners of the franchises, bear interest rates ranging from 5.00% to 10.25% per annum with monthly blended payments of principal and interest ranging from US\$526.46 to US\$3,307, commenced between dates ranging from June 30, 2006 to April 15, 2009 and maturing between dates ranging from May 31, 2009 to September 15, 2012. The amounts are as follows:

	September 30, 2009 \$	December 31, 2008 \$
Principal	221,481	230,583
Less: Current portion	<u>24,886</u>	<u>99,078</u>
	<u>196,595</u>	<u>131,505</u>

5 Equipment

	<u>As at September 30, 2009</u>		
	Cost \$	Accumulated amortization \$	Net carrying amount \$
Computer equipment	77,266	(57,326)	19,940
Furniture and fixtures	47,610	(17,858)	29,752
Computer software	432,534	(227,557)	204,977
	<u>557,410</u>	<u>(302,741)</u>	<u>254,669</u>
	<u>As at December 31, 2008</u>		
	Cost \$	Accumulated amortization \$	Net carrying amount \$
Computer equipment	77,266	(28,355)	48,911
Furniture and fixtures	47,610	(5,951)	41,659
Computer software	432,534	(119,422)	313,112
	<u>557,410</u>	<u>(153,728)</u>	<u>403,682</u>

The company did not purchase any equipment during the nine month period ended September 30, 2009.

The assets above, with the exception of \$83,615, were acquired as part of the acquisition of Professional Shredding Corporation on March 17, 2008.

RediShred Capital Corp.

Notes to Consolidated Financial Statements (Unaudited – Prepared by Management)

5 Equipment (continued)

Computer equipment, software and furniture and fixtures in the amounts of \$29,471, \$6,534 and \$47,610, respectively, were purchased between March 17, 2008 and December 31, 2008. The Company had no equipment prior to March 17, 2008.

6 Intangible assets

	As at September 30, 2009		
	Cost \$	Accumulated amortization \$	Net carrying amount \$
Franchise agreements	2,984,378	(441,163)	2,543,215
Proshred system	978,000	(154,850)	823,150
Trademarks and intellectual property	1,672,500	(264,817)	1,407,683
	<u>5,634,878</u>	<u>(860,830)</u>	<u>4,774,048</u>

	As at December 31, 2008			
	Cost \$	Accumulated amortization \$	Accumulated write-down \$	Net carrying amount \$
Goodwill	300,386	–	(300,386)	–
Franchise agreements	3,360,310	(280,026)	–	3,080,284
Proshred system	978,000	(81,500)	–	896,500
Trademarks and intellectual property	1,672,500	(139,375)	–	1,533,125
	<u>6,311,196</u>	<u>(500,901)</u>	<u>(300,386)</u>	<u>5,509,909</u>

The assets above were acquired as part of the purchase of Professional Shredding Corporation on March 17, 2008. The Company had no goodwill or other intangible assets prior to March 17, 2008.

The Company's franchise agreement intangible assets are denominated in US dollars and are subject to foreign currency fluctuations. The Company's foreign currency translation gains and losses on other intangible assets are a component of accumulated other comprehensive income or loss.

The 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

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Notes to Consolidated Financial Statements
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6 Intangible assets (continued)

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 2008. The analysis did not show any impairment of other assets relating to the purchase of PSC.

7 Capital stock

a) Authorized

Unlimited number of common shares, without nominal or par value
Unlimited number of preferred shares, without nominal or par value

b) Issued

The following table summarizes the changes in issued common shares of the Company:

	<u>As at September 30, 2009</u>		<u>As at December 31, 2008</u>	
	Number	Amount \$	Number	Amount \$
Opening balance	22,884,614	7,650,565	10,000,000	1,354,446
Shares issued on acquisition of subsidiary	—	—	3,269,231	1,700,000
Shares issued for cash	—	—	9,615,383	5,000,002
Less: Share issue costs	—	—	—	(403,883)
Closing balance	<u>22,884,614</u>	<u>7,650,565</u>	<u>22,884,614</u>	<u>7,650,565</u>

c) Details of share issuances

On March 17, 2008, the Company issued 9,615,383 common shares for cash of \$5,000,002. In addition, 3,269,231 common shares valued at \$1,700,000 were issued to Professional Shredding Partnership as part consideration for the purchase of Professional Shredding Corporation as part consideration for the purchase of Professional Shredding Corporation; of the shares issued to Professional Shredding Partnership, 1,471,154 common shares are held in escrow as at September 30, 2009, and will be released in future periods in accordance with the Escrow Agreement.

On September 19, 2009, a total of 1,389,635 common shares were released from escrow.

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7 Capital stock (continued)

d) Weighted average common shares

The basic weighted average number of common shares outstanding was:

For the three months ended,

	<u>September 30, 2009</u>	<u>September 30, 2008</u>
Common shares outstanding	22,884,614	22,884,614

For the nine months ended,

	<u>September 30, 2009</u>	<u>September 30, 2008</u>
Common shares outstanding	22,884,614	19,263,757

e) Stock options

Under the terms of the stock option plan:

- i) From time to time, the Company designates eligible participants to whom options will be granted and the number of shares to be optioned to each;
- ii) Eligible participants are persons who are directors, officers, employees and technical consultants of the Company;
- iii) Options to purchase share are non-transferable and are exercisable for a period of up to five years from the date of grant;
- iv) Shares to be optioned shall not exceed 2,288,462 (December 31, 2008 – 2,288,462) and the total number of shares to be optioned to any eligible participant shall not exceed 10% of the issued and outstanding shares of the class as at the date such option is granted;
- v) The option price for the shares is determined at the time of granting of the option but cannot be less than the fair market value of the shares at the time the option is granted less any applicable discount permitted by the Toronto Venture Exchange; and
- vi) The term during which any option granted may be exercised is determined by the Company at the time the option is granted but may not exceed the maximum period permitted from time to time by the Toronto Venture Exchange.

RediShred Capital Corp.

Notes to Consolidated Financial Statements
(Unaudited – Prepared by Management)

e) Stock options (continued)

The following table summarizes the movements in the Company's stock options during the period ending:

	<u>September 30, 2009</u>		<u>December 31, 2008</u>	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding – Beginning of year	2,050,849	0.33	1,245,000	0.20
Granted	-	-	805,849	0.52
Forfeited	<u>(370,000)</u>	0.29	<u>-</u>	
Outstanding – End of period	<u>1,680,849</u>	0.30	<u>2,050,849</u>	0.33

The following table summarizes the stock options outstanding as at:

<u>September 30, 2009</u>				
Exercise prices \$	Issue date	Number of options outstanding	Weighted average remaining contractual life (yrs)	Options exercisable
0.20	Aug 29, 2007	975,000	2.92	975,000
0.52	Mar 17, 2008	360,000	3.45	90,000
0.52	Mar 17, 2008	335,849	.46	335,849
0.60	May 26, 2008	<u>10,000</u>	3.65	<u>2,500</u>
		<u>1,680,849</u>	2.37	<u>1,403,349</u>

RediShred Capital Corp.

Notes to Consolidated Financial Statements
(Unaudited – Prepared by Management)

e) Stock options (continued)

The following table summarizes the stock options outstanding as at:

<u>December 31, 2008</u>				
Exercise prices \$	Issue date	Number of options outstanding	Weighted average remaining contractual life (yrs)	Options exercisable
0.20	Aug 29, 2007	975,000	3.66	975,000
0.20	Sept 5, 2007	270,000	0.68	270,000
0.52	Mar 17, 2008	380,000	4.19	–
0.52	Mar 17, 2008	335,849	1.21	335,849
0.60	May 26, 2008	10,000	4.40	–
0.52	Aug 21, 2008	80,000	4.64	–
		<u>2,050,849</u>	3.01	<u>1,580,849</u>

The compensation charge for the options issued was determined based on the fair value of the options at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2009
Expected option life	3.7 years
Risk-free interest rate	3.5%
Expected dividend yield	nil
Expected volatility	50%

There have been no options granted during the three months or nine months ended September 30, 2009.

RediShred Capital Corp.

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8 Commitments and contingency

Commitments

As of August 1, 2008, the Company leases office premises in Mississauga, Ontario, Canada. The lease expires on September 30, 2013. Future minimum lease payments for the Company are as follows:

Year ending December 31,	\$
2009	21,008
2010	122,968
2011	122,968
2012	122,968
2013	92,226

9 Financial risk management

The Company has various financial assets that consist of: cash, accounts receivable and notes receivable from franchisees. The Company's financial liabilities include accounts payable and accrued liabilities.

The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: interest rate risk, credit risk, liquidity risk and currency risk. Senior management is responsible for setting acceptable levels of risk and reviewing risk management activities as necessary.

Interest rate risk

The Company's cash earns interest at prevailing and fluctuating market rates. The Company manages its exposure to interest rate risk through fixed rate lending to franchisees. The fixed rate notes receivable from franchisees are subject to interest rate pricing risk, as the value will fluctuate as a result of changes in market rates.

RediShred Capital Corp.

Notes to Consolidated Financial Statements (Unaudited – Prepared by Management)

9 Financial risk management (continued)

Credit risk

In accordance with its investment policy, the Company maintains cash deposits with Schedule 1 Banks. The credit risk on cash is limited because the counter-parties are banks with high-credit ratings assigned by international credit-rating agencies.

The accounts receivable are exposed to credit risk from the possibility that franchisees may experience financial difficulty. The Company mitigates the risk of credit loss by limiting its exposure to any one franchisee. Credit assessments are conducted with respect to all new franchisees and all existing franchisees. In addition, the receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debt is not significant. As of September 30, 2009, three franchisees accounted for 50% of the accounts receivable balance. For the quarter ended September 30, 2009, three franchisees accounted for 33% of revenue and for the nine month period ending September 30, 2009, three franchisees accounted for 34% of the Company's revenues, not including franchise fees. As of December 31, 2008, five franchisees accounted for 31% of the accounts receivable balance. For the quarter ended September 30, 2008, three franchisees accounted for 36% of revenue and for the nine month period ending September 30, 2009, three franchisees accounted for 36% of the Company's revenues. One franchisee has \$7,878 in royalties and fees over 90 days, half of which was subsequently collected in October 2009.

Currency risk

The Company incurs revenue primarily in US currency and both expenses in US and Canadian currency, and as such, is subject to fluctuations as a result of foreign exchange rate variation. The Company manages its exposure to currency risk by billing for its services in the US and in the underlying currency related to the expenditure.

The following financial instruments denominated in US funds have been translated at September 30, 2009 at an exchange rate of 1.0861 (December 31, 2008 - 1.223):

	September 30, 2009	December 31, 2008
	\$	\$
Cash	342,235	712,846
Accounts receivable	231,800	62,893
Deposits and prepaids	2,500	40,716
Notes receivable from franchisees	203,923	188,569
Accounts payable and accrued liabilities	(57,746)	(170,481)

Since the Company's foreign subsidiary is considered self-sustaining, unrealized foreign exchange fluctuations are recorded in accumulated other comprehensive income and only recorded in net income once realized on liquidation of the subsidiary.

RediShred Capital Corp.

Notes to Consolidated Financial Statements (Unaudited – Prepared by Management)

9 Financial risk management (continued)

Liquidity risk

The Company monitors its cash balances and cash flows generated from operations to meet requirements. Based on overall cash generation capacity and overall financial position, while there can be no assurance, management believes the Company will be able to meet financial obligations as they come due for the remainder of 2009. The accounts payable and accrued liabilities and income taxes payable of \$284,389 at September 30, 2009 (December 31, 2008 - \$466,638) are due to be settled within one year from balance sheet date.

On October 26, 2009 the Company signed a letter of intent with a private investor for a proposed private placement financing of 3,000,000 common shares at a price of \$0.15 per common share, for gross proceeds of \$450,000. In addition the investor will provide a \$4,000,000 revolving line of credit facility, to be used primarily for conducting acquisitions, with a five year term. The terms of the transactions require the Company to also grant to the investor warrants to acquire an additional 3,000,000 common shares in connection with the private placement of common shares and warrants to acquire an additional 1,000,000 common shares in connection with the line of credit facility. In conjunction with the above noted private placement for common shares, the Company will issue to certain existing shareholders who are primarily directors and officers of the company an additional 3,000,000 common shares at a price of \$0.15 per common share for additional gross proceeds of \$450,000, with no warrants. The parties have in escrow executed subscription agreements and funds as well as an executed revolving line of credit facility for these transactions. Closing of the transactions is pending final regulatory approval as well as exchange or recording of certain ancillary documents. It is management's plan to continue its core business strategy of franchising new locations in the United States, while simultaneously using the line of credit financing to fund acquisitions in a select number of cities in the United States.

Fair value of financial instruments

The carrying value amounts of many of the Company's financial instruments, including cash, accounts receivable, accounts payable and accrued liabilities approximate their value due primarily to the short-term maturity of the related instruments. The fair value estimates of the Company's notes receivable from franchisees (note 5), are made as of a specific point in time based on estimates using present value or other valuation techniques. These techniques involve uncertainties and are affected by the assumptions used and the judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. The carrying value of the Company's notes receivable from franchisees at September 30, 2009 amounted to \$221,481 (December 31, 2008 - \$230,583), with fair value estimated to amount to \$189,665 (December 31, 2008 - \$219,623).

RediShred Capital Corp.

Notes to Consolidated Financial Statements
(Unaudited – Prepared by Management)

9 Financial risk management (continued)

Carrying value of financial instruments

	September 30, 2009 \$	December 31, 2008 \$
Held-for-trading	385,781	1,653,604
Loans and receivables measured at amortized cost	566,439	387,038
Financial liabilities measured at amortized cost	(284,389)	(466,638)

10 Capital management

The Company defines capital as shareholders' equity. The primary objective of the Company's capital management is to ensure that it maintains a conservative capital ratio in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new share or issue debt securities.

11 Segmented information

The Company operates in a single reportable operating segment, the granting and managing of shredding business franchises under the "Proshred" trademark. Geographic information is as follows:

	September 30, 2009 \$	December 31, 2008 \$
Assets		
Canada		
Cash	14,080	781,936
Accounts receivable	93,205	79,549
Equipment	254,669	403,682
Other intangible assets	2,230,833	2,429,705
United States		
Cash	371,701	871,668
Accounts receivable	251,754	76,906
Notes receivable from franchisees	221,481	230,583
Other intangible assets	2,543,215	3,080,204

Revenue

All revenues occurred in the United States.

RediShred Capital Corp.

Notes to Consolidated Financial Statements
(Unaudited – Prepared by Management)

12 Related party balances and transactions

Included in accounts receivable at September 30, 2009, is \$20,470 (December 31, 2008 - \$1,831) due from a franchise indirectly owned by a director of the Company.

During the three months ended September 30, 2009, the Company earned royalty and service fees amounting to \$16,530 (2008 - \$16,279), during the nine months ended September 30, 2009, the Company earned royalty and service fees amounting to \$50,918 (2008 - \$32,200) from a franchisee indirectly owned by a director of the Company. Included in general, administrative and marketing expense for the nine months ended September 30, 2009 are insurance premiums amounting to \$9,000 (September 30, 2008 - \$14,679) paid to a company owned by a director of the Company.

All related party transactions have been recorded at their exchange amounts.

13 Subsequent events

On October 26, 2009 the Company signed a letter of intent with a private investor for a proposed private placement financing of 3,000,000 common shares at a price of \$0.15 per common share, for gross proceeds of \$450,000. In addition the investor will provide a \$4,000,000 revolving line of credit facility, to be used primarily for conducting acquisitions, with a five year term. The terms of the transactions require the Company to also grant to the investor warrants to acquire an additional 3,000,000 common shares in connection with the private placement of common shares and warrants to acquire an additional 1,000,000 common shares in connection with the line of credit facility. In conjunction with the above noted private placement for common shares, the Company will issue to certain existing shareholders who are primarily directors and officers of the company an additional 3,000,000 common shares at a price of \$0.15 per common share for additional gross proceeds of \$450,000, with no warrants. The parties have in escrow executed subscription agreements and funds as well as an executed revolving line of credit facility for these transactions. Closing of the transactions is pending final regulatory approval as well as exchange or recording of certain ancillary documents. It is management's plan to continue its core business strategy of franchising new locations in the United States, while simultaneously using the line of credit financing to fund acquisitions in a select number of cities in the United States.

