

Franchise Services of North America Inc.



Consolidated Financial Statements

**As of September 30, 2007 and August 31, 2006 and
for the thirteen months ended September 30, 2007
and the year ended August 31, 2006**

Franchise Services of North America Inc.

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Independent Auditors' Report

To the Board of Directors and Shareholders of
Franchise Services of North America, Inc.

We have audited the consolidated balance sheets of Franchise Services of North America, Inc. as of September 30, 2007 and August 31, 2006 and the consolidated statements of operations and accumulated deficit, comprehensive income, and cash flows for the thirteen months ended September 30, 2007 and the year ended August 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2007 and August 31, 2006 and the results of its operations and its cash flows for the thirteen months ended September 30, 2007 and the year ended August 31, 2006 in accordance with Canadian generally accepted accounting principles.

/s/ BDO Seidman, LLP

Memphis, Tennessee
February 22, 2008

Franchise Services of North America Inc.

Consolidated Balance Sheets

September 30, 2007 August 31, 2006

Assets

Cash and cash equivalents	\$ 1,022,167	\$ 1,079,958
Restricted cash and cash equivalents	3,997,491	3,449,222
Accounts receivable, net of allowance for doubtful accounts (\$182,000 in 2007 and \$112,000 in 2006)	1,490,830	1,448,379
Related party accounts receivable	778,454	232,981
Related party notes receivables	209,466	82,976
Other notes receivable	10,548	26,608
Future income tax assets	2,085,098	2,230,000
Prepaid expenses	271,028	135,725
Total current assets	9,865,082	8,685,849
Furniture and equipment, net	262,518	119,138
Other:		
Related party notes receivables, less current portion	3,433,062	3,026,383
Other notes receivable, less current portion	9,678	18,392
Other assets	67,447	575,970
Future income tax assets	452,000	485,000
Goodwill	6,271,323	5,861,485
Other intangible assets, net	4,338,787	578,320
	14,834,815	10,664,688
Total assets	\$ 24,699,897	\$ 19,350,537

Franchise Services of North America Inc.

Consolidated Balance Sheets

September 30, 2007 August 31, 2006

Liabilities and Shareholders' Equity

Liabilities

Accounts payable and accrued liabilities	\$ 1,556,625	\$ 2,185,790
Deposits received from franchisees	275,362	424,825
Current portion of insurance loss reserves	2,700,050	2,660,568
Current portion of notes payable	54,626	2,793,098
Current portion of subordinated notes payable	-	967,873
Current portion of capital lease obligations	21,037	3,214

Total current liabilities 4,607,700 9,035,368

Insurance loss reserves, less current portion	589,500	820,135
Notes payable, less current portion	2,500,000	-
Related party notes payable, less current portion	1,191,214	50,000
Subordinated notes payable, less current portion	-	3,464,944
Capital lease obligations	18,163	3,240
Future income tax liabilities	926,196	105,000

Total liabilities 9,832,773 13,478,687

Commitments and contingencies (Notes 5, 10, 15 and 16)

Shareholders' Equity

Share capital (Note 11 a)	15,109,246	6,983,636
Treasury stock (Note 11 b)	-	(25,000)
Contributed surplus (Note 11 c)	1,411,877	1,211,113
Accumulated deficit	(1,808,161)	(2,297,899)
Accumulated other comprehensive income (Note 11 d)	154,162	-
Total shareholders' equity	14,867,124	5,871,850

Total liabilities and shareholders' equity \$ 24,699,897 \$ 19,350,537

See accompanying notes to consolidated financial statements.

Approved by the Board of Directors

(Signed) "Sanford Miller" Director

(Signed) "Phil A. De Leon" Director

Franchise Services of North America Inc.

Consolidated Statements of Operations and Accumulated Deficit

	Thirteen Months Ended September 30, 2007	Year Ended August 31, 2006
Revenues		
Continuing franchisee and related fees	\$ 4,341,978	\$ 3,377,120
Initial franchise fees	650,045	287,250
Insurance premiums and related fees	13,188,779	14,363,011
Total revenues	18,180,802	18,027,381
Costs and expenses		
Direct operating:		
Franchise operating	4,996,517	3,500,325
Insurance operating	2,703,802	1,951,865
Claims expense	4,542,596	5,313,526
Insurance underwriting expenses	2,702,220	3,107,687
General and administration	2,228,520	1,347,842
Stock based compensation	106,924	-
Interest expense	625,730	895,946
Amortization and depreciation	210,060	96,878
Total costs and expenses	18,116,369	16,214,069
Operating income	64,433	1,813,312
Other income, net (Note 12)	770,742	528,867
Income before income taxes	835,175	2,342,179
Income tax expense (Note 13)	345,437	858,481
Net income	\$ 489,738	\$ 1,483,698
Accumulated Deficit beginning of the period	\$ (2,297,899)	(3,781,597)
Accumulated Deficit end of the period	\$ (1,808,161)	\$(2,297,899)
Earnings per share (Note 11)		
Basic and Diluted	\$.01	\$.03

See accompanying notes to consolidated financial statements.

Franchise Services of North America Inc.

Consolidated Statements of Comprehensive Income

	Thirteen Months Ended September 30, 2007	Year Ended August 31, 2006
Net Income	\$ 489,738	\$ 1,483,698
Other comprehensive income		
Translation of Canadian dollar functional currency to US dollar reporting currency	154,162	
Comprehensive income	\$ 643,900	\$ 1,483,698

See accompanying notes to consolidated financial statements.

Franchise Services of North America Inc.

Consolidated Statements of Cash Flows

	Thirteen Months Ended September 30, 2007	Year Ended August 31, 2006
Operating activities		
Net income	\$ 489,738	\$ 1,483,698
Items not affecting cash:		
Depreciation and amortization	210,057	96,878
Future income tax provision	298,204	377,000
Loss on sales of assets	668	3,221
Provision for notes receivable	35,000	-
Provision (recovery) for doubtful accounts receivable	50,000	(142,000)
Accretion of subordinated debt discount	82,176	173,412
Stock- based compensation	106,924	-
Gain on settlement of debt (Note 12)	(770,742)	-
	<u>502,025</u>	<u>1,992,209</u>
Changes in non-cash working capital:		
Accounts receivable	(675,077)	(247,082)
Prepaid expenses and other assets	403,097	(547,522)
Accounts payable and accrued liabilities	(169,132)	(229,611)
Insurance loss reserves	(191,153)	(144,708)
Deposits received from franchisees	(149,463)	(66,920)
Net change in non-cash working capital	<u>(781,728)</u>	<u>(1,235,843)</u>
Net cash provided by (used in) operating activities	(279,703)	756,366
Investing activities		
Change in restricted cash and cash equivalents	(548,269)	(379,350)
Capital expenditures	(155,975)	(61,435)
Payments for intangible assets	(83,747)	(100,000)
Purchase of net assets of business, net of cash acquired	(921,508)	-
Purchase of net assets of business	(1,191,214)	-
Proceeds from sale of depreciable assets	6,030	-
Advances on notes and other receivables	(118,632)	(16,333)
Repayments on notes and other receivables	36,549	10,013
Net cash used in investing activities	(2,976,766)	(547,105)

Franchise Services of North America Inc.

Consolidated Statements of Cash Flows

	Thirteen Months Ended September 30, 2007	Year Ended August 31, 2006
Financing activities		
Proceeds from notes payable	\$ 1,191,214	\$ 16,200
Repayments of notes payable	(5,259,466)	(145,000)
Capital lease obligations	(12,425)	-
Proceeds from issue of common shares	8,338,055	-
Share issuance costs	(1,212,862)	-
Net cash provided by (used in) financing activities	3,044,516	(128,800)
Effect of exchange rate changes on cash	154,162	-
Net increase (decrease) in cash and cash equivalents	(57,791)	80,461
Cash and cash equivalents, beginning of period	1,079,958	999,497
Cash and cash equivalents, end of period	\$ 1,022,167	\$ 1,079,958

Supplemental disclosures of cash flow information:

Cash paid during the period for:		
Income taxes paid, net of refund	\$ 142,604	\$ 104,613
Interest	562,308	721,182
Non-cash investing activities:		
Non-cash exchange of share capital for purchase of RAWC	1,217,808	-
Related party accounts receivable converted to notes receivable	206,853	327,000
Accounts receivable converted to notes receivable	21,227	-
Equipment acquisitions funded through capital leases	36,240	-
Non-cash financing activity-cancellation of warrants	471,551	-
Non-cash exchange of furniture and equipment for treasury stock	\$ -	\$ 25,000

See accompanying notes to consolidated financial statements.

Franchise Services of North America Inc.

Notes to Consolidated Statements

1. Nature of Business *Organization and Nature of the Business*

Franchise Services of North America Inc. (“FSNA” or the “Company”), formerly Rent-A-Wreck Capital Inc., is a public company incorporated under the Canada Business Corporations Act on August 27, 1998 and whose common shares are listed on the TSX Venture Exchange under the symbol ‘FSN.’

On November 30, 2006, the Company completed a business combination (the “Business Combination Transaction”) with U-Save Auto Rental of America, Inc. (“U-Save”), a privately held company based in Jackson, Mississippi. Under the terms of the Amended and Restated Share Exchange Agreement, the Company obtained shareholder approval at a special meeting of the shareholders held on November 30, 2006 to approve (i) the consolidation of its common shares, (ii) the acquisition by the Company (indirectly through the Company’s acquisition of U-Save Holdings, Inc. (“Holdings”) and directly through the Company’s acquisition of the remaining U-Save common shares not owned by Holdings) of all of the outstanding stock of U-Save in a “reverse take-over” (“RTO”) transaction, (iii) the name change of the Company from Rent-A-Wreck Capital Inc. (“RAWC”) to Franchise Services of North America Inc., (iv) the appointment of a new Board of Directors, (v) the amended and restated stock option plan and (vi) the extension of certain options of the Rent-A-Wreck option plan. Consistent with the accounting guidelines for reverse take-over business combinations, the transaction has been accounted for as an acquisition of the net assets of the Company by U-Save, which is deemed the acquirer for accounting purposes. The results from operations and cash flows include the ten months ended September 30, 2007 for the Company and its wholly owned subsidiary, Practicar Systems Inc. (“Practicar”) and thirteen months ended September 30, 2007 for U-Save as the accounting acquirer. Amounts presented in the Consolidated Balance Sheet at August 31, 2006 and in the Consolidated Statement of Operations and Accumulated Deficit, Consolidated Statements of Comprehensive Income and the Consolidated Statement of Cash Flows for the year

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Notes to Consolidated Statements

ended August 31, 2006 reflect the operations and cash flows of U-Save, the accounting acquirer.

Effective January 15, 2007, the Company, through its wholly owned subsidiary, U-Save Financial Services, Inc., acquired certain assets of DRSN Holdings, LLC, an Arizona-based limited liability company (the “DRSN Acquisition”). These assets consisted of a full-service insurance agency with an established book of business across various product lines and customers throughout North America.

As a result of the Business Combination Transaction, the Company owns two operating subsidiaries, U-Save and Practicar. U-Save licenses franchises to operate U-Save Auto Rental businesses in the United States and abroad. In addition, U-Save offers to franchisees and independent car rental operators (“associates”) insurance products including liability and physical damage coverage on their rental fleet. U-Save also operates an association, Auto Rental Resource Center (“ARRC”). ARRC provides insurance discounts and products and services to its members who operate independent vehicle rental businesses. As a result of the DRSN Acquisition, the Company owns a full-service insurance agency, providing insurance products to its franchisees, associates, and third-party customers predominately in the auto rental business. Practicar licenses franchises to operate Rent-A-Wreck vehicle rental and sales businesses in Canada. Thus, overall, the Company operates in one reportable business segment, the auto rental segment.

2. Summary of Significant Accounting Policies

Currency

In these consolidated financial statements all dollar amounts are expressed in United States (U.S.) dollars, unless indicated otherwise. The Company has adopted the U.S. dollar as its reporting currency because the majority of its operations are

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Notes to Consolidated Statements

located in the United States. All references to US\$ or to \$ are to United States dollars and references to C\$ are to Canadian dollars.

At September 30, 2007, certain of the Company's financial instruments are denominated in the Canadian dollar as follows:

	C \$
Cash	424,815
Accounts receivable	231,496
Accounts payable	134,135
Other	10,707

Basis of Consolidation

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP) and include the accounts of the Company and its wholly owned subsidiaries. However, considering the acquisition of U-Save described in Note 1 and the application of the reverse takeover accounting provisions under Canadian GAAP, U-Save is deemed to be the acquirer for accounting purposes. Accordingly, the accompanying consolidated financial statements report the financial results of the Company for the thirteen months ended September 30, 2007, and include the transactions resulting from the business combination with U-Save completed on November 30, 2006. The results from operations and cash flows include the ten months ended September 30, 2007 for the Company and its wholly owned subsidiary, and the thirteen months ended September 30, 2007 for U-Save as the accounting acquirer. All significant intercompany transactions have been eliminated. Amounts presented in the Consolidated Balance Sheet at August 31, 2006 and in the Consolidated Statement of Operations and Accumulated Deficit, Consolidated Statements of Comprehensive Income and the Consolidated Statement of Cash Flows for the year ended August 31, 2006 reflect the operations and cash flows of U-Save, the accounting acquirer.

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Foreign currency translation

The Company and its operating subsidiary in Canada (Practicar) have a functional currency which is the Canadian dollar. The accounts of their self-sustaining operations are translated using the current rate method, whereby assets and liabilities are translated at period-end exchange rates, while revenues and expenses are translated using average rates during the period. Translation gains and losses relating to the self-sustaining operations are included as a separate component of shareholders' equity.

Cash Equivalents

The Company considers unrestricted highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Restricted Cash and Cash Equivalents

Restricted cash is held in short-term investment funds and are carried at cost, which approximates fair value. Restricted cash and cash equivalents are restricted for the payment of estimated insurance claims (see Note 5). In May 2007, as required by one of the Company's insurance carriers, a letter of credit was established for \$1,600,000 for payment of claims. The letter of credit is secured by cash of the same amount and is reflected in the Company's restricted cash balance at September 30, 2007.

Accounts Receivable

Accounts receivable are carried at original invoice amount less an estimate for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Receivables are written off when deemed uncollectible.

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Recoveries of receivables previously written off are recorded when received. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days.

Furniture and Equipment

Capital assets are stated at cost and are amortized on the straight-line method for financial reporting purposes using estimated useful lives of three to seven years.

Goodwill and intangible assets

Goodwill and identifiable intangible assets with indefinite lives are tested for impairment annually, or more frequently if events or circumstances indicate impairment. The measurement of possible impairment is based on the estimated fair value of these assets. Management determined no impairment existed at September 30, 2007 based on their year-end analysis. Identifiable intangible assets with finite lives are amortized generally on a straight-line method over their respective useful lives. These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset is not recoverable and exceeds its estimated fair value.

The amount of goodwill at September 30, 2007 expected to be deductible for tax purposes through an amortization method permitted by the Internal Revenue Service is approximately \$510,000.

Revenue Recognition

Initial franchise fee revenue from an individual franchise is recognized when all material services or conditions relating to the

Franchise Services of North America Inc.

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transaction have been substantially performed or satisfied by the Company. Generally, substantial performance occurs prior to the commencement of operations by the franchisee. Continuing license fees are recognized as revenue as the fees are earned and are based on the number of cars operated by the individual franchisee or as a percentage of the individual franchisee's time and mileage revenue.

Income from insurance operations is recorded as revenue when earned, and recognized ratably over the term of the coverage.

Insurance Reserves

The Company recognizes loss reserves primarily for re-insured property and physical damage claims and liability claims. The Company funds, through monthly installments, loss funds specified by the fronting insurance companies, plus underwriting expenses. For liability claims, these loss funds are used to pay up to the first \$10,000, \$20,000, or \$100,000 of such loss, depending on the policy and fronting insurer. For property claims, the Company is responsible for the first \$25,000 and any amount in excess of \$50,000 per vehicle per claim. Operating costs are charged for estimated losses and underwriting fees. The charges are based on the estimated ultimate liability related to claims and differ from period to period due to claim payment and settlement practices as well as changes in development factors for estimated claims incurred but not reported. On a monthly basis, the Company receives from its fronting insurance companies estimates of selected ultimate losses that are based on actuarial analysis, which management uses to estimate the Company's expected losses. Charges to operations are then adjusted to reflect these estimates. For the thirteen months ended September 30, 2007 and the year ended August 31, 2006, the Company recorded increases (decreases) related to changes in liability claim estimates from the prior year estimate approximately as follows:

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Notes to Consolidated Statements

Year ended,

2007 (13 months)	\$ (136,000)
2006	\$ (176,000)

Income Taxes

Income taxes are accounted for under the asset and liability method. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Future tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recoverable or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Future tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that future income tax assets will be realized.

Stock-Based Compensation

The Company uses the fair value method of accounting for common share options granted to employees and non-employees. Under this method, for employee grants, the Company recognizes compensation expense based on the fair value of the options on the date of grant which is determined by using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period of the options granted as compensation expense and contributed surplus. For non-employee grants, the fair value of the options granted is measured at the earlier of the date of the completion of the service rendered, performance commitments have been reached or upon vesting.

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Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Discontinued operations are reported separately, including the discontinuation of a component of an entity that either has been disposed of (by sale, abandonment, or in a distribution to owners) or is classified as held for sale. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Advertising Expense

Advertising costs are expensed in the period incurred. The Company incurred advertising expense of \$65,345 and \$100,653 for the thirteen months ended September 30, 2007, and the year ended August 31, 2006, respectively.

Reclassifications

Certain reclassifications have been made to the 2006 consolidated financial statements to conform to the 2007 method of presentation.

Risks and Uncertainties

The auto rental industry is highly competitive with various companies focusing on different markets, such as business and vacation travel at or near airports, insurance replacement and neighborhood rental. The success of the Company is based largely

Franchise Services of North America Inc.

Notes to Consolidated Statements

on the success of its franchisees. Franchisees are located throughout the United States and Canada. The U-Save brand is also represented internationally.

Measurement uncertainty

The consolidated financial statements have been prepared in conformity with Canadian GAAP. Accordingly, management has made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to estimates and assumptions include the net carrying amount of intangible assets including goodwill, insurance loss reserves, valuation allowances for receivables and future income taxes. Actual results could differ from those estimates.

3. Changes in Accounting Policies

Financial Instruments

Effective October 1, 2006, the Company adopted Section 3855 of the Canadian Institute of Chartered Accountants' ("CICA") Handbook, "Financial Instruments – Recognition and Measurement", Section 1530, "Comprehensive Income", Section 3861, "Financial Instruments-Disclosure and Presentation", Section 3862, "Financial Instruments-Disclosures", Section 3863, "Financial Instruments-Presentation", and Section 3865, "Hedges". The Company has adopted these standards prospectively and as such the comparative financial statements have not been restated.

The adoption of these standards has no effect on opening retained earnings or accumulated other comprehensive income.

a) Financial instruments – recognition and measurement

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The new standard prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Financial instruments must be classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including any derivatives, are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments, and other financial liabilities which are measured at amortized cost determined using the effective interest rate method. For all financial instruments, at initial recognition, cost of the instrument is fair value, adjusted for any transaction costs. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in the fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized at which time the amounts would be recorded in net earnings.

Following adoption of these standards, the Company has classified its cash as held-for-trading, which is measured at fair value. Accounts and notes receivable are classified as loans and receivables, which are measured at amortized cost. Accounts Payable and accrued liabilities and long-term debt are classified as other financial liabilities which are measured at amortized cost. Due to the short-term nature of the accounts receivable and accounts payable and accrued liabilities, carrying amount approximates fair value. The fair value of loans due to and from related parties cannot be reliably measured.

b) Derivatives

The Company does not have any derivative instruments or hedging activities.

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c) Other comprehensive income

The new standards require a new statement of comprehensive income, which is comprised of net earnings and other comprehensive income.

d) Transaction costs

Transaction costs attributable to financial instruments classified as other than held for trading are included in the recognized amount of the related financial instrument and recognized over the life of the resulting financial instrument on an effective yield method. There has been no impact on the Company's consolidated financial statements related to transaction costs.

Accounting Changes

In July 2006, the CICA issued the new handbook Section 1506, "Accounting Changes," effective for annual and interim periods relating to fiscal years beginning on or after January 1, 2007. This section establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, and the correction of errors. The disclosure is to include, on an interim and annual basis, a description and the impact on the Company of any new primary source of GAAP that has been issued but is not yet effective. This new standard is not expected to have a material effect on our financial position or results of operations. This standard applies to the Company's interim and annual financial statements beginning October 1, 2007.

Capital Disclosures

In November 2006, the CICA issued the new handbook Section 1535, "Capital Disclosures," effective for annual and interim periods relating to fiscal years beginning on or after October 1,

Franchise Services of North America Inc.

Notes to Consolidated Statements

2007. This section establishes standards for disclosing information about a company's capital and how it is managed in order that a user of the financial statements may evaluate the company's objectives, policies, and processes for managing capital. This new standard will have no effect on our financial position or results of operations as it is a disclosure standard only. This standard applies to the Company's interim and annual financial statements beginning October 1, 2007.

International Financial Reporting Standards

The CICA plans to converge Canadian GAAP for public companies with International Financial Reporting Standards (IFRS) over a transition period that is expected to end in 2011. The impact of the transition to IFRS on the Company's consolidated financial statements has not yet been determined.

4. Acquisitions

Rent-A-Wreck Capital Inc.

On November 30, 2006, the Company completed the Business Combination Transaction with U-Save Auto Rental of America, Inc. ("U-Save"), a privately held company based in Jackson, Mississippi. Under the terms of the Amended and Restated Share Exchange Agreement, the Company obtained shareholder approval at a special meeting of the shareholders held on November 30, 2006 to approve (i) the consolidation of its common shares, (ii) the acquisition by the Company (indirectly through the Company's acquisition of U-Save Holdings, Inc. ("Holdings") and directly through the Company's acquisition of the remaining U-Save common shares not owned by Holdings) of all of the outstanding stock of U-Save in a "reverse take-over" ("RTO") transaction, (iii) the name change of the Company from Rent-A-Wreck Capital Inc. to Franchise Services of North America Inc., (iv) the appointment of a new Board of Directors, (v) the amended and restated stock option plan and (vi) the extension of certain options of the Rent-A-Wreck option plan. Consistent with the accounting

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Notes to Consolidated Statements

guidelines for reverse take-over business combinations, the transaction has been accounted for as an acquisition of the net assets of the Company by U-Save, which is deemed the acquirer for accounting purposes. The results from operations and cash flows include the ten months ended September 30, 2007 for the Company and its wholly owned subsidiary, Practicar Systems Inc. (“Practicar”) and thirteen months ended September 30, 2007 for U-Save as the accounting acquirer. Amounts presented in the Consolidated Balance Sheet at August 31, 2006 and in the Consolidated Statement of Operations and Accumulated Deficit, Consolidated Statements of Comprehensive Income and the Consolidated Statement of Cash Flows for the year ended August 31, 2006 reflect the operations and cash flows of U-Save, the accounting acquirer.

The acquisition has been accounted for as a reverse takeover of RAWC by U-Save as follows:

- a) The financial statements of the combined entities are presented as a continuation of the financial statements of U-Save;
- b) As U-Save is the acquirer for accounting purposes, its assets and liabilities are included in the financial statements at their carrying values;
- c) The net identifiable assets of RAWC were recorded at their estimated fair values as of November 30, 2006;
- d) Existing RAWC stock options were adopted by the Company; and
- e) The results of RAWC’s operations have been included in the consolidated financial statements only from the date of the transaction, November 30, 2006.
- f) The capital structure of the Company, being the capital structure of the legal parent (U-Save), differs from that appearing in the financial statements of the legal subsidiary in periods prior to the Business Combination Transaction, due to reverse takeover accounting.

For purposes of this transaction, consideration has been determined by the fair value of the net assets acquired and has

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been ascribed to the 11,346,501 common shares of RAWC which were outstanding on November 30, 2006. The 11,346,501 common shares of RAWC were consolidated at the time of the transaction at 4.0785967 to 1 to 2,781,962 consolidated shares issued at a deemed price of C\$0.50. The exchange ratio for the number of shares and the ascribed value of each share was determined jointly by both the acquiring and acquired companies and their respective Board of Directors in conjunction with the completion of the Amended and Restated Share Exchange Agreement and the advice and guidance of investment bankers sponsoring and managing the reverse takeover, private placements and subsequent public offerings.

Net assets acquired	C \$	US \$
Rent-A-Wreck brand	3,464,352	3,033,053
Cash	11,663	10,211
Accounts receivable	218,077	190,927
Prepaid expenses	34,125	29,877
Furniture and equipment	34,507	30,211
Accounts payable and accrued liabilities	(370,261)	(324,165)
Bank indebtedness	(128,437)	(112,448)
Long term debt and capital lease assumed	(8,276)	(7,245)
Future income tax liability	(800,561)	(700,894)
Net assets acquired	2,455,189	2,149,527

The Company incurred direct costs related to this transaction totaling approximately \$922,000 which has been included as an integral part of the deemed purchase price of RAWC.

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DRSN Acquisition

Effective January 15, 2007, the Company, through its wholly owned subsidiary, U-Save Financial Services, Inc., acquired certain assets of DRSN Holdings, LLC, an Arizona-based limited liability company (the “DRSN Acquisition”). These assets consisted of a full-service insurance agency with an established book of business across various product lines and customers throughout North America. The initial purchase price, which totaled \$1,191,214, was paid with cash funded by a major shareholder (see Note 10). In addition, there are two contingent payments of \$188,150 which can be adjusted based on the amount of revenue retained in relation to a specified baseline revenue. Any additional consideration paid will be reflected in goodwill.

The acquisition was accounted for using the purchase method of accounting and the purchase price was allocated to the assets and liabilities acquired based on their estimated fair value at the acquisition date. Any excess of the purchase price over the estimated fair values of the net identifiable assets acquired was allocated to goodwill as there were no other significant assets or liabilities acquired. The results of operations for the DRSN Acquisition have been included in the accompanying consolidated financial statements from the acquisition date.

The purchase price was allocated as follows:

Goodwill	\$	409,838
Customer list		703,000
Noncompete agreement		<u>78,376</u>
	\$	<u>1,191,214</u>

Franchise Services of North America Inc.

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5. Insurance Programs

The Company provides insurance coverage to participating franchisees and associates, covering liability, property and physical damage, and commercial and general liability. Under the arrangements described below, we pay fronting (or underwriting) fees to our insurance carriers and we are required to make deposits to funds restricted for claim payments within the deductibles. In May 2007, as required by one of the Company's insurance carriers, a letter of credit was established for \$1,600,000 for payment of claims. The letter of credit is secured by cash of the same amount and is reflected in the Company's restricted cash balance at September 30, 2007.

The Company, through licensed insurers, provides participating franchisees and associates automobile liability insurance for claims arising as a result of personal injury and property damage for which drivers of rental vehicles or franchisees may be legally liable. The Company is responsible, through a funded obligation, for a deductible of \$10,000, \$20,000 or \$100,000 (depending on the policy and insurer), for each claim. The Company has no further obligation to its insurer to fund claims that exceed its funded deductible. The Company has accrued a liability for incurred and incurred but not reported losses totaling \$3,077,871 and \$3,213,852 at September 30, 2007 and August 31, 2006, respectively. The Company deposits funds with the insurance carriers, in a restricted account, to pay claims and other expenses within the deductibles. At September 30, 2007 and August 31, 2006, restricted amounts held related to the estimated liability for claims and expenses totaled \$3,997,491 and \$3,449,222, respectively. The Company also provides its participating franchisees and associates with physical damage insurance coverage. Under this program, the Company has responsibility for a deductible up to \$25,000 per claim, per vehicle. Losses in excess of \$25,000, up to a maximum of \$50,000 per incident, are insured by an insurance carrier. At September 30, 2007 and August 31, 2006, the Company accrued a liability for claims expected to be reported and claims reported but not paid of \$211,679 and \$266,851, respectively.

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In conjunction with these insurance programs, the Company generally requires participating franchisees to pay a deposit equal to the larger of fifteen percent of estimated annual insurance premium or \$2,000.

The Company, as agent, also may provide other insurance programs such as commercial and general liability, business interruption, workers compensation, and directors' and officers' liability. The Company has entered into various agreements with several insurance carriers to provide coverage on these types of policies.

6. Related Party Receivables and Other Notes Receivable

At August 31, 2006, a non-interest bearing note receivable from Holdings for \$2,652,994 was outstanding. In conjunction with the Business Combination Transaction described in Note 4, a major shareholder and officer of the Company made a capital contribution to Holdings in the form of a note receivable. At September 30, 2007, the balance of the note receivable was \$2,652,994. The note is non-interest bearing, unsecured and payable on demand. The note has been classified as non-current based on management's estimate of when the note receivable will be collected.

At September 30, 2007, an unsecured note receivable from a shareholder for \$302,000 was outstanding. The note bears an interest rate of 6% with five annual payments of principal and accrued interest due beginning August 2007. The note matures in August 2011.

At September 30, 2007 and August 31, 2006, various unsecured notes receivable, primarily from franchisees, were outstanding and totaled approximately \$471,000 and \$229,000, respectively. The notes bear interest at rates ranging from 0% to 9.25%. At September 30, 2007 and August 31, 2006, an allowance of \$65,000 and \$30,000, respectively, was established for notes deemed uncollectible. Of these notes receivable, approximately

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\$286,000 and \$104,000 as of September 30, 2007 and August 31, 2006, respectively, were from franchisees in which one of the Company's Co-CEOs had a financial interest.

7. Furniture and Equipment

	September 30, 2007		
	Cost	Accumulated	Net
	\$	Depreciation	\$
	\$	\$	\$
Assets under capital lease	52,764	(12,065)	40,699
Furniture and equipment	474,644	(425,341)	49,303
Vehicles	39,166	(8,227)	30,939
Computers and software	863,620	(722,043)	141,577
	1,430,194	(1,167,676)	262,518

	August 31, 2006		
	Cost	Accumulated	Net
	\$	Depreciation	\$
	\$	\$	\$
Assets under capital lease	11,524	(3,781)	7,743
Furniture and equipment	472,318	(443,693)	28,625
Vehicles	24,200	(403)	23,797
Computers and software	735,399	(676,426)	58,973
	1,243,441	(1,124,303)	119,138

The Company recorded depreciation expense of \$10,097 and \$2,244 for assets under capital lease for the thirteen months ended

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September 30, 2007 and the year ended August 31, 2006, respectively.

8. Other intangible assets

Other intangible assets consisted of the following:

	Estimated Life (In Years)	September 30, 2007	August 31, 2006
Amortized intangible assets:			
Customer list	7-8	\$ 983,000	\$ 280,000
Advertising jingle	5	10,000	10,000
Non-compete agreement	3	254,158	100,000
Less accumulated amortization		(201,042)	(63,333)
		\$ 1,046,116	\$ 326,667
Unamortized intangibles:			
Rent-A-Wreck Brand		\$ 3,033,053	\$ -
Domain name		161,653	161,653
Reacquired franchise rights		90,000	90,000
Trademarks		7,965	-
		3,292,671	251,653
		\$ 4,338,787	\$ 578,320

Amortization expense of \$137,709 and \$40,000 was recorded for the thirteen months ended September 30, 2007 and year ended August 31, 2006, respectively.

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9. Other Assets

Other assets consisted of the following:

	September 30, 2007	August 31, 2006
Security deposits	\$ 60,664	\$ 431,002
Deferred acquisition costs	-	138,185
Other	6,783	6,783
	\$ 67,447	\$ 575,970

10. Notes Payable

In conjunction with its purchase of an insurance agency in January 2007, the Company entered into a note payable with a major shareholder of \$1,191,214. The note bears interest at 8.25% per annum and is unsecured. Payments of interest only are due monthly. The note matures January 2010.

In conjunction with its purchase of Xpress Rent-A-Car Association in February 2005, the Company entered into two note payable arrangements with the former owner of Xpress totaling \$200,000. One note payable of \$50,000 bearing no interest was paid in full August 1, 2005. The remaining note of \$150,000 has an interest rate of 6% and matures February 2008. The note is payable in three annual installments of principal and interest of \$56,116 beginning February 2006 and is unsecured. At September 30, 2007 and August 31, 2006, the outstanding balance of the notes aggregated \$50,000 and \$100,000, respectively.

In January 2005, the Company entered into a note payable arrangement with a financial institution to finance the purchase of its domain name. The note was paid in full in January 2007. At August 31, 2006, the outstanding balance of the note was \$31,250.

In December 2003, the Company entered into a note payable with a non-related party for \$1,500,000 bearing interest at the rate of 10% per annum. Interest only payments are due monthly. At September 30, 2007 and August 31, 2006, the outstanding balance was \$1,500,000. A shareholder of the Company has collateralized

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the note with personal assets. The note matured in December 2007. In December 2007, an amendment to the note was executed which extended the maturity date to December 2008.

In December 2003, the Company entered into another note payable with a non-related party for \$1,000,000. The note is collateralized by stock of Auto Rental Resource Center, Inc. (a wholly-owned subsidiary of the Company), and bears interest at the rate of 10% per annum. Interest only payments are due monthly. At September 30, 2007 and August 31, 2006, the outstanding balance was \$1,500,000. The note matured in December 2007. In December 2007, an amendment to the note was executed which extended the maturity date to December 2008.

The Company has entered into various other non-interest bearing notes payable with a shareholder. The notes are payable on demand and are unsecured. At August 31, 2006, the outstanding balance of the notes aggregated \$211,848.

In May 2001, the Company entered into a \$5,000,000 subordinated debt arrangement with a non-related party, which included the issuance of detachable common stock warrants. The warrants were recorded at estimated fair value at the date of issuance and the yield on the subordinated note adjusted accordingly. At August 31, 2006, the outstanding balance of the note was \$4,432,817, net of unamortized discount of \$567,173. Upon conclusion of the public offering in February 2007, the Company repaid the debt in full. Upon payment, the debt holder forgave \$795,705 in accrued interest and forgave the warrants. The Company recognized a gain on settlement of the debt of approximately \$771,000.

The maturities of notes payable at September 30, 2007 are as follows:

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<i>Year ending September 30</i>	Amount
2008	\$ 54,626
2009	2,500,000
2010	1,191,214
	\$ 3,745,840

11. Shareholders Equity

a. Share Capital

Authorized:

Unlimited common shares, without par value
 Unlimited preferred shares, without par value

Issued:

	<u>September 30, 2007</u>	
	Number	Amount
Common shares		
Balance at August 31, 2006	6,262,884	\$ 6,983,636
Shares of U-Save tendered to the Company	(6,262,884)	-
Shares issued to shareholders of U-Save, (i)	45,600,000	-
Acquisition of Rent-A-Wreck Capital Inc., (i)	2,781,962	1,217,808
Reclassification of treasury stock	-	(25,000)
Private placement (ii)	7,000,000	2,558,756
Public share issues (ii)	7,320,600	4,362,663
Issued for cash on exercise of stock options (iii)	41,717	11,383
Balance at September 30, 2007	62,744,279	\$ 15,109,246

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<u>Common shares</u>	<u>August 31, 2006</u>	
	<u>Number</u>	<u>Amount</u>
Authorized: 10,000,000		
Issued: 6,262,884		
Par value: \$0.01		
Balance at August 31, 2005	6,262,884	\$ 62,630
Balance at August 31, 2006	6,262,884	\$ 62,630

Share Capital (continued)

There were no outstanding preferred shares at September 30, 2007 or August 31, 2006.

(i) - Acquisition of Rent-A-Wreck Capital Inc.

On November 30, 2006, the Company completed a Business Combination Transaction with U-Save Auto Rental of America, Inc. ("U-Save"), a privately held Mississippi company. As a result of the transaction, the shareholders of U-Save received 45,600,000 shares of the Company's common stock in exchange for their shares of U-Save and the shareholders of Rent-A-Wreck Capital Inc. received 2,781,962 shares of the Company at a deemed value of C\$0.50 per share. The acquisition has been accounted for as a reverse takeover of RAWC by U-Save.

(ii) - Shares issued for cash

On November 30, 2006, the Company issued 7,000,000 common shares for C\$0.50 per share under two concurrent private placements with Blackmont Capital Inc. and Meridian Merchant Capital Canada Ltd. for gross proceeds of C\$3.5 million (US\$3,064,262) and net proceeds of C\$2,922,118 (US\$2,558,756) after direct cash and non-cash expenses of C\$474,538 (US\$415,028) and C\$103,344 (US\$90,478), respectively. The non-cash expenses relate to stock-based compensation recognized

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in connection with compensating options granted as part of the private placement.

On February 6, 2007, the Company closed a public offering and issued 6,678,600 common shares at C\$0.85 per share for gross proceeds of C\$5,676,810 (US\$4,799,873) and net proceeds of C\$4,714,101 (US\$3,979,863) after direct cash and non-cash expenses of C\$848,902 (US\$723,784) and C\$113,807 (US\$96,226), respectively. The non-cash expenses relate to stock-based compensation recognized in connection with compensating options granted as part of the public offering.

On March 8, 2007, the Company closed a second public offering and issued 642,000 common shares at C\$0.85 per share for gross proceeds of C\$545,700 (US\$462,536) and net proceeds of C\$452,324 (US\$382,800) after direct cash and non-cash expenses of C\$86,667 (US\$74,050) and C\$6,709 (US\$5,686), respectively. The non-cash expenses relate to stock-based compensation recognized in connection with compensating options granted as part of the public offering.

(iii) - Stock options

The Company has adopted the Franchise Services of North America Inc. Stock Option Plan (“the Plan”) as approved by the shareholders on November 30, 2006. Under the Plan, the Company may grant stock options to directors, officers, employees or agents of the Company. The number of common shares reserved for issuance shall not at any time exceed 20% of the aggregate number of issued and outstanding shares of the Company on a non-diluted basis.

In conjunction with the business combination transaction with RAWC, stock options for RAWC and U-Save were converted on the same basis as the exchange of shares under the Amended and Restated Share Exchange Agreement (described in Note 4) as follows:

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	# of Options	Conversion Rate	FSNA Options
U-Save	1,069,341	7.2809945 to 1	7,785,866
RAWC	640,000	1 to 4.0785967	156,917

As of September 30, 2007, the Company had granted 10,434,893 stock options under the terms of its Plan. Of these options, 8,313,003 were granted to directors, officers and employees and 2,121,890 were granted to agents of the Company.

Options granted vest over a range of periods from immediately to four years and expire within a range of two to ten years from the date of grant.

The fair value of options granted to employees is calculated on the date of grant using the Black-Scholes option pricing model with the following assumptions: 10 year term, 40.5% expected volatility, risk-free interest rate ranging from 3.88% to 4.53% and zero dividend yield. Stock-based compensation expense of \$106,924 was recorded for the thirteen months ended September 30, 2007. In conjunction with the private placements and public share offerings, stock-based compensation of \$192,391 was capitalized against common shares for the options issued to agents.

A summary of stock option activity during 2007 and 2006 is summarized as follows:

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Notes to Consolidated Statements

	Options Outstanding	Weighted Average Exercise Price
Balance at August 31, 2005	1,125,026	\$ 2.14
Options granted	1,098,228	.60
Options cancelled	(720,715)	2.26
Options forfeited	(433,198)	1.84
Balance at August 31, 2006	1,069,341	\$.60
Options converted – U-Save	7,785,866	\$.15
Options converted – RAWC	156,917	.41
Balance at November 30, 2006	7,942,783	
Options granted	2,567,854	.79
Options exercised	(41,717)	.32
Options forfeited	(34,027)	.19
Balance outstanding at September 30, 2007	10,434,893	\$.38

The weighted average remaining contractual life of stock options outstanding at September 30, 2007 is presented below:

Total Outstanding Options by price range - \$ CDN September 30, 2007	Total Options Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price \$ CDN
\$0.1016	6,827,197	9.2	\$0.1016
\$0.41 to \$0.55	1,689,842	6.6	\$0.4994
\$0.85 to \$1.04	1,917,854	4.9	\$0.9248
Total Options Outstanding	10,434,893	8.0	\$0.3173

Franchise Services of North America Inc.

Notes to Consolidated Statements

Exercisable Options by price range - \$ CDN September 30, 2007	Exercisable Options	Weighted Average Remaining Life (years)	Weighted Average Exercise Price \$ CDN
\$0.1016	3,413,604	9.2	\$0.1016
\$0.41 to \$0.55	1,031,222	4.9	\$0.4893
\$0.85 to \$1.04	1,472,254	3.6	\$0.8988
Total Exercisable Options	5,917,080	7.0	\$0.3675

11. b. Treasury stock

	September 30, 2007	August 31, 2006
Balance, beginning of period	\$ (25,000)	\$ -
Reclassification to Common shares as a result of business combination	25,000	-
Purchase of shares held in treasury, 6,667 shares	-	(25,000)
Balance, end of period	\$ -	\$ (25,000)

11. c. Contributed surplus

	September 30, 2007	August 31, 2006
Balance, beginning of period	\$ 1,211,113	\$ 1,211,113
Cancellation of warrants on re-payment of subordinated debenture (Note 10)	(471,551)	-
Additional consideration from shareholders	373,000	-
Stock-based compensation expense	106,924	-
Stock-based compensation incurred in connection with private placement and public offerings	192,391	-
Balance, end of period	\$ 1,411,877	\$ 1,211,113

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11. d. Accumulated other comprehensive income	September 30, 2007	August 31, 2006
Balance, beginning of period	\$ -	\$ -
Translation adjustment, current period	154,162	-
Balance, end of period	\$ 154,162	\$ -

11. e. Weighted shares outstanding	September 30, 2007	August 31, 2006
Weighted average common shares outstanding – Basic	57,515,455	45,600,000
Dilutive stock options	5,938,084	-
Weighted average common shares outstanding – Diluted	63,453,539	45,600,000
Net income	\$ 489,738	\$ 1,483,698
Earnings per Share – Basic	\$.01	\$.03
Earnings per Share – Diluted	\$.01	\$.03

Approximately 1,917,854 options were excluded from the earnings per share calculation as their impact would have been anti-dilutive.

12. Other income

The following describes other income for 2007 and 2006:

As discussed in Note 10, upon conclusion of the public offering in February 2007, the Company repaid the \$5,000,000 subordinated debt in full. Upon payment, the debt holder forgave \$795,705 in accrued interest and cancelled warrants that were attached to the debt. The gain on settlement of the debt was \$770,742 for the thirteen months ended September 30, 2007.

In February 2006, the Company received a settlement of \$1,000,000 for a legal action with a former vendor that began in 2002. Legal fees expended on this matter were \$471,133 for the

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year ended August 31, 2006. The net proceeds of \$528,867 is reflected as other income for the year ended August 31, 2006.

13. Income Taxes

Income tax expense of continuing operations consists of the following:

	<u>2007</u>	<u>2006</u>
Federal:		
Current	\$ -	\$ 378,641
Deferred	<u>253,277</u>	<u>347,000</u>
	<u>253,277</u>	<u>725,641</u>
State:		
Current	<u>47,860</u>	102,840
Deferred	<u>44,300</u>	<u>30,000</u>
	<u>92,160</u>	<u>132,840</u>
Income tax expense	<u>\$ 345,437</u>	<u>\$ 858,481</u>

Income tax expense differs from the amounts computed by applying the United States Federal income tax rate of 34 percent to pretax earnings (loss) from continuing operations as a result of the following:

	<u>2007</u>	<u>2006</u>
Computed "expected" tax expense	\$ 232,877	\$ 796,341
State income taxes, net of federal income tax benefit	<u>31,588</u>	87,674
Other	<u>80,972</u>	<u>(25,534)</u>
Income tax expense	<u>\$ 345,437</u>	<u>\$ 858,481</u>

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As of September 30, 2007, the Company has a net operating loss carryforward of approximately \$2,646,000 that will not begin to expire until 2024.

Significant components of future income tax assets and liabilities at September 30, 2007 and August 31, 2006 are presented below:

	2007	2006
Future income tax assets:		
Insurance loss reserves	\$1,234,000	\$1,305,000
Accounts receivable allowance	81,000	53,000
Intangibles	114,000	134,000
Tax credits	80,000	53,000
Stock-based compensation	36,000	-
Net operating loss carryforward	992,000	1,180,000
	2,537,000	2,725,000
Future income tax liabilities:		
Intangibles	(827,000)	-
Furniture and equipment	(89,000)	(105,000)
Other	(10,000)	(10,000)
	(926,000)	(115,000)
Future income tax assets, net	\$1,611,000	\$2,610,000

Future income tax assets, net is comprised of:

	2007	2006
Future income tax assets-current	\$2,085,000	\$2,230,000
Future income tax assets-long term	452,000	485,000
Future income tax liabilities-long term	(926,000)	(105,000)
Future income tax assets, net	\$1,611,000	\$2,610,000

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The ultimate realization of the future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income and the tax planning strategies in making this assessment. Based upon the level of historical taxable income and anticipated future taxable income over the periods in which the future tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences; therefore, no valuation allowance was established at September 30, 2007 or August 31, 2006.

14. Related Party Transactions

Loans to and from related parties are described in Notes 6 and 10. Members of the Company's Board of Directors who are also officers and significant shareholders of the Company have investments in certain vehicle rental operations and transportation companies, which have transactions with the Company. Transactions include insurance, reservation and royalty payments that were provided in the normal course of business.

The Company recorded revenues and expenses related to these transactions as follows:

	September 30, 2007	August 31, 2006
Continuing franchisee and related fees	\$ 697,421	\$ 490,252
Insurance premiums and related fees	\$ 589,871	\$ 668,459
Interest expense	\$ 35,062	-

At September 30, 2007 and August 31, 2006, related party receivables totaled \$778,454 and \$232,981, respectively.

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15. Commitments and Contingencies

Contingencies

The Company is periodically involved in legal actions and automobile accident claims (see Notes 5 and 12) that arise as a result of events occurring in the normal course of operations. In the regular course of business, the Company evaluates estimated losses or costs related to litigation and provision is made for anticipated losses whenever the Company believes that such losses are probable and can be reasonably estimated.

Lease Commitments

The Company leases office space and certain furniture and equipment under noncancellable operating leases. Rental expense was approximately \$364,000 and \$279,000 for the thirteen months ended September 30, 2007 and year ended August 31, 2006, respectively. The minimum rental commitments under non-cancelable operating leases with initial or remaining terms in excess of one year are as follows:

<i>Year ending September 30</i>	<i>Amount</i>
2008	\$ 288,865
2009	177,517
2010	45,406
2011	4,515
	<hr/>
	\$ 516,303

16. Concentrations of Credit Risk

Financial instruments that could potentially subject the Company to credit risk consist principally of accounts receivable, which are associated with franchisees. The franchisees are located primarily throughout the United States and Canada. A portion of the franchisees' ability to honor their obligations is dependent upon the local economy.

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The Company maintains cash at finance institutions which, at September 30, 2007 and August 31, 2006 and at other times throughout the year, exceeded federally insured limits. The Company has not experienced any losses of such funds and management believes the Company is not exposed to significant risk on cash.

17. Segment Information

Management has determined that the Company operates in one dominant industry segment (the auto rental segment) in multiple jurisdictions, which involves (i) licensing to franchisees to operate auto rental business under Company owned brands and (ii) providing franchisees, independent auto rental operators and other related auto rental operations with financial services related to insurance products.

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As of and for the thirteen months
ended September 30, 2007

	USA	Canada	Total
	\$	\$	\$
Revenue	17,285,959	894,843	18,180,802
Expenses	17,130,702	985,667	18,116,369
Other income	770,742	-	770,742
Net income before tax	925,999	(90,824)	835,175
Other intangibles, net	1,235,647	3,103,140	4,338,787
Goodwill	6,271,323	-	6,271,323
Total assets	15,122,046	9,577,851	24,699,897

As of and for the year ended
August 31, 2006

	USA	Canada	Total
	\$	\$	\$
Revenue	18,027,381	-	18,027,381
Expenses	16,214,069	-	16,214,069
Other income	528,867	-	528,867
Net income before tax	2,342,179	-	2,342,179
Other intangibles, net	578,320	-	578,320
Goodwill	5,861,485	-	5,861,485
Total assets	19,350,537	-	19,350,537