

PENDER FINANCIAL GROUP CORPORATION

Consolidated Financial Statements

For the three months ended March 31, 2008

Notice Concerning Auditor Review

(The accompanying financial statements for the quarters ended March 31, 2008 and 2007 have not been reviewed or audited by the Company's auditor)

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www.penderfinancial.com

Pender Financial Group Corporation

Consolidated Balance Sheets

As at March 31, 2008 and December 31, 2007

(unaudited)

	March 31, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$2,125,922	\$ 2,379,509
Accounts receivable and other current assets	475,002	597,510
	<u>2,600,924</u>	<u>2,977,019</u>
Investments (note 4)	2,345,261	2,847,982
Property and equipment (note 5)	142,051	158,336
Intangible assets (note 6)	1,910,963	2,009,943
Goodwill	401,007	401,007
Future income tax assets	128,854	84,399
	<u>\$ 7,529,060</u>	<u>\$ 8,478,686</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 334,397	\$ 299,707
Deferred revenue	1,040,249	927,428
Current portion of long-term debt (note 7)	156,329	156,329
	<u>1,530,975</u>	<u>1,383,464</u>
Long-term debt (note 7)	545,136	582,164
Deferred lease inducement	32,903	35,570
Future income tax liability	128,854	166,005
Non-controlling interest (note 13)	161,728	248,590
Shareholders' equity (note 8)	5,129,464	6,062,893
	<u>\$ 7,529,060</u>	<u>\$ 8,478,686</u>

See accompanying notes to consolidated financial statements

On Behalf of the Board of Directors

"Kelly Edmison"

Director

"William A. Rand"

Director

Pender Financial Group Corporation

Consolidated Statements of Operations and Deficit For the three months ended March 31, 2008 and 2007 (unaudited)

	For the three months ended	
	March 31, 2008	March 31, 2007
Revenues:		
Software revenue	\$ 774,456	\$ 1,091,758
(Loss) gain on sale of investments	-0-	(12,259)
Fund management fees and other income	11,216	35,796
	785,672	1,115,295
Expenses:		
Amortization	121,494	114,532
General and administrative	304,487	287,253
Interest expense on long-term debt	23,640	27,255
Management and consulting fees	61,780	64,520
Product development	522,792	483,759
Rent and facilities	60,802	51,068
Sales and marketing	289,852	200,312
Stock-based compensation	49,120	56,818
	1,433,967	1,285,517
(Loss) earnings from continuing operations before income taxes	(648,295)	(170,222)
Gain on sale of Pender Health	-0-	-0-
Future income tax recovery	81,605	-0-
Net (loss) earnings from continuing operations before non-controlling interest	(566,690)	(170,222)
Non-controlling interest	103,371	8,367
(Loss) earnings before discontinued operations	(463,319)	(161,855)
Earnings from discontinued operations	-0-	129,682
Net (loss) earnings for the period	(463,319)	(32,173)
Deficit, beginning of period	(14,530,374)	(14,264,551)
Deficit, end of period	(14,993,693)	\$(14,296,724)
Earnings per share – Basic		
Continuing operations	\$ (0.023)	\$ (0.006)
Discontinued operations	0.000	0.004
Earnings per share	\$ (0.023)	\$ (0.002)
Earnings per share – Diluted		
Continuing operations	\$ (0.023)	\$ (0.006)
Discontinued operations	0.000	0.004
Earnings per share	\$ (0.023)	\$ (0.002)
Weighted average number of shares:		
Basic	20,359,458	20,270,143
Diluted	20,359,458	20,270,143

See accompanying notes to consolidated financial statements

Pender Financial Group Corporation

Consolidated Statements of Cash Flows

For the three months ended March 31, 2008 and 2007
(unaudited)

	For the three months ended	
	March 31, 2008	March 31, 2007
Cash flows from operating activities:		
Net (loss) earnings for the period	\$ (463,319)	\$ (32,173)
Remove income from discontinued operations	-0-	(129,682)
Cash flows from operating activities of discontinued operations	-0-	42,501
Items not involving cash:		
Non-controlling interest	(103,371)	(8,367)
Future income tax (recovery) expense	(81,605)	-0-
Stock-based compensation	49,120	56,818
Amortization	121,494	114,532
Loss (gain) on sale of investments	-0-	12,259
Gain on sale of Pender Health		00
Changes in non-cash working capital:		
Accounts receivable and other current assets	122,508	323,270
Accounts payable and accrued liabilities	32,025	(97,612)
Deferred revenue	112,821	(97,353)
	(210,327)	184,193
Cash flows from financing activities:		
Issuance of shares	-0-	00
Debt financing	-0-	-0-
Repayment of long-term debt	(37,028)	(32,162)
	(37,028)	(32,162)
Cash flows from investing activities:		
Cash flows from investing activities of discontinued operations	-0-	(40,000)
Purchase of investments	-0-	(373,429)
Proceeds on sale of investments	-0-	85,818
Purchase of property and equipment	(6,232)	(11,293)
	(6,232)	(338,904)
	(253,587)	(186,873)
Cash and cash equivalents, beginning of period	2,379,509	1,926,707
Cash and cash equivalents, end of period	\$ 2,125,922	\$ 1,739,834

See accompanying notes to consolidated financial statements

Pender Financial Group Corporation**Consolidated Statement of Comprehensive Income**
For the three months ended March 31, 2008 and 2007
(unaudited)

	For the three months ended	
	March 31, 2008	March 31, 2007
Net (loss) income	\$ (463,319)	\$ (32,173)
Other comprehensive income:		
Unrealized (loss) gain on investments	(502,721)	(29,720)
Comprehensive (loss) income	\$ (966,040)	\$ (61,893)

Pender Financial Group Corporation

Notes to the Consolidated Financial Statements
For the three months ended March 31, 2008
(unaudited)

1. NATURE OF OPERATIONS

Pender Financial Group Corporation (the "Company") is incorporated under the Company Act (British Columbia).

On February 21, 2006 the Company acquired 86.3% of a business consisting of the assets, liabilities and operations of ActiveState Software Inc. ("ActiveState"), formerly a division of Sophos Plc. ActiveState provides tools and services for dynamic computer languages such as Perl, PHP, Python, Ruby and Tcl and earns revenue from sales of development tools, dynamic languages and related consulting services. This acquisition was accounted for as a purchase; terms related to the Company's acquisition of ActiveState will dilute the Company's ownership share by approximately 1.72% per quarter down to a minimum of 62.60% subject to certain conditions. The Company's ownership interest as at March 31, 2008 was 69.47%

On December 31, 2007 the Company disposed of its 100% owned subsidiary, PenderFund Capital Management Ltd. ("PenderFund"). On August 22, 2006 the Company disposed of its 100% owned subsidiary, Pender Health Management Ltd. ("Pender Health"). Both of these dispositions have been accounted for as discontinued operations when they occurred.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements include the assets and operations of the Company's 75.17% owned subsidiary, ActiveState. The operating results of PenderFund have been segregated and presented separately as discontinued operations in the applicable period.

Revenue recognition:

Software revenue from sales of software developer tools where there is no maintenance requirement is recognized when the software product is delivered. Revenue from software developer tools where there is an on-going maintenance requirement and provision of support services is recognized when the software product is delivered with respect to the portion of the revenue related to the software itself while the balance related to on-going maintenance and support services is recognized over the term of the contract. Revenue from the sale software maintenance and support is recognized over the contract term, which is usually one year. Revenue from consulting services is recognized using the percentage of completion method based on the labour input. Cash received in advance of meeting these revenue recognition criteria is deferred.

All of the Company's revenue recognition policies are subject to the existence of persuasive evidence of a contract or similar arrangement for the product or service and reasonable assurance that the amounts will be collected.

Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments that are readily convertible into known amounts of cash, having a maturity of three months or less from the date of acquisition or which are convertible to cash on demand, and which are subject to an insignificant risk of changes in fair value.

Pender Financial Group Corporation

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2008

(unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES

Property and equipment

Property and equipment are recorded at cost and are amortized using the straight-line method over the following estimated useful lives:

Computer equipment	3 years
Computer software	2 years
Furniture and equipment	5 years
Leasehold improvements	Over term of the lease

Intangible assets

Intangible assets acquired either individually or with a group of other assets are initially recognized and measured at cost. The cost of a group of intangible assets acquired in a transaction, including those acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their relative fair values. Intangible assets with indefinite useful lives are not amortized while other intangible assets are amortized using the straight-line method over their estimated useful lives as follows:

Financing fees and incorporation costs	5 years
Customer relationships	5 years
Intellectual property	7 years
Trademarks and domain names	Indefinite life – not amortized

Goodwill

Goodwill is tested by management for impairment annually or whenever events or changes in circumstances indicate a possible impairment in value. Impairment of goodwill is identified when its carrying amount exceeds the projected undiscounted future net cash flows expected to be realized from the business to which the goodwill relates and is calculated as the amount by which the carrying amount of the goodwill exceeds its fair value. Fair value is measured based on discounted cash flows when market prices are not available. To March 31, 2008, no impairment losses have been recorded for goodwill.

Impairment of long-lived assets

Long-lived assets, which include property, equipment, intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable, except for intangible assets not subject to amortization, which are tested for impairment annually or whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying value of the asset to estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Stock-based compensation

All stock options granted and other stock-based payments made are accounted for using the fair value method. Under the fair value method, stock-based compensation expense is calculated based on the fair value of the option or stock-based payment on the date of grant or payment and recognized over the vesting period of the option or award.

Any consideration paid by option holders on exercise of their stock options is credited to share capital. Any change in the underlying assumptions and estimates used in applying the fair value method could significantly impact the value of stock options granted and other stock-based payments awarded.

Pender Financial Group Corporation

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2008

(unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

The Company's functional and reporting currency is the Canadian dollar. Monetary assets and liabilities denominated in US dollars are translated into Canadian dollars at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities at the exchange rates in effect at the date of transaction. Revenue and expenses are translated at exchange rates prevailing at the dates of the transactions. Gains and losses on foreign currency transactions and adjustments are recognized on the statement of operations as incurred.

Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases ("temporary differences"), and loss carry forwards. Future tax assets and liabilities are measured using the enacted or substantially enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on future tax assets and liabilities is recognized in income in the period in which the change is enacted or substantively enacted. The value of future tax assets recognized is limited to the amount that is more likely than not to be realized.

Earnings per share

Basic earnings per share is calculated by dividing the net earnings for the period by the weighted average number of shares outstanding during the year. Diluted earnings per share is calculated similar to basic earnings per share except that the weighted average number of shares outstanding is increased to include additional shares from the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that stock options and warrants were exercised and that proceeds from such exercise were used to acquire common shares of the Company at the average market price for the period. No additional shares are included in the diluted earnings per share calculation for stock options and warrants which have an exercise price greater than the average market price for the period.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the quarter. In addition to the stock-based compensation expense, significant items subject to such estimates and assumptions include the recognized impairment loss related to investments, property, equipment, goodwill, intangible assets and the valuation allowance for future tax assets. Actual results could differ from those estimates.

Pender Financial Group Corporation

Notes to the Consolidated Financial Statements
For the three months ended March 31, 2008
(unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Pursuant to the change in accounting policies, the Company classifies financial instruments into one of the following categories. Recognition and measurement of financial instruments depends on their classification as follows:

- Held-for-trading, which includes the Company's cash and cash equivalents, accounts receivable, and accounts payable are measured at fair value. All gains and losses resulting from changes in their fair value are included in earnings in the period in which they arise.
- Held-to-maturity investments are measured at amortized cost. Amortization of premiums or discounts are amortized into earnings using the effective interest method. The Company does not have any held-to-maturity investments.
- Loan or other long-term receivables are measured at amortized cost. The Company does not have any receivables of this nature.
- Available-for-sale financial assets, which includes the Company's investments described in Note 4 below, are measured at fair value, with unrealized gains and losses recorded in other comprehensive income until disposition or other-than-temporary impairment at which time the gain or loss is recorded in earnings. Transaction costs related to these financial instruments are expensed as incurred.
- Other financial liabilities, which includes the Company's long-term debt, are measured at amortized cost.
- Derivatives that are not hedging instruments are deemed to be held-for-trading financial instruments and are accordingly recognized and measured as described above.
- Derivatives that qualify as hedging instruments are measured at fair value, with gains or losses included either in other comprehensive income or in earnings, depending on whether the hedge is a cash flow hedge or a fair value hedge.

The Company does not have any derivatives that qualify for recognition as hedging instruments or otherwise.

3 CHANGES IN ACCOUNTING POLICY AND RECENT ACCOUNTING PRONOUNCEMENTS

Change in Accounting Policy

Effective January 1, 2007, the Company adopted new Canadian Institute of Chartered Accountants ("CICA") Handbook Sections 3855 "Financial Instruments – Recognition and Measurement", CICA 3861 "Financial Instruments – Disclosure and Presentation", CICA 3865 "Hedges", CICA 1530 "Comprehensive Income", CICA 3051 "Investments" and CICA 3251 "Equity". The new Handbook Sections establish standards governing the recognition and measurement of financial instruments, when and how hedge accounting may be applied, and the reporting and presentation of comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources.

Under these new standards, all financial instruments are included on the consolidated balance sheet and are measured either at their fair value or, in limited circumstances, at cost or amortized cost as described in Note 2 above.

Effective January 1, 2008, the Company adopted new CICA Handbook Sections 3031 "Inventories", 3862 "Financial Instruments – Disclosure", 3863 "Financial Instruments – Presentation" and 1535 "Capital Disclosures". There was no material impact on its financial statements.

Pender Financial Group Corporation

Notes to the Consolidated Financial Statements
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(unaudited)

3 CHANGES IN ACCOUNTING POLICY AND RECENT ACCOUNTING PRONOUNCEMENTS

Recent Accounting Pronouncements

In 2008, the Accounting Standards Board issued CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2009. The Company is currently assessing the impact of the new standard and has not yet determined its effect on the Company's financial statements.

4 INVESTMENTS

Name	As at March 31, 2008			As at December 31, 2007		
	Number of Securities	Book Value (1) \$	Market Value \$	Number of Securities	Book Value (1) \$	Market Value \$
Carmanah Technologies Corporation	181,800	181,981	169,074	181,800	181,981	218,160
Icron Technologies Corporation	2,054,200	917,707	1,068,184	2,054,200	917,707	1,417,398
IP Applications Corp. (2)	3,348,599	677,550	602,748	3,348,599	677,550	602,748
Municipal Solutions	1,036,149	160,603	82,892	1,036,149	160,603	160,603
Optimal Geomatics Inc.	1,062,000	164,405	42,480	1,062,000	164,405	69,030
Radiant Communications (4)	231,538	418,970	270,899	231,538	418,970	270,899
		2,521,216	2,236,277		2,521,216	2,738,838
Bio-Future Fund (VCC) Corp.	1,372,461	100,564	100,564	1,372,461	100,564	100,564
Pender Growth Fund (VCC) Inc.	1,000	5,106	8,420	1,000	5,106	8,580
		105,670	108,984		105,670	109,144
Total investment in shares and warrants		2,626,886	2,345,261		2,626,886	2,847,982

- (1) Book value is carried at cost less any provision for impairment in value.
- (2) The Company holds 100,000 warrants exercisable at \$0.53 - \$0.70 expiring August 5, 2010
- (3) The Company holds 117,600 warrants of OSI Geospatial Inc. (OSI) exercisable at \$.85 expiring April 11, 2010. OSI is a publicly traded company on the TSX Venture Exchange (symbol OSI).
- (4) The Company holds 64,102 warrants exercisable at \$2.40 expiring September 27, 2008

Pender Financial Group Corporation

Notes to the Consolidated Financial Statements
For the three months ended March 31, 2008
(unaudited)

5. PROPERTY AND EQUIPMENT

	Cost \$	Accumulated Amortization \$	March 31, 2008 Net Book Value \$	Dec. 31, 2007 Net Book Value \$
Computer equipment	158,232	86,855	71,377	82,824
Computer software	37,696	20,588	17,108	18,085
Furniture and equipment	54,863	18,229	36,634	39,144
Leasehold improvements	27,108	10,176	16,932	18,283
	<u>277,899</u>	<u>135,848</u>	<u>142,051</u>	<u>158,336</u>

All of the Company's property and equipment are held by ActiveState.

The Company has determined that there are no material legal obligations associated with the retirement of long-lived assets and accordingly, no asset retirement obligations have been accrued.

6. INTANGIBLE ASSETS

	Cost \$	Accumulated Amortization \$	March 31, 2008 Net Book Value \$	Dec. 31, 2007 Net Book Value \$
Customer relationships	953,077	401,076	552,001	599,525
Intellectual property	1,400,000	420,912	979,088	1,029,041
Trademarks and domain names	363,077	-0-	363,077	363,077
Financing fees and incorporation costs	29,522	12,725	16,797	18,300
	<u>2,745,676</u>	<u>834,713</u>	<u>1,910,963</u>	<u>2,009,943</u>

7. LONG-TERM DEBT

Vancity Capital Corporation bearing interest at prime plus 10% per annum compounded monthly with blended payments of \$21,648 per month due September 15, 2011.

Total	\$	701,465
Less current portion		156,329
<u>Long-term debt</u>	<u>\$</u>	<u>545,136</u>

The loan is secured by all of the assets of ActiveState including a general security agreement and assignment of key-man life insurance proceeds on the President. Pender Financial Group Corporation has guaranteed repayment of the loan up to \$225,000.

Pender Financial Group Corporation

Notes to the Consolidated Financial Statements
For the three months ended March 31, 2008
(unaudited)

8. SHAREHOLDERS' EQUITY

	March 31, 2008	Dec. 31, 2007
Share capital	\$ 20,121,418	\$ 20,121,418
Contributed surplus	283,364	250,753
Unrealized gain (loss) on investments	(281,625)	221,096
Deficit	(14,993,693)	(14,530,374)
	<u>\$ 5,129,464</u>	<u>\$ 6,062,893</u>

(a) Share capital

(i) Authorized: The Company's authorized share capital consists of 1,000,000,000 common shares without par value and 100,000,000 preferred shares without par value. No preferred shares are currently issued.

(ii) Issued

Common shares	# of shares	Amount
<u>Balance, March 31, 2008 and December 31, 2007</u>	<u>20,359,458</u>	<u>\$ 20,121,418</u>

(b) Share purchase warrants: There were no warrants exercised during the quarter and there are no warrants outstanding as at March 31, 2008.

(c) Stock options – Pender Financial Group Corporation

The Company has a stock option plan, approved by shareholders, that allows the Company's Board of Directors to grant up to 3,000,000 stock options to its officers, directors, key employees and consultants. Stock options are granted with an exercise price not less than the stock's quoted value on the TSX-Venture Exchange at the date of grant. Stock options granted generally have varying expiry terms of up to five years and vesting periods determined at the discretion of the directors.

At March 31, 2008, the Company has 2,350,000 stock options at an exercise price of \$0.25 that expire on April 18, 2010. For the three months ended March 31, 2008, the Company has recognized \$ 28,617 of stock-based compensation (2007 \$28,617). The fair value of share options granted was estimated using the Black-Scholes option pricing model.

(d) Stock options – ActiveState Software Inc.

ActiveState has both a standard and special stock option plan, which provide for up to 476,602 stock options to be granted to its officers, directors, key employees and consultants. As at March 31, 2008, 393,265 options had been granted and 268,001 of these are vested and are exercisable at an exercise price of \$1 to \$2 per option.

As the shares of ActiveState are not traded in a public market, an option pricing model cannot be used to determine the fair value of these options. Instead, management has estimated the fair values of standard and special stock options to be \$0.18 and \$0.05 per option respectively. Subject to the vesting conditions established for both stock option plans, for the three months ended March 31, 2008, ActiveState recognized \$20,501 of stock-based compensation expense related to these options.

Pender Financial Group Corporation

Notes to the Consolidated Financial Statements
For the three months ended March 31, 2008
(unaudited)

8. SHAREHOLDERS' EQUITY (continued)

(e) Contributed surplus

The Company's contributed surplus is comprised of the amounts recognized for stock-based compensation expense less the corresponding amount related to share options, which have been exercised. The change in contributed surplus for the year is summarized as follows:

	March 31, 2008	Dec. 31, 2007
Opening balance	\$ 250,753	\$ 119,604
Stock-based compensation expense recognized in respect of the Company's share options	28,619	114,475
Stock-based compensation expense recognized in respect of ActiveState's share options	3,992	16,674
	283,364	131,149
Re-allocation to share capital upon exercise of share options	-0-	-0-
Closing balance	\$ 283,364	\$ 250,753

9. SEGMENTED INFORMATION

The Company operates in two segments. Management defines these segments based on the type of revenue earned. All of the Company's revenue is earned in Canada and all of its assets are located in Canada. Segmented information for the three months ended March 31, 2008 and 2007 are as follows:

2008	Software products and support	Merchant banking	Inter- company eliminations	Total
Revenue	\$ 774,456	\$ -0-	\$ -0-	\$ 774,456
Other income	4,500	21,783	(15,067)	11,216
	778,956	21,783	(15,067)	785,672
Operating expenses	(1,100,543)	(188,290)	00	(1,288,833)
Amortization	(121,494)	-0-	-0-	(121,494)
Interest expense	(38,902)	-0-	15,262	(23,640)
Future income tax recovery	37,151	44,454	-0-	81,605
Non-controlling interest	-0-	103,371	-0-	103,371
Net earnings (loss)	\$ (444,832)	\$ (18,682)	\$ 195	\$ (463,319)
Total assets	\$ 3,424,872	\$ 4,104,188	\$ -0-	\$ 7,529,060
Expenditures on long-lived assets	\$ 6,229	\$ -0-	\$ -0-	\$ 6,229
Purchase of investments	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Pender Financial Group Corporation

Notes to Consolidated Financial Statements
For the three months ended March 31, 2008
(unaudited)

9. SEGMENTED INFORMATION (continued)

2007	Software products and support	Merchant banking	Inter-Company eliminations	Total
Revenue	\$ 1,091,758	\$ (12,259)	\$ -0-	\$ 1,079,499
Other income	11,598	74,198	(50,000)	35,796
	<u>1,103,356</u>	<u>61,939</u>	<u>(50,000)</u>	<u>1,115,295</u>
Operating expenses	(930,039)	(213,691)	-0-	(1,143,730)
Amortization	(114,532)	-0-	-0-	(114,532)
Interest	(27,255)	-0-	-0-	(27,255)
Non-controlling interest	-0-	8,367	-0-	8,367
Gain (loss) on discontinued operations	-0-	79,682	50,000	129,682
Net earnings (loss)	<u>\$ 31,530</u>	<u>\$ (63,703)</u>	<u>\$ -0-</u>	<u>\$ (32,173)</u>
Total assets	<u>\$ 3,996,146</u>	<u>\$ 4,482,540</u>	<u>\$ -0-</u>	<u>\$ 8,478,686</u>
Expenditures on long-lived assets	<u>\$ 11,293</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 11,293</u>
Purchase of investments	<u>\$ -0-</u>	<u>\$ 373,429</u>	<u>\$ -0-</u>	<u>\$ 373,429</u>

10. RELATED PARTY TRANSACTIONS

For the three months ended March 31, 2008, fees for management services totalling \$82,000 (2007 \$113,000) were charged by companies controlled by certain directors and officers.

11. CAPITAL MANAGEMENT

The Company's capital management objective is to borrow only for specific long term acquisition.

The Company's capital structure at period end consisted of the following:

	March 31, 2008	Dec. 31, 2007
Long-term debt	\$ 701,465	\$ 738,493
Shareholder equity	<u>5,129,464</u>	<u>6,062,893</u>
Total Capitalization	<u>\$ 5,830,929</u>	<u>\$ 6,801,386</u>
Net debt to capitalization	12%	11%

Pender Financial Group Corporation

Notes to Consolidated Financial Statements
For the three months ended March 31, 2008
(unaudited)

12. DISCONTINUED OPERATIONS

On December 31, 2007 the Company disposed of its 100% owned subsidiary, PenderFund Capital Management Ltd. ("PenderFund"). This disposition have been accounted for as discontinued operations when they occurred.

	March 31, 2008	March 31, 2007
Revenue	\$ -0-	\$ 272,033
Earnings from discontinued operations	\$ -0-	\$ 79,682

13. NON-CONTROLLING INTEREST

Non-controlling interest represents the interest in the net assets of ActiveState held by employee shareholders of ActiveState. The continuity of the non-controlling interest since the acquisition of ActiveState on February 21, 2006 to March 31, 2008 is as follows:

Balance-Non-controlling interest at Dec 31, 2007	\$ 248,590
Transactions for the quarter ended March 31, 2008	
Non-controlling interest share of income	(97,510)
Effect of ownership dilution on non-controlling interest	<u>10,648</u>
Balance-Non-controlling interest at March 31, 2008	<u>\$ 161,728</u>

The effect of ownership dilution on non-controlling interest above is the result of vesting of stock-based compensation made to Active State employees.

14. COMPARATIVE FIGURES

The comparative figures for 2007 have been reclassified to ensure comparability with those of the current period. Such reclassification does not have any effect on the assets or earnings previously reported.

