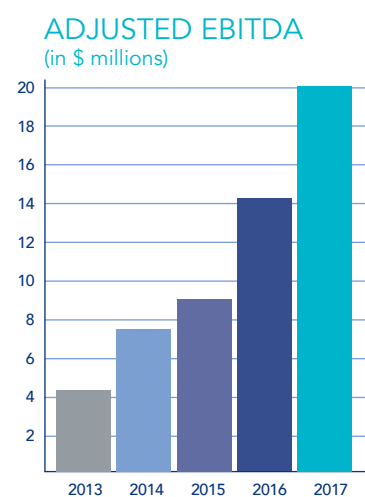
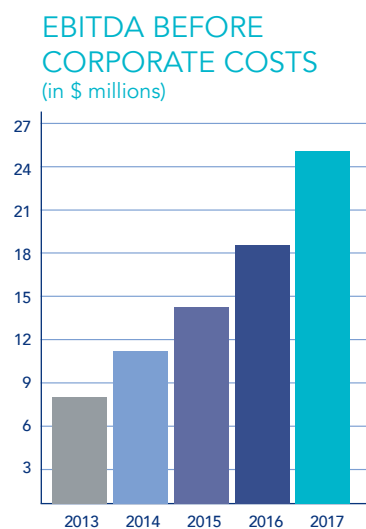
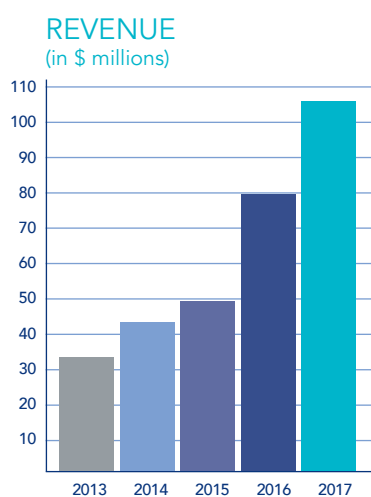




2017 ANNUAL REPORT

HIGHLIGHTS

YEAR ENDED AUGUST 31	2017	2016	2015	2014	2013
Revenue	\$ 105,839,973	\$ 79,802,253	\$ 49,293,254	\$42,575,935	\$ 32,892,159
Operating income before corporate costs	\$ 25,191,684	\$ 18,585,964	\$ 13,318,640	\$11,256,369	\$ 7,839,707
Adjusted EBITDA	\$ 20,108,998	\$ 14,095,264	\$ 9,161,383	\$ 7,542,081	\$ 4,344,309
Total assets	\$ 169,952,635	\$147,978,072	\$ 114,597,346	\$56,109,427	\$ 53,736,277
Total debt	\$ 36,526,725	\$ 40,477,167	\$ 25,409,649	\$ 9,660,449	\$ 19,249,335
Other liabilities	\$ 65,054,907	\$ 62,816,045	\$ 45,108,307	\$20,427,048	\$ 20,310,320
Shareholders' equity	\$ 68,371,003	\$ 44,684,860	\$ 44,079,390	\$26,021,930	\$ 14,176,622
Total liabilities and shareholders' equity	\$ 169,952,635	\$147,978,072	\$ 114,597,346	\$56,109,427	\$ 53,736,277
Cash, end of year	\$ 17,933,832	\$ 14,369,959	\$ 6,514,734	\$ 2,750,465	\$ 2,449,169
Repayment of long-term debt, net	\$ 20,680,526	\$ 3,269,984	\$ 8,400,009	\$11,258,167	\$ 802,538
Common shares outstanding at year end	51,001,140	45,225,050	44,958,383	39,551,486	33,027,193



TO THE SHAREHOLDERS OF PEOPLE CORPORATION

Change. Embracing it can be daunting, but it is the new imperative in businesses today. Not only to thrive, but to survive. An increasingly borderless world, enabled by technology, has facilitated immediate access to information. The result is that expectations have changed – they have risen. Corporate Canada and its employees have increasing expectations around their group benefits, group retirement and HR needs. As such, our landscape has changed. I believe that the change our industry will undergo in the next 5 years will be greater than the change we experienced in the past 25 years combined.

Consider this. The ability to attract and retain employees continues to be one of the top challenges most organizations face. To remain competitive and relevant, organizations need to engage a workforce that is diverse across all five generations employed today. HR strategy needs to be clearly linked to business strategy, and HR solutions related to employee benefits, group retirement and talent management need to support HR strategy. Those organizations that execute this well will win.

It is for all of the above reasons, we at People Corporation continue to make significant investments in people and technology with the singular purpose of delivering mass customized solutions to our clients. We believe that by marrying best in class talent with leading technology platforms, we can design, build and deliver group benefit, group retirement and HR programs that help our clients succeed in business. To this end, 2017 was a landmark year on a number of fronts:

OUR PEOPLE: This was a record year in terms of attracting and engaging top talent to our organization both from within and external to our industry. This has brought increased diversity to our workforce, resulting in innovation around our service delivery methods, technology platforms, and product suite. And we will continue to up our efforts in talent acquisition throughout Canada.

OUR TECHNOLOGY: As one of the largest third party administrators in Canada, with technology and service platform capabilities and experience, we now count over 300 brand name leading employers as our clients throughout Canada. We have over 7,000 corporate clients, with close to 50 percent of them on our third party administration platform. Over the next 3 years we will continue to make significant investments in our technology; combining our field experience with market trends and client needs.

OUR SCALE: Being one of the largest firms in our industry sounds good, but it is meaningless unless you can truly mobilize your people and solutions to serve the client. Therein lies one of our competitive advantages; the ability to combine our financial resources to invest in the future with our top talent and proprietary technology in a culture that exists to serve clients. And we now serve clients coast to coast, in English and French, across 17 industries and sectors. This results in our ability to bring subject matter and industry expertise to our clients with on-the-ground local support.

CHANNEL AND GEOGRAPHIC BREADTH: A company that has ten employees has differing needs compared to a large organization that employs thousands of employees. At the same time, market demands vary from province to province. Recognizing this, fiscal 2017 saw us making significant investments in the small group market, now positioning us with channel specific solutions for small, mid-market and large market clients. At the same time, we made a significant investment in the Quebec market through the acquisition of one of the leading TPAs there, enabling us to enhance the solutions and service offerings for our national accounts, and at the same time significantly enhancing our market position and expertise in that market.

These 4 pillars have not only positioned us well for the future, but they also helped us deliver record fiscal 2017 results:

- **Revenue:** Grew 32.6% from prior year to \$105.8 million.
- **Adjusted EBITDA:** Grew 42.7% from prior year to \$20.1 million.
- **Clients:** Serviced over 1.4 million Canadians across Canada.
- **Value:** Over \$1.3 billion in benefit premiums and approximately \$6.9 billion in pension assets.
- **Our People:** 660 professionals across more than 35 offices throughout Canada.
- **Balance Sheet:** A very strong balance sheet with significant capacity for both acquisitive and organic growth investments.

Our operational and financial performance reflects, once again, our ability to address change in the industry, and execute on our strategy to become one of the leading group benefits, group retirement and HR consulting firms across Canada.

While we are entering new territory as a \$100M+ company, our mantra remains the same – Clients Come First. Our increasing position in the market place underpinned by our financial strength positions us exceptionally well to support and service our growing client portfolio. Our solutions reflect their diverse challenges. But our passion and pursuit of excellence reflects the support of our clients, our employees, our shareholders and our strategic partners. We value our relationships and thank all of you for your ongoing decision to choose us, and in doing so, choosing to **Experience the Benefits of People.**

Sincerely,



Laurie Goldberg
Chairman and CEO

AUX ACTIONNAIRES DE LA CORPORATION PEOPLE :

Le changement. Faire face au changement peut être intimidant, mais c'est la nouvelle nécessité des entreprises d'aujourd'hui. Non seulement pour réussir, mais plus important pour survivre. Dans un monde ayant de moins en moins de frontières, la technologie a facilité l'accès immédiat à l'information. Tout ceci provoque un changement d'attentes et ces dernières ont augmenté. Les entreprises canadiennes et leurs employés ont des attentes grandissantes quant à leurs assurances collectives, leurs retraites collectives, et leurs besoins en ressources humaines (RH). C'est pourquoi notre horizon a changé — je crois que les changements qui s'opéreront dans notre industrie dans les 5 prochaines années seront plus importants que les changements que nous avons vécus dans les 25 dernières combinées.

Pensez au fait que la capacité d'attirer et de retenir des employés demeure un des plus grands défis pour la plupart des organisations. Pour rester compétitives et attrayantes, les organisations se doivent d'engager une main d'œuvre diversifiée au sein des cinq générations qui sont actuellement sur le marché du travail. La stratégie des RH doit manifestement être reliée à la stratégie d'affaires, et les solutions de RH liées aux avantages sociaux, à la retraite collective et à la gestion du talent se doivent de soutenir la stratégie des RH. Les organisations qui exécuteront ceci de la bonne façon en ressortiront gagnantes.

Pour toutes ces raisons, à la Corporation People nous continuons à investir de manière substantielle dans les gens et la technologie avec le seul but de livrer à nos clients des solutions personnalisées de masse. Nous avons la conviction qu'en alliant les meilleurs talents avec les meilleures plateformes technologiques nous pouvons concevoir, construire et livrer des programmes d'assurance collective, de retraite collective, et de RH qui aident nos clients à réussir en affaires. À cet effet, 2017 fut une année charnière sur plusieurs fronts :

NOS GENS : Nous avons connu une année record en attirant et engageant au sein de notre organisation les meilleurs talents, provenant de notre industrie mais aussi de l'extérieur. Notre main d'œuvre est ainsi devenue plus diversifiée apportant de l'innovation dans nos méthodes pour livrer nos services, nos plateformes technologiques, ainsi que notre gamme de produits. Nous continuerons de mettre tous les efforts requis pour augmenter l'acquisition de talents à travers le Canada.

NOTRE TECHNOLOGIE : En tant qu'un des plus grands tiers administrateurs au Canada et grâce à nos capacités technologiques, notre plateforme informatique, et notre expérience, nous avons désormais plus de 300 clients de marque, employeurs de renom à travers le pays. Parmi les 7000 entreprises clientes, près de 50% sont sur notre plateforme de tierce administration. Pendant les trois prochaines années, nous continuerons à faire des investissements importants dans notre technologie, nous combinerons notre expérience terrain aux tendances du marché ainsi qu'aux besoins de nos clients.

NOTRE TAILLE : Être une des plus grandes entreprises du marché peut sembler percutant mais cela perd tout son sens à moins que vous puissiez vraiment mobiliser vos gens et vos solutions pour servir les clients. Voilà où réside l'un de nos avantages concurrentiels : cette capacité de combiner nos ressources financières pour investir dans le futur avec l'aide de nos meilleurs talents et de notre technologie exclusive, le tout dans une culture qui est centrée sur le service à la clientèle. De plus, nous servons maintenant nos clients à travers le Canada, en anglais et en français, dans 17 secteurs et domaines. Cela nous permet d'apporter à nos clients des conseils spécialisés selon leur secteur en plus d'offrir un soutien local.

FORCE DE DISTRIBUTION ET ÉTENDUE GÉOGRAPHIQUE : Les besoins d'une entreprise ayant dix employés sont très différents des besoins d'une grande organisation employant des milliers d'employés, d'autant plus que les demandes du marché varient d'une province à l'autre. Ayant reconnu ceci, l'année fiscale 2017 témoigne des investissements importants que nous avons faits dans le marché des petits groupes, ce qui nous met en bonne

position avec des solutions adaptées pour les clients de petites, moyennes, et grandes tailles. En même temps, nous avons fait un investissement important dans le marché du Québec en faisant l'acquisition d'un des plus importants tiers administrateurs. Cela nous a permis d'améliorer notre offre de service pour les comptes nationaux, tout en améliorant de manière considérable notre position sur le marché et notre expertise dans ce même domaine.

Ces quatre piliers nous ont mis dans une bonne position pour le futur, et nous ont aussi permis de livrer des résultats financiers records pour l'année 2017 :

- **Revenus** : Croissance de 32,6 % depuis l'année précédente à 105,8 millions de dollars.
- « **EBITDA** » **ajusté** : Croissance de 42,7 % depuis l'année précédente à 20,1 millions de dollars.
- **Clients** : Croissance de 42,7 % depuis l'année précédente à 20,1 millions de dollars.
- **Valeur** : Plus de 1,3 milliard de dollars en primes d'assurance et approximativement 6,9 milliards de dollars en avoirs de retraite.
- **Nos gens** : 660 professionnels dans plus de 35 bureaux à travers le Canada.
- **Bilan** : Un bilan en santé avec une importante capacité d'investissements pour une croissance organique et d'acquisition.

Notre performance opérationnelle et financière reflète à nouveau notre capacité à réagir aux changements de notre industrie, et à mettre en œuvre notre stratégie dans le but de devenir un des chefs de file des fournisseurs de régimes collectifs d'avantages sociaux, de retraite et de services conseils en RH au Canada.

Bien que nous entrions en terres inconnues en tant qu'entreprise ayant un chiffre d'affaires de plus de 100 millions de dollars, notre mantra demeure le même : les clients sont notre priorité. Notre position grandissante sur le marché, soutenue par notre solidité financière, nous outille pour soutenir et servir notre clientèle grandissante; ceci est reflété par nos investissements. Nos solutions reflètent les défis auxquels les clients font face. Néanmoins, notre passion et notre poursuite de l'excellence reflètent le soutien de nos clients, de nos employés, de nos actionnaires, et de nos partenaires stratégiques. Ces liens nous sont précieux et nous vous remercions de continuer à nous choisir et, ce faisant, de choisir ***l'avantage de l'expérience des gens.***

Je vous prie de recevoir mes plus sincères salutations.



Laurie Goldberg
Chairman et PDG

MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE QUARTER AND YEAR ENDED AUGUST 31, 2017

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This Management's Discussion and Analysis ("**MD&A**") has been prepared with an effective date of November 30, 2017 and provides an update on matters discussed in, and should be read in conjunction with the audited annual consolidated financial statements of People Corporation (the "**Company**"), including the notes thereto, as at and for the year ended August 31, 2017, which were prepared in accordance with International Financial Reporting Standards ("**IFRS**"), unless otherwise specified. All amounts contained within this MD&A are in Canadian dollars unless otherwise specified. Amounts set forth in this MD&A are stated in thousands of dollars except for per share, issued and outstanding share data, and unless otherwise noted. Certain totals, subtotals and percentages may not reconcile due to rounding.

ADDITIONAL INFORMATION

Additional information regarding the Company is available on SEDAR at www.sedar.com and on the Company's website at www.peoplecorporation.com.

FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking statements" within the meaning of applicable securities laws, such as statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Use of words such as "may", "will", "expect", "believe", "intends", "likely", or other words of similar effect may indicate a "forward-looking" statement. These statements are not guarantees of future performance and are subject to numerous risk factors, including those described in the Company's publicly filed documents (available on SEDAR at www.sedar.com) and in this MD&A under the heading "Risk Factors". Those risk factors include the ability to maintain profitability and manage growth, reliance on information systems and technology, reputation risk, dependence on key clients, reliance on key professionals and general economic conditions. Many of these risk factors can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statement made by the Company or on its behalf. Given these risk factors, investors should not place undue reliance on forward-looking statements as a prediction of actual results. All forward-looking statements in this MD&A are qualified by these cautionary statements. These statements are made as of the date of this MD&A and, except as required by applicable law, the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Additionally, the Company undertakes no obligation to comment on analyses, expectations or statements made by third parties in respect of the Company, its financial or operating results or its securities.

Readers are cautioned that the following terms used herein and other similar terms do not have standardized meanings as prescribed by IFRS and may not be comparable to similar measures presented by other companies. In this MD&A: "**Standardized EBITDA**" means net income before finance expense, income tax expense, depreciation and amortization; "**REI**" means retained economic interest, which represents the earnings attributable to vendors and/or principals of acquired companies based on prescribed formulas; "**Adjusted EBITDA before REI**" means Standardized EBITDA before acquisition, integration and reorganization costs, share based compensation expense, compensation based REI and equity based REI; "**Adjusted EBITDA**" means Standardized EBITDA net of REI before acquisition, integration and reorganization costs and share based compensation expense; "**Operating Income before Corporate Costs**" means Adjusted EBITDA before corporate costs; and "Corporate Costs" and "Operating Working Capital", have the meanings hereinafter set out. Further, readers are cautioned that Standardized EBITDA, Adjusted EBITDA before REI, Adjusted EBITDA and Operating Income before Corporate Costs should not replace net income or loss or cash flows from operating, investing and financing activities (as determined in accordance with IFRS), as an indicator of the Company's performance. See the "Non IFRS Financial Measures" section for further commentary.

The Company is primarily involved in the delivery of employee group benefit consulting, third-party benefits administration services, group retirement consulting and human resource consulting to help companies recruit, retain and reward employees. With a growing national footprint, the Company is bringing together leading consultants in the industry to offer innovative and customized product solutions to clients. The Company is listed on the TSX Venture Exchange (“TSX-V”) under the symbol “PEO”.

FINANCIAL HIGHLIGHTS

The Company’s financial results for the three and twelve months ended August 31, 2017, fully reflect the effect of last year’s acquisition of BPA Financial Group Limited (“BPA”) and organic growth initiatives. The effect of the acquisition of Sirius Benefit Plans Inc. (“Sirius”) and Skipwith & Associates Insurance Agency Inc. (“Skipwith”) are partially reflected in the results, as these transactions closed on April 12, 2017, and May 1, 2017, respectively.

	FOR THE THREE MONTHS ENDED		FOR THE YEAR ENDED	
	AUG 31, 2017	AUG 31, 2016	AUG 31, 2017	AUG 31, 2016
Revenue	\$ 28,927.0	\$ 24,902.6	\$ 105,840.0	\$ 79,802.3
Adjusted EBITDA	\$ 5,718.4	\$ 3,796.2	\$ 20,109.0	\$ 14,095.3
Adjusted EBITDA per share (Basic)	\$ 0.112	\$ 0.084	\$ 0.400	\$ 0.313
Net Income (Loss)	\$ 242.1	\$ (277.0)	\$ 3,478.8	\$ (174.8)
Net income per share (Basic)	\$ 0.005	\$ (0.006)	\$ 0.069	\$ (0.004)
Net income per share (Diluted)	\$ 0.005	\$ (0.006)	\$ 0.068	\$ (0.004)

For the three months ended August 31, 2017, the Company experienced revenue growth of \$4,024.4 (16.2%). The Company recognized acquired growth of \$2,130.3 (8.6%) resulting from acquired operations, including Sirius and Skipwith. Organic growth of \$1,894.1 (7.6%) was recognized primarily from increasing existing business by gaining new clients, increasing product and service penetration with existing clients and natural inflationary factors.

Quarterly organic growth rates can vary due to timing of renewals and acquisitions and as such, annual organic growth is a better reflection of the Company’s organic growth rate.

Adjusted EBITDA for the three months ended August 31, 2017, was \$5,718.4, representing an increase of \$1,922.2 (50.6%), as compared to the same period in fiscal 2016. Growth in Adjusted EBITDA for the three month period was primarily driven by contribution from acquired operations and the increase in fourth quarter revenue, partially offset by increases in variable compensation expenses tied directly to the higher revenue, expanded leadership to accommodate integration and future growth, and the continued investment in recently-hired benefit consultants and related support costs incurred to drive organic growth.

For the three months ended August 31, 2017, the Company reported an increase in Net Income of \$519.1 resulting from the acquisitions of Sirius and Skipwith; organic growth; and a decrease in finance expenses; offset by acquisition-related amortization of intangible assets.

For the year ended August 31, 2017, the Company experienced revenue growth of \$26,037.7 (32.6%). The Company recognized acquired growth of \$17,137.0 (21.5%) resulting from acquired operations, including BPA, Sirius and Skipwith and organic growth of \$8,900.7 (11.1%).

Adjusted EBITDA for the year ended August 31, 2017, was \$20,109.0, representing an increase of \$6,013.7 (42.7%), as compared to the same period in fiscal 2016 resulting from organic growth and acquired operations, including BPA, Sirius and Skipwith.

For the year ended August 31, 2017, the Company reported an increase in Net Income of \$3,653.6 primarily resulting from the impact of acquired operations and organic growth from existing operations, offset by an increase in acquisition-related amortization of intangible assets and an increase of acquisition, integration and reorganization costs.

BUSINESS OVERVIEW

The Company delivers employee group benefit consulting, third party benefits administration (including claims processing, disability management and administration services), group retirement consulting, group retirement advisory services and strategic human resource consulting and recruitment services to help companies attract, retain and reward employees. The Company achieves this through approximately 660 professionals and support staff with 35 offices (includes 17 satellite offices) located in nine provinces. The Company earns revenues from a diverse base of clients in various industries. The Company maintains a corporate strategic plan, a financial plan and an ongoing annual planning process that enables the continued growth and execution of its vision. The Company's priority is the continued profitable expansion of existing operations through a focus on organic growth and the acquisition of synergistic companies with a view to maximize value for its stakeholders: i) shareholders, ii) clients, iii) acquisition partners, and iv) employees. The Company has financial and management resources in place to execute these priorities.

The Company is organized in order to emphasize integration of all of its practice areas, which are as follows:



CONSULTING SOLUTIONS		BENEFIT SOLUTIONS	SHARED SERVICES	HUMAN RESOURCE SOLUTIONS
			Integrated Solutions	
				
			Business Development	
			Talent Acquisition	
			Wellness Solutions	

The Company has offices across Canada; each led by a team of experts and backed by strong executive management and capital resources. The Company's diverse team of experienced consultants have industry-specific expertise and can provide businesses with insight to customize an innovative suite of services specific to their business requirements.

While the Company continues to go-to-market with the various brands acquired through acquisition, the Company is organized in such a way so as to leverage the capabilities of the entire organization. People Corporation can help businesses attract the right talent for the job and provide the right incentives to motivate employees to excel, enabling client businesses to prosper.

People Corporation helps businesses:

- | | |
|----------------|---|
| Attract | The Company's employee benefit, group retirement and HR divisions are led by experts who understand a client's business and can help a client attract the best people for their industry, helping position them as top employers. |
| Reward | Proprietary solutions offered by the Company's employee group benefit consulting, third-party benefits administration, group retirement consulting, group retirement advisory services, claims processing, disability management and administration services ensures that a client's staff has access to health, wellness, dental, and retirement plans that make financial sense for their families, as well as for the client's business. |
| Retain | The Company can help make a client's organization a place where the best people will want to build their careers while also ensuring cost containment for the client's benefit, HR and group retirement plans. |

Whether a client needs a simple benefits package or a comprehensive solution, the Company's experts can customize a program for its client's unique needs:

- | | |
|---------------------------------|--|
| Expertise | The Company's consultants are recognized industry leaders who can create value for a client's organization. Through the experience of working with hundreds of clients, the Company's consultants have developed broad, as well as specialized, product, insurance and industry expertise. |
| Custom Solutions | The Company's broad range of innovative and proprietary group benefit solutions, group retirement and disability solutions can be tailored to suit organizations of any size, in any sector. This is achieved through the Company's partner relationships, its ability to leverage its various systems and platforms and through the expertise of its consultants and staff. |
| Industry Leading Pricing | As a national provider, the Company's buying power allows it to offer clients the best products on the best terms. |

Independent Guidance	The Company's expert advice is unbiased and independent. The Company works with all major insurers to provide clients with the best customized solution for its clients' businesses and people.
National Servicing	With offices across the country, the Company can provide clients with servicing on a localized basis.

Below is a summary of the Company's various operating areas:

CONSULTING SOLUTIONS

Within the Consulting Solutions division, the Company focuses on providing a unique employee benefit, group retirement and human resource solution that is customized to individual client needs. The consulting advice primarily includes plan review and plan design, plan recommendations and alternative funding methods, plan set up, employee communications, wellness programs and plan marketing.

The Company's consultants are divided into teams that focus independently of each other on corporate benefits, public sector benefits, association benefits, student benefits and alternative funding methods including self-insurance. While each team goes to market independently, the Company has an advisor group that brings the skills of the different teams together and therefore, the Company is able to proactively approach client assignments in a manner that brings the expertise from various consultants together where necessary.

The Company assumes no underwriting risk as the insurance policies are underwritten by the insurance carrier.

Bencom Financial Services Group Inc.

Bencom Financial Services Group Inc. ("**Bencom**"), established in 1982, provides group benefit, group retirement and individual benefit advisory services to mid-market corporate clients primarily located in Ontario. Bencom's office is located in Kitchener.

Buffett Taylor & Associates

Buffett Taylor & Associates ("**Buffett Taylor**"), established in 1981, provides group benefit advisory services specializing in the public sector and not-for-profit marketplace, with specific expertise with municipal, healthcare and education group plans. Buffett Taylor's office is located in Whitby.

Gallivan Student Health & Wellness

Gallivan Student Health & Wellness ("**Gallivan**"), established in 1993, provides professional advice and service infrastructure to post-secondary student organizations in order to offer group benefit programs to students. Gallivan operates on a national basis with offices and satellite offices across the country.

Hamilton + Partners Inc.

Hamilton + Partners Inc., established in 1984, consists of three operating companies, Employee Benefits Inc. ("**EBI**"), Disability Concepts Inc. ("**DCI**") and 6814409 Canada Incorporated ("**681**"), (collectively "**H+P**"). EBI is a group benefits consulting firm that provides service predominantly to Alberta-based small to large corporate clients with group benefit plans and group retirement solutions. DCI provides unique disability and critical illness solutions designed to balance employer interests of cost savings and product enhancements with employee concerns and adequate coverage. 681 provides specialized medical insurance products which expedites access to medical imaging and rapid second opinion as well as coverage for private medical treatments. H+P's office is located in Calgary.

JSL

JSL ("**JSL**"), established in 1976, provides group benefit solutions to clients based in southern Ontario and specializes in mid-market corporate clients. JSL's office is located in Toronto.

Prosure Group

Prosure Group ("**Prosure**"), established in 1987, provides customized employee benefits and administrative services, including the design and adjudication of cost plus arrangements and health spending accounts, as well as access to a proprietary third party administration platform. Prosure's office is located in Toronto.

The Investment Guild

The Investment Guild ("**TIG**"), established in 1981, specializes in mid-market corporate benefits, association plan benefits, group retirement solutions and individual insurance products. TIG's office is located in Toronto.

White Willow Benefits Consultants

White Willow Benefit Consultants ("**White Willow**"), established in 1988, provides group benefit and group retirement advisory services, with specific expertise servicing legal firms and organizations within the financial services sector. White Willow's office is located in Toronto.

BENEFIT SOLUTIONS

The Company's Benefit Solutions division has several third-party administration ("**TPA**") and third-party payor ("**TPP**") service and administration platforms allowing it to provide group benefit, group retirement and consulting advice that is highly customized towards the client's needs. TPA and TPP administer group benefit and group retirement plans on behalf of clients and insurance carrier partners. These administration platforms allow the Company to develop specialized, unique and customized benefit solutions for its clients through a plug-and-play approach of using multiple insurance carrier partners on a single benefits plan design. TPA services include employee data management, billing services, consolidated billing services where a client has multiple insurance carriers associated with its plan, customized reporting, customized plan design services, underwriting services, communication services and technology solutions. In addition, through its various partners, the TPA platforms also provide claims adjudication services and claims management.

The Company serves as an independent data administrator on behalf of the Company's clients, who are generally an employer and/or plan sponsor – this allows the benefit consultant to work with the client to select from various insurance carriers and funding options that are best suited to the benefit categories within the employee benefits program. The client benefits from the availability of multiple carriers and funding alternatives on one consolidated billing and reporting platform.

BPA Financial Group Ltd.

BPA Financial Group Limited (“BPA”), established in 1958, provides group benefit and group retirement consulting, advice, trust management, group benefit and pension administration, consulting and claims management services to large multi-employer trust organizations and numerous other organizations across Canada. BPA has offices located throughout Ontario and Eastern Canada.

Coughlin & Associates Ltd.

Coughlin & Associates Ltd. (“Coughlin”), established in 1958, provides group benefit and group retirement consulting, advice, trust management, group benefit and pension administration, and claims management services to multi-employer unions and public service organizations, and single-employer corporations. Coughlin has offices in Ottawa and Winnipeg.

HealthSource Plus

HealthSource Plus / SourceSanté Plus (“HSP”), established in 1992, provides group benefit consulting, advice, group benefit administration, billing services, reporting services, client communication, employee data management and claims management for small to medium-sized companies across Canada. HSP has offices in Toronto, Montreal, Niagara and Winnipeg.

Prosure Group

Prosure, established in 1987, provides group benefit advisory and administration services specializing in Health Spending Accounts and Cost-Plus Accounts. Prosure's office is located in Toronto.

Skipwith & Associates Insurance Agency Inc.

On May 1, 2017, the Company acquired Skipwith & Associates Insurance Agency Inc. (“Skipwith”). Skipwith, established in 1988, provides group benefit and group retirement consulting, advice, group benefit and pension administration, and claims management services to corporations, unions and public service organizations in the Ontario region. Skipwith's office is located in Barrie.

Sirius Benefit Plans Inc.

On April 12, 2017, the Company acquired Sirius Benefit Plans Inc. (“Sirius”). Sirius, established in 1996, administers and provides proprietary employee benefit programs for small to medium-sized employers through a network of independent associate brokers located across Canada. Sirius' office is located in Winnipeg.

HUMAN RESOURCE SOLUTIONS

The Company's Human Resource Solutions division works with clients to diagnose, design and deliver customized human resource solutions. The human resources consulting team delivers a broad range of services, including: human resource consulting, compensation services, assessment services, recruiting, career transition services and talent management.

People First HR Services Ltd.

People First HR Services Ltd. ("PFHR"), established in 2000, is Manitoba's largest full service human resource provider. PFHR through its various brands delivers high quality leadership and organizational solutions and contributes to the success of its clients by working with them to: recruit top talent; discover the full potential of each of their employees; realize the collective strength of a highly engaged workforce; and support employees and employers during times of change. PFHR leverages its experience and the efficiency of its processes to create workable and timely solutions that deliver value for clients.

SHARED SERVICES

Through its Shared Services division, the Company works with its subsidiaries and divisions by providing subject matter experts and proprietary products, services and solutions to attract and retain clients and provide additional revenue opportunities. The Shared Services departments have been created to ensure that the Company's subsidiaries and divisions have access to an internal shared service not normally available to mid-size employee benefit firms, thereby ensuring clients are receiving the best possible consulting advice. This results in the Company's subsidiaries and divisions having a unique value proposition and thereby providing them with a competitive edge.

Integrated Solutions

Integrated Solutions ("IS") provides group benefit and group retirement advisory services to mid- and large-market corporate clients through a network of independent associate brokers across the country. IS's office is located in Cambridge.

Group Retirement Solutions

Group Retirement Solutions ("GRS") provides group retirement advisory services in collaboration with the Company's other operating divisions to mid- and large-market corporate clients across the country.

Business Development Representatives

The Business Development Representatives ("BDR") division is an inside sales department responsible for generating qualified leads for the Company's benefit consultants. BDR identifies companies and their decision makers in order to qualify, create, and develop sales opportunities. The purpose of the department is to create and heighten People Corporation awareness to potential prospects as well as to generate leads for the consultants to ultimately increase the number of clients.

Talent Academy

Talent Academy focuses on internally sourcing, attracting, and hiring top talent into the Company. Its mandate is to fill vacant positions in the Company in a timely and cost effective manner.

Wellness Solutions

Wellness Solutions focuses on providing the Company's corporate clients with a suite of proprietary products and service offerings that will help manage the increasing costs of absenteeism, presenteeism, and loss of productivity. In addition, the Company's Wellness Solutions department serves to help the Company's clients attract, reward, and retain their employees.

BUSINESS ENVIRONMENT AND STRATEGY

INDUSTRY

Many companies are increasingly utilizing employer-sponsored benefits programs as one of the tools to help them attract and retain employees in today's competitive market for talent. However, they are challenged in doing so because of the increasing cost of providing such programs to employees, which is driven by rising insurance premiums as a result of factors such as increasing healthcare costs, the entry of costly new drugs and treatments, the advent of new medical services, higher utilization rates, and the overall aging demographics of the workforce. Given these factors, companies are looking for value-added advice with respect to plan design, and strategies to minimize the cost of plans while continuing to provide competitive benefit programs that appeal to employees.

Concurrent with the evolution in client demands as described above, the supplier base for group benefits and group retirement products and services, which is primarily the insurance carriers, continues to consolidate, leading to fewer alternatives for benefits consultants to work with when devising and pricing benefit plans. At the same time, competition has increased not only from traditional market players, but also from new players focused on technology-based solutions, as well as from market participants who have traditionally focused on other segments of the market or adjacent sectors. Finally, the regulatory environments that can impact benefit and group retirement programs continue to evolve, not only as it relates to the products and services themselves (e.g. pension plan regulations), but also as it relates to the provision of products and services, including matters such as fee disclosure. Given these market dynamics, scale is becoming increasingly important.

The Canadian market for group benefits, group retirement and HR consulting products and services is dominated by many small players and a few large multinational firms. Historically, the market has been segregated by size: small and medium-sized enterprises have traditionally been serviced by a large number of small regional and local market players, providing a relatively narrow range of products and services, generally priced on a commission-based structure. The balance of the industry, which is focused on large employers and government accounts, has traditionally been serviced by a small number of multinational consulting firms, with a broader scope of services, primarily offered on fee-based structures. While a significant amount of consolidation has occurred among players servicing large enterprises (i.e. consolidation among the multinational consulting firms), the segment of the market servicing small- and medium-sized enterprises continues to be highly fragmented, with a significant number of small firms, many of which are encountering succession planning issues given the demographic characteristics of their consultant owners, servicing this market. Management believes that this, along with the increasing need for scale as described above, suggests that consolidation in this segment of the market is likely to continue.

Management believes that the current dynamics in the group benefits, group retirement and HR consulting sectors will continue to drive change within the industry, likely at an accelerating pace. In order to provide a compelling value proposition to employers, benefits, group retirement and HR consultants must provide innovative products, specialized services and customized solutions. Furthermore, in a highly competitive environment, consultants need to find ways to be more efficient and cost effective. As a result of these environmental factors, scale is increasingly important in these sectors.

OVERVIEW OF OPERATING PERFORMANCE

As a result of a focus on executing its strategic plan, the Company continues to be successful in building upon and growing operational capabilities by investing in employee skills and expertise and the tools that they need to provide responsive solutions to address the Company's clients' business challenges. The Company continued its positive momentum and strong performance since August 31, 2016.

NOTABLE MILESTONES INCLUDE:

- Announced acquisitions of: (i) the assets and business operations of Assurances Dalbec, a leading Québec-based TPA and TPP service provider which will complement the Company's existing operations in Quebec and expand its small group product offering; (ii) Sirius Benefits, a nationally-focused TPA and TPP focused on employers with 1-50 employees, which significantly enhances the Company's product and service offering in the small group segment of the group benefits market; and (iii) Skipwith, an established TPA and TPP for group benefit plans mid-market sized employers and unions in Ontario;
- Continued investment in leadership and technical capabilities, with a specific focus on sales leadership, product and underwriting, and information technology skills to further broaden and enhance the Company's product and servicing options, delivery channels and implementation tools;
- Continued investment in the direct distribution channel through targeted recruitment of benefit consultants and training initiatives in order to expand organic revenue generating capabilities;
- Expanded the Company's senior executive team with the appointment of Mr. Paul Asmundson in the newly-created role of Executive Vice President and Chief Corporate Development Officer, broadening the Company's Corporate Development capabilities;
- Enhanced the Company's capital position through: (i) completing two bought deal private placements of common shares offering for gross proceeds of \$20.1 million and \$25.3 million, respectively; and (ii) expanding the Company's credit facility with its senior lender to \$82.5 million, with an opportunity to further increase it by \$15.0 million for an overall credit capacity of \$97.5 million; and
- Undertook a significant real estate project related to a new corporate head office in Winnipeg to accommodate the rapid growth of the Company and to create a state of the art facility for staff.

GROWTH THROUGH ACQUISITIONS

The Company continues to pursue growth opportunities both organically, increasing its existing business by gaining new clients, increasing product and service penetration with existing clients, as well as through transactions in which the Company acquires new operating entities or subsidiaries. Over the past few years, the Company has enhanced its corporate development capabilities to execute transactions, through significant investments in people, technology and other organizational resources, and has developed techniques, processes and other intellectual capital, all with the objective of creating a compelling value proposition for new entities to join People Corporation.

Given the Company's strong financial position, Management believes it is well positioned to continue to make investments for growth.

The Company will consider acquisitions ranging in size and structure, but all share the characteristic of having a strong underlying strategic rationale, which may include enhancing the Company's position in existing markets or providing entry into new markets, expanding the Company's administrative and technological capabilities, providing new supplier relationships and enhancing the breadth and depth of the Company's product and service offering. At the same time, the Company also takes into consideration the financial characteristics of the underlying business of the acquisition target and the structural components and financial terms of the transactions so that the transaction will result in attractive financial returns to the Company.

With a flexible transaction model to address the objectives of vendors, and an operating model to support the ongoing success and growth of the underlying businesses, the Company continues to attract partners who want to join the People Corporation group of companies. In the past three fiscal years, four transactions have been completed, and there continues to be significant momentum in this component of the Company's overall growth strategy.

Effective April 12, 2017, the Company acquired all of the issues and outstanding shares of Sirius. Established in 1958, based in Winnipeg, Manitoba, Sirius is a nationally-focused TPA and TPP administering employee benefit programs for small- to medium-sized companies across Canada.

Effective May 1, 2017, the Company acquired all of the issued and outstanding shares of Skipwith, an established TPA and TPP providing group benefit consulting, administrative solutions and claims management services to corporations, unions and public service organizations in the Ontario region.

On November 1, 2017, the Company announced its intention to acquire specific assets, liabilities and business operations of Assurances Dalbec, an established TPA and TPP providing group benefit consulting, administrative solutions and claims management services to small- to medium-sized corporations and unions in the Québec region.

OUTLOOK

In order to position itself for growth in this environment, the Company invests significantly in people, technology and other organizational resources, and has developed techniques, processes and other intellectual capital to provide a compelling value proposition to its clients. Driven by these investments, the Company continues to pursue growth opportunities both organically, increasing its existing business by gaining new clients and increased penetration of products and services within its existing client base, hiring of new benefit consultants, as well as through acquisitions in which new operating entities or subsidiaries become part of the Company. Given the positive underlying industry trends and characteristics, the ongoing development of the Company's operating and transaction models, and the overall value proposition the Company provides to stakeholder groups that include its clients, consultants, suppliers and employees, Management currently expects to continue to generate growth in the foreseeable future.

NON-IFRS FINANCIAL MEASURES

The Company reports non-IFRS financial measures, including Standardized EBITDA, REI, Adjusted EBITDA, Adjusted EBITDA before REI, Operating Income before Corporate Costs, and Operating Working Capital as key measures used by Management to evaluate performance of the business, to compensate employees and to facilitate a comparison of quarterly and annual results of ongoing operations. Adjusted EBITDA is also a concept utilized in measuring compliance with debt covenants. The Adjusted EBITDA measure is commonly reported and widely used by investors and lending institutions as an indicator of a company's operating performance, ability to incur and service debt, and as a valuation metric. While used to assist in evaluating the operating performance and debt servicing ability of the Company, readers are cautioned that Adjusted EBITDA as reported by the Company may not be comparable in all instances to adjusted EBITDA as reported by other companies.

The CPA's Canadian Performance Reporting Board defined EBITDA to foster comparability of the measure between entities' Standardized EBITDA. Standardized EBITDA represents an indication of an entity's capacity to generate income from operations before taking into account Management's financing decisions and costs of consuming tangible and intangible capital assets, which vary according to their vintage, technological age and Management's estimate of their useful life. Accordingly, Standardized EBITDA comprises revenue less operating costs before interest expense, capital asset depreciation, intangible asset amortization and impairment charges, and income taxes. Adjusted EBITDA is calculated to exclude items of an unusual or one-time nature that do not reflect normal or ongoing operations of the Company and should not be included in assessment of the Company's ability to service or incur debt. Adjusted EBITDA excludes acquisition, integration and reorganization costs, which do not relate to the current operating performance of the business but are typically costs incurred to expand operations or improve productivity and efficiency; Retained Economic Interest, representing the minority economic interest portion of earnings; and share-based compensation. Acquisition, integration and reorganization costs are comprised of professional fees and other non-recurring incremental costs incurred to secure and complete specific acquisitions; non-operating outlays associated with integrating acquired operations into the Company's business model subsequent to completion of an acquisition; and non-recurring outlays including consulting and recruiting fees and severance costs associated with reorganization operations to position the Company for building additional scale and to enhance operating performance.

OVERVIEW OF FINANCIAL PERFORMANCE

ADJUSTED EBITDA

The following is a reconciliation of the Company's Net Income to Standardized EBITDA and Adjusted EBITDA:

	FOR THE THREE MONTHS ENDED		FOR THE YEAR ENDED	
	AUG 31, 2017	AUG 31, 2016	AUG 31, 2017	AUG 31, 2016
Net income	\$ 242.1	\$ (277.0)	\$ 3,478.8	\$ (174.8)
Add:				
Depreciation and amortization	2,625.9	2,009.0	8,451.3	6,975.6
Finance expenses, net	1,791.5	1,561.0	4,979.0	5,258.4
Income taxes, net	875.0	1,201.7	2,794.6	1,912.7
Standardized EBITDA	5,534.5	4,494.7	19,703.7	13,971.9
Add:				
Acquisition, integration and reorganization costs	817.7	291.9	2,605.0	2,302.6
Compensation-based REI	521.6	488.9	2,254.6	2,144.7
Share-based compensation	174.5	63.2	788.4	593.9
Adjusted EBITDA before REI	7,048.3	5,338.7	25,351.7	19,013.1
Deduct:				
Compensation-based REI	(521.6)	(488.9)	(2,254.6)	(2,144.7)
Equity-based REI	(808.3)	(1,053.6)	(2,988.1)	(2,773.1)
Adjusted EBITDA	\$ 5,718.4	\$ 3,796.2	\$ 20,109.0	\$ 14,095.3
Adjusted EBITDA before REI as a % of Revenue	24.4%	21.4%	24.0%	23.8%
Adjusted EBITDA as a % of Revenue	19.8%	15.2%	19.0%	17.7%

Adjusted EBITDA before REI for the year ended August 31, 2017, was \$25,351.7, an increase of \$6,338.6 or 33.3% from \$19,013.1 reported for the same period in the prior year. Factors influencing the increase in Adjusted EBITDA before REI include:

- Revenue growth of \$26,037.3 representing the increase in revenue resulting from the increased contribution to run rates from the 2016 and 2017 acquisitions as well as organic growth resulting from the addition of new clients and natural inflationary factors;
- Increased personnel and compensation expenses of \$15,346.8, primarily attributable to the increased employee count resulting from acquired operations in fiscal 2016 and 2017, increases in variable compensation expenses tied directly to the higher revenue, expanded leadership to accommodate integration and future growth, and the continued investment in new benefit consultants; and
- Increased other operating costs of \$4,351.9, inclusive of general and administrative expenses, occupancy, administration fees, and public company costs, which is primarily attributable to the incremental costs from acquired operations.

For the year ended August 31, 2017, Adjusted EBITDA before REI as a percentage of Revenue was 24.0%, which has increased slightly from the 23.8% reported for the same period in the prior year. The increase in the Adjusted EBITDA before REI as a percent of Revenue is due to Adjusted EBITDA contributions through current period acquisitions, increased organic revenue growth, natural inflationary factors and the increased ability to leverage the Company's value proposition to existing customers.

For the year ended August 31, 2017, Adjusted EBITDA as a percentage of Revenue was 19.0%, which has increased from the 17.7% reported for the same period in the prior year. Adjusted EBITDA was \$20,109.0, an increase of \$6,013.7, or 42.7% from \$14,095.3. The increase in Adjusted EBITDA is due to the factors affecting Adjusted EBITDA before REI, net of the vendors' interests in Coughlin, BPA, H+P and Bencom of \$5,242.7 which increased by \$324.9 as compared to the prior year.

Equity-based REI represents the share of BPA and Coughlin Adjusted EBITDA attributable to the BPA and Coughlin principals based on a prescribed formula tied to their respective non-voting, dividend-bearing special share holdings. The share of BPA Adjusted EBITDA attributable to equity-based REI will change as BPA options are exercised. BPA and Coughlin principals are eligible to receive dividends based on a calculation derived from earnings which includes Equity-based REI. The payment of dividends to the Coughlin and BPA Principals reduces the non-controlling put liability and is not included in the calculation of net income.

Compensation-based REI represents the share of Bencom and H+P Adjusted EBITDA attributable to the Bencom and H+P principals based on a prescribed calculation derived from earnings. Compensation-based REI is included in the calculation of net income.

Acquisition, integration and reorganization costs are comprised of professional fees and other non-recurring incremental costs incurred to secure and complete specific acquisitions, non-operating outlays associated with integrating acquired operations into the Company's business model subsequent to completion of an acquisition, and non-recurring outlays including consulting and recruiting fees and severance costs associated with reorganization of operations.

See 'Selected Quarterly Financial Information' for Management's discussion of quarterly results.

OPERATING INCOME BEFORE CORPORATE COSTS

The following is a reconciliation of the Company's Adjusted EBITDA to Operating Income before Corporate Costs:

	FOR THE THREE MONTHS ENDED		FOR THE YEAR ENDED	
	AUG 31, 2017	AUG 31, 2016	AUG 31, 2017	AUG 31, 2016
Adjusted EBITDA	\$ 5,718.4	\$ 3,796.2	\$ 20,109.0	\$ 14,095.3
Add:				
Corporate Costs	1,469.1	1,264.0	5,082.7	4,490.7
Operating income before Corporate Costs	\$ 7,187.5	\$ 5,060.2	\$ 25,191.7	\$ 18,586.0

Corporate Costs, which represent expenses incurred at the corporate office, such as executive remuneration, public company compliance costs, certain insurance premiums and corporate development activities, for the three months ended August 31, 2017, were \$1,469.1 versus \$1,264.0 for the same period in the prior year. The increase of \$205.1 or 16.2% is primarily due to an increase in expenses related to professional fees incurred during the quarter. Operating income before corporate costs for the three months ended August 31, 2017, was \$7,187.5 versus \$5,060.2 for the same period in the prior year. The increase of \$2,127.3 or 42.0% is due to organic growth in Adjusted EBITDA and contributions to Adjusted EBITDA from acquired operations compared to the same period in the prior year.

Corporate Costs for the year ended August 31, 2017, were \$5,082.7 versus \$4,490.7 incurred in the prior comparative period. The increase of \$592.0 or 13.2% is primarily due to an increase in personnel and compensation expense as a result of the continued investment in leadership positions during fiscal 2017 and increased expenses related to professional fees as discussed above. Operating income before corporate costs for the year ended August 31, 2017, was \$25,191.7 versus \$18,586.0 for the same period in the prior year. The increase of \$6,605.7 or 35.5% is due to organic growth in Adjusted EBITDA and contributions to Adjusted EBITDA from the 2016 and 2017 acquisitions compared to the same period in the prior year.

SELECTED ANNUAL INFORMATION

	AUG 31, 2017	AUG 31, 2016	AUG 31, 2015
Revenue	\$ 105,840.0	\$ 79,802.3	\$ 49,293.3
Net income and comprehensive income	\$ 3,478.8	\$ (174.8)	\$ 1,394.4
Earnings per share (basic)	\$ 0.069	\$ (0.004)	\$ 0.034
Earnings per share (diluted)	\$ 0.068	\$ (0.004)	\$ 0.033
Total assets	\$ 169,952.6	\$ 147,978.1	\$ 113,873.9
Total non-current financial liabilities	\$ 79,036.8	\$ 84,375.9	\$ 57,318.1

Net income for the year ended August 31, 2017, was \$3,478.8, an increase of \$3,653.6 from fiscal 2016 and an increase of \$2,084.4 from fiscal 2015. Net income and comprehensive income has increased as compared to the prior year as a result of an increase in Adjusted EBITDA of \$6,013.7 as discussed above as well as a decrease in finance expenses of \$279.4; offset by an increase in depreciation and amortization of \$1,475.7 and income tax expense of \$881.9. Basic earnings per share is primarily affected by the change in net income, as well as by an increase in the number of outstanding shares from private placements to fund acquisition growth and the exercise of stock options.

Total assets at August 31, 2017, were \$169,952.6, an increase of \$21,974.5 and \$56,078.7 from August 31, 2016, and 2015, respectively. The increase can primarily be attributed to additions to intangible assets, goodwill and working capital related to acquisition activity in 2016 and 2017.

Total non-current financial liabilities at August 31, 2017, were \$79,036.8, a decrease of \$5,339.1 and an increase of \$21,718.7 from August 31, 2016, and 2015, respectively. Changes in non-current financial liabilities are due to changes in estimates of non-controlling interest put options, repayment of loans and borrowings and deferred taxes related to acquisition activity in 2016 and 2017.

REVENUE

Revenue from the Consulting Solutions division is primarily comprised of commissions from insurance carriers. In addition, the Company provides group retirement plan advisory services from which it earns commissions paid by the carrier who administers and invests the funds. The Company is a reseller of benefit products and services and therefore assumes no underwriting risk as the insurance policy is underwritten by the insurance carrier.

Revenue from the Benefit Solutions division is primarily from fees earned for third-party administration services. In addition, the Company earns fees from group retirement consulting and administration, and individual financial services including insurance and wealth management.

Revenue from the Shared Services division is primarily earned through commissions which are paid by the insurance carriers and fees earned from group retirement assets under administration which are paid by the carrier who administers and invests the funds.

Revenue from the Human Resource Solutions division is primarily earned from hourly or fixed fees for consulting services and as a percentage of compensation for recruiting services.

Revenue is as follows:

FOR THE YEAR ENDED	AUG 31, 2017	AUG 31, 2016	\$ VARIANCE	% VARIANCE
	\$ 105,840.0	\$ 79,802.3	\$ 26,037.7	32.6%

For the year ended August 31, 2017, the Company experienced revenue growth of \$26,037.7 (32.6%). The Company recognized growth of \$17,137.0 (21.5%) resulting from acquired operations, including BPA, Sirius and Skipwith. Organic growth of \$8,900.7 (11.1%) was recognized primarily from increasing existing business by gaining new clients, increasing product and service penetration with existing clients and natural inflationary factors.

PERSONNEL AND COMPENSATION EXPENSES

The largest operating expense of the Company is compensation and related costs which includes salaries, bonuses and commissions, stock-based compensation, group benefits, and payroll taxes.

Personnel and compensation expenses are as follows:

FOR THE YEAR ENDED	AUG 31, 2017	AUG 31, 2016	\$ VARIANCE	% VARIANCE
	\$ 62,977.5	\$ 47,630.7	\$ 15,346.8	32.2%

For the year ended August 31, 2017, personnel and compensation costs represent 59.5% of revenues (2016 - 59.7%). The increase in salaries, bonuses and commissions for the year ended August 31, 2017, of \$15,346.8 is primarily attributable to the increased employee count resulting from the acquisition of BPA during the 2016 fiscal year and the recent acquisition of Sirius in the prior quarter as well as expanded leadership to accommodate integration and future growth. In addition, the Company continues to recruit benefit consultants within the consulting team in order to expand organic growth opportunities.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses include expenses relating to acquisition, integration and reorganization, travel, office supplies, telephone and internet, computer costs, professional fees, advertising, business development and other less significant categories.

General and administrative expenses are as follows:

FOR THE YEAR ENDED	AUG 31, 2017	AUG 31, 2016	\$ VARIANCE	% VARIANCE
	\$ 13,638.4	\$ 10,405.5	\$ 3,232.9	31.1%

For the year ended August 31, 2017, general and administrative expenses have increased by \$3,232.9 primarily due to the following:

- A net increase of \$2,142.9 resulting from a higher general and administrative run-rate due to the BPA acquisition;

- An increase in certain non-recurring professional fees of \$2,068.5 relating to audit and tax compliance costs, recruiting expenses relating to investment in leadership positions, non-recoverable commodity tax expenses, and corporate strategic planning initiatives;
- An increase in acquisition, integration and restructuring costs of \$302.5 due to an increase in Corporate Development activities related to acquisitions in the current year, as well as an increase in personnel and compensation costs associated with managing the integration of additional businesses; and
- A net decrease of \$1,281.0 in all other general and administrative expenses, including office supplies, business development, travel, and bad debt expense.

DEPRECIATION AND AMORTIZATION EXPENSE

Depreciation is recognized over the estimated useful lives of each part of an item of property and equipment in a manner which most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Definite life intangible assets are amortized from the date of acquisition or, for internally developed assets, from the time the asset is available for use. Amortization is recognized either on a declining balance or on a straight-line basis over the estimated useful life of the asset.

Depreciation and amortization expense is as follows:

FOR THE YEAR ENDED	AUG 31, 2017	AUG 31, 2016	\$ VARIANCE	% VARIANCE
	\$ 8,451.3	\$ 6,975.6	\$ 1,475.7	21.2%

For the year ended August 31, 2017, depreciation and amortization expense increased by \$1,475.7 primarily due to significant additions to intangible assets as a result of the prior and current year acquisitions. Additions to internally developed software and customer contracts during the year have also contributed to an increase in amortization expense as compared to the prior year.

Amortization expense on customer relationships, customer contracts and software increased by \$1,315.4 primarily due to additions of customer relationships resulting from the acquisition of BPA in the 2016 fiscal year, the acquisition of Sirius and Skipwith in the current fiscal year, and ongoing investments in software development for the TPA platform.

Depreciation expense on property, plant and equipment increased by \$160.3 due to acceleration of depreciation expense on the remaining net book value of certain leasehold improvements as a result in a change in the estimated remaining contractual life of a lease agreement.

OCCUPANCY COSTS

Occupancy costs are as follows:

FOR THE YEAR ENDED	AUG 31, 2017	AUG 31, 2016	\$ VARIANCE	% VARIANCE
	\$ 5,803.6	\$ 4,423.2	\$ 1,380.4	31.2%

The increase in occupancy costs of \$1,380.4 for the year ended August 31, 2017, is primarily due to incremental lease costs associated with the acquisition of BPA during the third quarter of fiscal 2016 and current year acquisitions of Sirius and Skipwith.

ADMINISTRATION FEES

Administration fees represent amounts paid by the Company to third party claims adjudicators for services provided on behalf of the Company to certain of its clients on its TPA platform.

Administration fees are as follows:

FOR THE YEAR ENDED	AUG 31, 2017	AUG 31, 2016	\$ VARIANCE	% VARIANCE
	\$ 3,398.1	\$ 3,023.1	\$ 375.0	12.4%

The increase in administration fees of \$375.0 for the year ended August 31, 2017, is due to an increase in claims processing fees. The increase in claims processing fees is volume driven and is a direct result of the increase in TPA revenue.

FINANCE EXPENSES

Finance expenses, net of interest income, are as follows:

FOR THE YEAR ENDED	AUG 31, 2017	AUG 31, 2016	\$ VARIANCE	% VARIANCE
Interest and other finance costs	\$ 1,276.0	\$ 1,354.1	\$ (78.1)	(5.8)%
Non-cash accretion expenses	\$ 85.7	\$ 317.9	\$ (232.2)	(73.0)%
Change in estimate of NCI put options	\$ 3,617.3	\$ 3,586.4	\$ 30.9	0.9%
	\$ 4,979.0	\$ 5,258.4	\$ (279.4)	(5.3)%

Finance expenses decreased by \$279.4 for the year ended August 31, 2017. The change is primarily due to a decrease in accretion on vendor take-back loans and long-term liabilities of \$106.7; a decrease in accretion on contingent acquisition consideration of \$125.5; a decrease in finance costs on long-term debt and other finance costs of \$78.1; offset by an increase of \$30.9 in the estimated fair value of non-controlling interest put obligations based on year-end revaluations.

PUBLIC COMPANY COSTS

Public company costs are as follows:

FOR THE YEAR ENDED	AUG 31, 2017	AUG 31, 2016	\$ VARIANCE	% VARIANCE
	\$ 318.7	\$ 347.9	\$ (29.2)	(8.4)%

Public company costs have decreased by \$29.2 for the year ended August 31, 2017. The decrease can be attributed mainly to insurance related cost synergies.

SELECTED QUARTERLY INFORMATION

The selected financial information provided below is derived from the Company's unaudited quarterly financial statements for each of the last eight quarters:

	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	\$ 28,927.0	\$ 27,965.8	\$ 25,602.5	\$ 23,344.7	\$ 24,902.6	\$ 20,248.1	\$ 18,336.6	\$ 16,314.9
Operating & corporate expenses	(24,016.9)	(21,763.4)	(19,591.2)	(18,987.8)	(20,052.7)	(16,073.8)	(14,156.7)	(12,650.4)
Adjusted EBITDA	5,718.4	5,430.0	5,225.2	3,735.7	3,796.2	3,461.4	3,633.2	3,204.6
Finance expenses	(1,792.5)	(730.7)	(607.2)	(1,848.6)	(1,561.0)	(1,334.3)	(1,069.6)	(1,293.6)
Depreciation and amortization	(2,625.8)	(1,943.7)	(1,959.2)	(1,922.6)	(2,009.0)	(1,686.3)	(1,426.2)	(1,854.1)
Share-based compensation	(174.5)	(183.8)	(183.5)	(246.7)	(63.2)	(152.6)	(133.3)	(244.8)
Equity-based REI	(808.3)	(772.4)	(786.1)	(621.2)	(1,053.6)	(713.0)	(546.7)	(459.8)
Income tax expense, net	(875.0)	(446.0)	(1,120.4)	(354.2)	(1,201.7)	303.0	(806.3)	(207.6)
Acquisition, integration and reorganization costs	(817.7)	(1,024.8)	(502.2)	(260.3)	(291.9)	(1,072.6)	(724.7)	(213.4)
Net income	242.1	1,873.4	1,638.8	(275.5)	(277.0)	231.7	19.8	(149.1)
Total assets	169,952.6	171,180.5	144,533.3	143,990.0	149,206.9	146,358.7	112,809.7	113,105.2
Total loans and borrowings	36,526.7	37,376.9	21,922.3	21,934.0	40,477.2	42,015.7	24,343.9	25,285.0
Total other liabilities	65,055.0	66,161.8	57,094.8	58,426.0	64,044.9	59,518.7	44,062.0	43,645.1
Shareholders' equity	68,371.0	67,641.7	65,516.2	63,630.1	44,684.9	44,824.2	44,403.7	44,175.1
Adjusted EBITDA per share	0.112	0.107	0.103	0.083	0.084	0.077	0.081	0.082
Earnings per share (basic)	0.005	0.037	0.032	(0.006)	(0.006)	0.005	0.000	(0.003)
Earnings per share (diluted)	0.005	0.036	0.032	(0.006)	(0.006)	0.005	0.000	(0.003)

Adjusted EBITDA for the three months ended August 31, 2017, was \$5,718.4, representing an increase of \$1,922.2 or 50.6% from \$3,796.2 reported for the same period in the prior year.

The increase in Adjusted EBITDA for the three month period was comprised of:

- Revenue growth of \$4,024.4 representing increased contribution to run rates from acquired and organic growth;
- Increased personnel and compensation expenses of \$2,614.7 primarily attributable to the increased employee count resulting from the acquired operations, increases in variable compensation expenses tied directly to higher revenue, expanded leadership to accommodate integration and future growth, and the continued investment in recently-hired benefit consultants;
- Decrease in other operating costs of \$1,349.4, inclusive of general and administrative expenses, occupancy, administration fees which are primarily attributable to acquired operations, and non-recoverable commodity tax expense and public company costs; and
- Decrease in equity-based REI of \$1,861.9 resulting from vesting terms of options to acquire BPA Principal Shares.

The Company can experience fluctuations in timing of revenue between quarters and, as a result, Adjusted EBITDA as a percentage of revenue is less meaningful on a quarterly basis.

Finance expenses for the fourth quarter of fiscal 2017 were \$1,792.5, representing an increase of \$231.5 or 14.8%, as compared to the same period in fiscal 2016. The decrease is primarily due to a decrease of \$948.4 in the estimated fair value of non-controlling interest put obligations resulting from a revaluation of non-controlling interest put obligations during the quarter.

Depreciation and amortization for the fourth quarter of fiscal 2017 was \$2,625.8, representing an decrease of \$616.8 or 30.7%, as compared to the same period in fiscal 2016, primarily due to additions to customer relationships resulting from acquired operations as well as additions to information technology infrastructure and internally developed software.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity ensures the Company has sufficient financial resources available at all times to meet its obligations. This involves effectively managing assets and liabilities while maintaining an optimal capital structure. The Company manages this risk by ensuring it has adequate cash and access to credit to meet its obligations in the most cost-effective manner possible. Cash flow from operations, together with cash on hand and unutilized credit available on existing credit facilities are expected to be sufficient to meet operating and capital expenditure requirements.

The Company also continues to actively investigate acquisition and other growth opportunities. The Company expects to finance future acquisitions from a combination of available cash, unutilized credit available on existing credit facilities, vendor financing, expanded credit facilities, issuance of equity as part of the consideration and equity proceeds from treasury issuance.

CONTRACTUAL OBLIGATIONS

The following table summarizes, as at August 31, 2017, the Company's contractual obligations for the periods specified.

	TOTAL	PAYMENTS DUE BY PERIOD			
		LESS THAN 1 YEAR	1 – 3 YEARS	4 – 5 YEARS	THERE-AFTER
Accounts payable and accrued liabilities	\$ 16,410.6	\$ 14,875.7	\$ 847.2	\$ 280.7	\$ 407.0
Operating lease obligations	25,262.1	4,880.6	7,744.2	5,742.4	6,894.9
Obligations under finance leases	29.2	13.0	16.2	-	-
Vendor-take-back loans	3,250.2	1,475.0	1,775.2	-	-
Term credit facility	18,882.8	2,221.5	16,661.3	-	-
Acquisition credit facility	14,500.0	-	14,500.0	-	-
	\$ 78,334.9	\$ 23,465.8	\$ 41,544.1	\$ 6,023.1	\$ 7,301.9

Management believes that operations will generate sufficient cash flows to fund ongoing operations and finance its seasonal working capital needs.

CASH FLOWS

The following table summarizes the Company's cash flows for the year ended August 31, 2017:

FOR THE YEAR ENDED	AUG 31, 2017	AUG 31, 2016	\$ VARIANCE	% VARIANCE
Net income for the period	\$ 3,478.8	\$ (174.8)	\$ 3,653.6	(2,090.2)%
Add non-cash items, net	10,272.9	10,156.8	116.1	1.1%
Changes in non-cash working capital	(2,795.8)	3,609.6	(6,405.4)	(177.5)%
Net cash from operating activities	10,955.9	13,591.6	(2,635.7)	(19.4)%
Net cash from (used by) investing activities	(17,143.8)	(19,871.6)	2,727.8	(13.7)%
Net cash from (used by) financing activities	9,751.8	14,135.2	(4,383.4)	(31.0)%
Net increase in cash	\$ 3,563.9	\$ 7,855.2	\$ (4,291.3)	(54.6)%

Cash generated from operating activities for the year ended August 31, 2017, decreased \$2,635.7 as compared to the prior year. Changes in working capital accounts reflect the inclusion of Sirius and Skipwith operations. Significant influences of cash inflows and outflows related to operating activities for the year-to-date period versus the same period in the prior year include:

- cash generated from increased Adjusted EBITDA, including compensation-based REI, was \$6,228.7 higher than was generated in the prior year. Management believes Adjusted EBITDA is a valuable indicator of the Company's ability to generate liquidity by producing operating cash flow to fund working capital needs, service debt obligations, and fund capital expenditures; and
- cash used to fund changes in working capital accounts increased by \$6,405.3, used to fund tax obligations increased by \$2,234.7 and used to fund Acquisition, Integration, and Reorganization expenses increased \$302.4, offset by a decrease of \$78.0 in cash used to fund finance expenses.

Cash used by investing activities for the year ended August 31, 2017, decreased by \$2,727.8 as compared to the prior year. The change is primarily due to \$4,423.2 less cash used to fund current year acquisitions, which amounted to an outflow of \$12,881.8 for Sirius and Skipwith in fiscal 2017, as compared to an outflow of \$17,305.0 to fund the prior year acquisition of BPA. This decrease was offset by an increase in cash used to acquire intangible assets of \$692.1, which was mainly driven by increased additions to internally developed computer software and customer relationships as compared to the prior year. Cash used to acquire property, plant and equipment increased by \$1,003.3 as compared to the prior year.

Cash generated by financing activities for the year ended August 31, 2017, decreased \$4,383.4 as compared to the same period in the prior year. The changes in cash use is primarily due to an increase of \$22,114.6 in repayments of loans and borrowings net of new advances, an increase of \$1,188.8 in dividend payments and advances to Principals holding retained economic interest and an increase of \$26.5 for other items, offset by \$18,946.5 in proceeds received from private placements of shares.

CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide opportunities for growth to shareholders and benefits for other stakeholders and to maintain financial flexibility in, or to take advantage of, organic growth and new acquisition opportunities as they arise.

The Company includes cash, bank financing, vendor-take-back debt and shareholders' equity in the definition of capital. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust capital structure, the Company may issue new shares, issue new debt, renegotiate vendor-take-back debt or issue new debt to replace existing debt with different characteristics. The Company has the opportunity to use its Operating Revolver during the year to finance cash flows related to seasonal changes in non-cash working capital items. The Company did not make use of its operating line of credit during the year.

WORKING CAPITAL

The Company's working capital (defined as current assets less current liabilities) as at August 31, 2017, is set forth in the table below. The Company defines "Operating Working Capital" as current assets less current liabilities excluding deferred revenue.

Deferred Revenue

Deferred revenue represents payments received in advance for services which have not yet been performed. Deferred revenues are recognized into income as services are rendered, in accordance with the revenue recognition policies described in the Company's financial statements.

Deferred revenue is a non-cash liability and therefore Management believes that adding back the deferred revenue provides a more accurate reflection of the liquidity and working capital position of the Company.

The table below reconciles the differences in the calculation of working capital and Operating Working Capital.

	AUG 31, 2017	AUG 31, 2016
Current assets	\$ 31,387.8	\$ 25,750.1
Less:		
Current liabilities	22,544.8	18,917.3
Working capital	8,843.0	6,832.8
Add back:		
Deferred revenue	3,997.9	5,369.4
Operating Working Capital	\$ 12,840.9	\$ 12,202.2

Operating Working Capital has increased by \$638.7 to a surplus of \$12,840.9 compared to the surplus of \$12,202.2 at August 31, 2016. The change in Operating Working Capital is due to an increase in current assets of \$5,637.7, primarily the result of an increase in cash balances, in trade and other receivables due to the working capital adjustment receivable from the acquisition of Sirius, offset by an increase in current liabilities excluding deferred revenue of \$4,999.0, primarily the result of an increase in trade payables, accrued and other liabilities due to liabilities acquired as a result of acquisitions that took place in the third quarter as well as an increase related to the current portion of loans and borrowings which is attributable to the vendor take-back loans related to acquired operations.

The Company maintains a revolving operating line of credit of \$5,000.0 to facilitate management of short-term working capital requirements. As at August 31, 2017, the Company had not utilized this facility.

CREDIT FACILITIES

The Company expects to amend its existing credit agreement with a syndicate of Canadian banks effective December 1, 2017, which amendment resulted in the following authorized limits:

1. the \$5,000.0 revolving credit facility to fund operating cash flow needs remained the same ("**Operating Revolver**");
2. the term acquisition credit facility to fund future acquisitions increased to \$48,000 ("**Acquisition Revolver**");
3. the term credit facility installment loan was increased to \$20,000 ("**Term Loan**");
4. a \$9,500.0 delayed draw term credit facility was added to finance the Company's leasehold improvements at its new leased premises ("**Real Estate Loan**").

The credit agreement continues to provide for an option (the "**Accordion Feature**"), subject to the satisfaction of certain terms and conditions, to increase the acquisition credit facility by up to \$15,000.0 of additional capacity. The exercise of the option would result in the size of the term acquisition credit facility being increased to a maximum of \$82,500.0 and overall credit capacity being increased to a maximum of \$97,500.0.

The facility matures on October 31, 2019. The Term Loan requires quarterly principal repayments of \$555.4 until November 30, 2018 and \$666.5 per quarter thereafter, with the balance due at maturity. The Operating Revolver and Acquisition Revolver do not have scheduled principal repayments prior to maturity.

The loans bear interest at a floating rate based on banker's acceptances plus a credit margin tied to the Company's quarterly leverage ratio. The facility is secured by a general security agreement over the assets of the Company and its subsidiaries and is subject to both financial and non-financial covenants, including maximum total leverage and senior leverage ratios and minimum fixed charge coverage ratios.

At August 31, 2017, the Company had a balance of \$18,882.8 outstanding on the Term Loan, \$14,500.0 outstanding on the Acquisition Revolver and was compliant with all financial covenants.

At August 31, 2017, the Company had unutilized and available credit of \$24,500.0, including \$5,000.0 on the Operating Revolver and \$19,500.0 to fund acquisitions on the Acquisition Revolver.

SHARE CAPITAL

The Company has authorized share capital of an unlimited number of common voting shares. The Company's outstanding securities are comprised of:

	NOV 30, 2017	AUG 31, 2017	AUG 31, 2016
Common shares issued and outstanding	54,857,740	51,001,140	45,225,050
Stock options outstanding	1,253,480	1,298,480	1,504,897
Restricted Stock Units outstanding	325,156	325,156	128,680
Deferred Stock Units outstanding	41,478	41,478	26,442

On November 22, 2017, the Company closed a bought deal private placement financing (the "Offering") with a syndicate led by Cormark Securities Inc. (collectively, the "Underwriters"). Pursuant to the Offering, the Company issued 3,776,600 common shares (the "Shares") of the Company at a purchase price of \$6.70 per Share, including 492,600 Shares issued pursuant to the full exercise of the Underwriters' over-allotment option, for gross proceeds to the Company of \$25,303,220. The Underwriters received a cash commission equal to 5.0% of the gross proceeds raised in the Offering. The net proceeds of the Offering will be used to fund the previously announced acquisition of the assets and business operations of Assurances Dalbec Ltée, with the balance to be used to repay indebtedness and fund growth initiatives.

On October 6, 2016, the Company closed a bought deal private placement financing (the "Offering") with a syndicate of underwriters co-led by Cormark Securities Inc. and Acumen Capital Finance Partners Limited, and including Laurentian Bank Securities (collectively, the "Underwriters"). Pursuant to the Offering, the Company issued 5,439,500 common shares (the "Shares") of the Company at a purchase price of \$3.70 per Share, including 709,500 Shares issued pursuant to the full exercise of the Underwriters' over-allotment option, for gross proceeds to the Company of \$20,126,150. The Underwriters received a cash commission equal to 5.0% of the gross proceeds raised in the Offering. The remainder of the change in share capital can be attributed to grants during the year ended August 31, 2017, under the Company's LTIP program.

CONTINGENCIES

In the ordinary course of operating the Company's business it may from time to time be subject to various claims or possible claims. Although Management currently believes there are no claims or possible claims that if resolved would either individually or collectively result in a material adverse impact on the Company's financial position, results of operations, or cash flows, these matters are inherently uncertain and Management's view of these matters may change in the future.

RISK FACTORS

The Company operates in a well-established and highly competitive industry and its results of operations, business prospects and financial condition are subject to a number of risks and uncertainties and are affected by a number of factors outside the control of Management of the Company. These factors include, but are not limited to, the following:

KEY PERSONNEL

The Company is highly dependent upon the expertise and experience of its personnel, particularly those engaged in generating revenue, including, but not limited to, those involved in benefits plan design and administration, benefits legislative and regulatory issues, group retirement plan design and specialized human resource consulting, recruitment and career management. The Company's operations depend, in part, on the relationships and reputations these individuals have established with clients, often over many years. In the event the Company were to lose a number of key personnel, client relationships could be negatively impacted, which could lead to material adverse effects on the Company's operating and financial results.

The Company currently has many experienced employees who hold senior positions in the Company, who have various professional designations and who have developed deep and trusted relationships with clients. While the Company provides a competitive compensation structure for its employees, including an employee share purchase plan and a security-based compensation plan and has comprehensive employment agreements in place with its employees to protect the Company, the loss of a number of key personnel may have a material adverse effect on the business of the Company. The Company's ability to attract, retain and develop new employees into senior positions could affect the business of the Company.

CLIENT RELATIONSHIPS

As clients may terminate engagements with varying notice, including for as short as thirty days, there can be no assurance that Company will be able to retain relationships with a significant number of its largest clients. If a number of the Company's largest clients were to terminate their contracts with the Company at the same time, this could result in a significant reduction in revenue, which could have a material adverse effect on the Company's revenues, financial condition and operating results. Group insurance contracts are generally renegotiated on an annual basis with clients, often resulting in insurance premium pricing increases or decreases. In addition, there can be no guarantee that insurance contracts sold through the Company in the past will be renewed on a go forward basis or at the same pricing level. Any unfavourable change involving a number of the Company's largest clients, including but not limited to a client's financial condition or desire to continue using the Company's services, could result in a significant reduction in revenue which could have a material adverse effect on revenues, financial condition and operating results. No single client makes up more than 8.5% of the Company's revenue and the clients are diversified both in size and industry.

INSURANCE COMPANY RELATIONSHIPS

In certain cases, the Company acts as the advisor to end-user employers to broker group insurance products with insurance companies. There can be no assurance that the Company will be able to maintain its existing relationships with these insurance companies and the failure to do so could have a material adverse effect on the Company's business, financial condition and operating results. In addition, during the renewal process, the Company's benefits consulting teams will provide benefits planning and consulting services based on the availability of insurance products and pricing of such products. Changes in available products could result in decreased benefits coverage and/or decreased premiums which generally would result in decreased revenue for the Company.

REGULATION AND CERTIFICATION

The Company's employee benefits and group retirement consulting and administration services are subject to laws and regulations that are constantly evolving. Changes in such laws or regulations, such as changes to fee disclosure requirements, which are currently under review, could impact the Company's service delivery processes and/or its client relationships. In addition, the laws and regulations differ from province to province and the Company is required to keep up-to-date with the laws and regulations of each province.

Although there are currently restrictions on the ability of Canadian banks to market insurance products in competition with the Company, such legislation is currently under review. Accordingly, dependent upon the nature of legislative reforms, Canadian banks may in the future be able to offer products that are competitive with the products offered by the Company.

The rules and regulations governing income and commodity taxes are complex and wide-ranging, and the calculation of income taxes and applicability of commodity taxes requires judgment in interpreting tax rules and regulations. The Company's tax filings are subject to government audits that could result in material changes to the amount of current and future income taxes and related costs.

Any changes to laws, rules, regulations or policies could have a material adverse effect on the Company's business, financial condition and operating results.

TECHNOLOGY AND INFORMATION SECURITY

The Company is reliant on computerized operational and reporting systems. The Company makes reasonable efforts to ensure that back-up systems and redundancies are in place and functioning appropriately and maintains a disaster recovery plan to protect against significant system failures. While a computer system failure would not be expected to critically damage the Company in the long term, there can be no assurance that a computer system crash or like event would not have a material impact on its financial results in the short term.

Information security risks have increased in recent years due, in part, to the proliferation, sophistication and constant evolution of new technologies used by hackers and external parties. The Company's technologies, systems and networks and third parties providing services to the Company, may be subject to attacks, breaches or other compromises. In the event of such an occurrence, the Company may experience, among other things, financial loss, a loss of customer or business opportunities, disruption to operations, misappropriation or unauthorized release of confidential, financial or personal information, litigation, regulatory penalties or intervention, remediation, investigation or restoration cost, and reputational damage.

ACCESS TO CAPITAL

The Company relies principally on bank debt, vendor-take-back debt financing and issuance of common shares to fund its acquisitions. The Company may require additional funds to make future acquisitions of group benefit, group retirement and human resource consulting businesses and may require additional funds to market and sell its products into the marketplace. The ability of the Company to arrange such financing in the future, and to repay its existing debt, will depend in part upon the prevailing capital market conditions, as well as on the business performance of the Company. While the Company has been successful in the past, there is no assurance that capital will be available under terms that are satisfactory to the Company.

Pursuant to its articles of incorporation, the Company is authorized to issue an unlimited number of common shares for consideration and on such terms as are established by the Board of Directors without the approval of any shareholders. Further issuance of common shares may dilute the interests of existing shareholders. If additional capital financing is not available on terms favourable to the Company, the Company may be unable to grow or may be required to limit or halt its strategic growth plans. In addition, if the Company experiences financial difficulty, the Company's creditors who have security interests in the Company's assets, may decide to exercise their rights to acquire or dispose of the Company's assets.

FUTURE GROWTH VIA ACQUISITIONS

The Company's growth and expansion plans contain a dual approach of generating organic growth by increasing its existing business by gaining new clients and increasing product and service penetration with existing clients, as well as through transactions in which the Company acquires new operating entities or subsidiaries. There can be no assurance that an adequate number of suitable acquisition candidates will be available to the Company to meet this area of focus of its expansion plans, or in the event that such businesses are available for acquisition that they will be available at a price which would allow the Company to operate on a profitable basis. The Company competes for acquisition and expansion opportunities with entities that have substantially greater resources than the Company and these entities may be able to outbid the Company for acquisition targets.

INTEGRATION OF FUTURE ACQUISITIONS

There can be no assurance that businesses acquired by the Company in the future will achieve acceptable levels of revenue and profitability or otherwise perform as expected. The Company may be unable to successfully integrate businesses that it may acquire in the future, due to diversion of Management attention, strains on the Company's infrastructure, difficulties in integrating operations and personnel, entry into unfamiliar markets, or unanticipated legal liabilities or tax, accounting or other issues. A failure to integrate acquired businesses may be disruptive to the Company's operations and negatively impact the Company's revenue or increase the Company's expenses. Risks related to the integration of acquisitions are mitigated through the Company's due diligence procedures and legal structure of its acquisitions.

POTENTIAL UNDISCLOSED LIABILITIES ASSOCIATED WITH ACQUISITION / LIMITED INDEMNIFICATION

In connection with acquisitions completed by the Company, there may be liabilities and contingencies related to the acquired entity that the Company failed to discover or was unable to quantify in its due diligence conducted prior to the execution of the acquisition, and the Company may not be indemnified for some or all of these liabilities and contingencies. The existence of any material liabilities or contingencies could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

INTEREST RATE

Advances under the Company's credit facilities bear interest at variable rates. The Company may incur further indebtedness in the future that also bears interest at variable rates or it may be required to refinance its debt at higher rates. While the Company attempts to manage its interest rate risk, there can be no assurance that it will hedge such exposure effectively or at all in the future. Accordingly, increases in interest rates could adversely affect the Company's cash flows.

INSURANCE

The Company believes that its professional errors and omissions insurance, director and officer liability insurance, and commercial general liability insurance coverage address all material insurable risks, provides coverage that is similar to that which would be maintained by a prudent operator of a similar business and is subject to deductibles, limits and exclusions which are customary or reasonable given the cost of procuring insurance and current operating conditions. However, there can be no assurance that such insurance will continue to be offered on economically feasible terms, that all events that could give rise to a loss or liability are insurable, or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the Company's assets or operations.

CANADIAN ECONOMY AND COMPETITIVE CONDITIONS

The Company's future success is dependent upon the direction and state of the Canadian economy. The business, operating results and financial condition of the Company could be materially affected by a prolonged and deep recession or downturn in the Canadian economy. There is no assurance that the Company will have sufficient financial resources to withstand a prolonged and deep recession.

The insurance brokerage market is highly competitive and is composed of a large number of companies of varying size and scope of services. Insurance companies themselves also offer their products through other methods, including insurance agents and direct distribution channels, which are competitive with the insurance brokerage industry and the Company.

BRAND AND REPUTATION

The Company is dependent, to a large extent, on its client relationships and its reputation with clients. Damage to the Company's brand or reputation could result in the loss of client relationships, which could result in a material adverse effect on the Company's business, financial condition and operating results. There can be no assurance that future incidents will not negatively affect the Company's brand or reputation.

INTERNAL CONTROL

As a venture issuer, the Company is not required to certify the design and evaluation of the Company's disclosure controls and procedures (DC&P) and internal controls over financial reporting (ICFR), as defined by National Instrument 52-109 and as such, has not completed such an evaluation. Investors should be aware that inherent limitations on the ability of a certifying officers of a venture issuer to design and implement, on a cost effective basis, DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies are defined as those that are both very important to the portrayal of the Company's financial condition and results, and require Management's most difficult, subjective or complex judgments. In preparing the Company's financial statements in accordance with IFRS, Management is required to make certain estimates, judgments and assumptions that it believes are reasonable based upon available information, historical information and/or forecasts. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting periods. Actual results could differ from these estimates. The accounting policies which Management believes are the most critical to aid in fully understanding and evaluating the Company's reported financial results include those relating to revenue recognition, business acquisitions and accounting for the resulting customer relationships and contracts, goodwill, contingent acquisition consideration and non-controlling interest put obligations, as well as income taxes.

REVENUE RECOGNITION

Revenue includes fees and commissions generated from administrative, advisory and consulting services provided to clients.

Generally, revenue from the rendering of services is recognized when the following criteria are met:

- The amount of revenue can be reliably measured;
- The stage of completion can be reliably measured;
- The receipt of economic benefits is probable; and
- Costs incurred and to be incurred can be reliably measured.

Concurrent with the above general principles, the Company applies the following specific revenue recognition policies:

- Group benefit commission revenue from clients where advisory services and plan administration services are provided by the Company is generally received in advance and recorded as deferred revenue. Commission advances are recognized in income on a monthly basis based on the number of months for which the commission revenue was advanced, net of a provision for return commissions due to policy cancellation and adjustments. The provision is determined based on historical data;
- Group benefit commission revenue from clients where the Company provides only advisory services are recognized in income at the effective or renewal date of the policy, net of a provision for return commissions due to policy cancellation and adjustments. The provision is determined based on historical data;
- Fee revenue from administrative and consulting services are recognized on the percentage of completion basis; and
- For fee revenue that is contingent on certain criteria being met, the revenue is not recognized until the work is completed.

- All other revenues are recognized upon the completion of services rendered by the Company. Other revenue includes investment income recorded on the accrual basis of accounting.

BUSINESS COMBINATIONS

For acquisitions, the Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

Transaction costs that the Company incurs in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.

INTANGIBLE ASSETS

(i) Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of subsidiaries over the fair value of the net tangible and intangible assets acquired. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets consist of acquired customer relationships and contracts. Other intangible assets acquired separately are measured on initial recognition at cost. The cost of identifiable intangible assets acquired in a business combination is equal to fair value as at the date of acquisition. Following initial recognition, identifiable intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Definite life intangible assets are amortized from the date of acquisition or, for internally developed assets, from the time the asset is available for use. Amortization is recognized either on a declining balance or on a straight-line basis over the estimated useful life of the asset, and the residual values and useful lives of the assets are reviewed at each financial year-end and adjusted if appropriate.

Intangible assets are considered to have indefinite lives where Management believes that there is no foreseeable limit to the period over which the intangible assets are expected to generate net cash flows.

CONTINGENT ACQUISITION CONSIDERATION

The Company recognizes liabilities, if any, resulting from a contingent consideration arrangement at their acquisition date fair value and such amounts form part of the cost of the business combination. Subsequent changes in the fair value of contingent consideration arrangements are recognized in net income (loss) for the period.

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments to goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39 Financial Instruments: Recognition and Measurement, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in net income (loss).

NON-CONTROLLING PUT LIABILITIES

The Company recognizes non-controlling put liabilities as non-derivative financial liabilities, which are classified as fair value through profit and loss and are measured at fair value, with gains and losses recognized in net income (loss). Non-controlling interest put option is classified as fair value through profit and loss.

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

DEFERRED TAX

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

SEASONALITY

As the Company continues to grow through acquisitions, the revenue trends from quarter to quarter may change depending on the relative significance of acquisitions in a fiscal year and the seasonal variances of the client renewals of those particular acquisitions. As a result of such acquired growth and organic growth, the revenue and Adjusted EBITDA trends from quarter to quarter within a fiscal year may continue to vary, however the annual revenue trends will increasingly be more representative of the Company's annual revenue run rate as the Company achieves increasing scale.

OFF-BALANCE SHEET ARRANGEMENTS

Other than as outlined below, the Company does not have any off-balance sheet arrangements.

The Company sponsors certain individual pension plans ("IPP") which were assumed as a result of and established prior to the date of certain acquisitions. While the IPPs are ongoing, the Company's obligation to make contributions towards any funding deficiency required by pension legislation is indemnified by the beneficiaries of the respective IPPs. Conversely, any funding surpluses are payable to the beneficiaries of the respective IPPs. As a result, the Company has no net exposure to unfunded or overfunded IPPs.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of basic financial instruments which are typically used in operations, including cash, restricted cash, trade and other receivables, trade payables, accrued and other liabilities. Additional financial instruments include long-term debt, contingent acquisition consideration, non-controlling interest put options and other non-current assets.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016

(Expressed in Canadian Dollars)

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Independent Auditors' Report

To the Shareholders of People Corporation and its subsidiaries:

We have audited the accompanying consolidated financial statements of People Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at August 31, 2017 and August 31, 2016, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of People Corporation and its subsidiaries as at August 31, 2017 and August 31, 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Winnipeg, Manitoba

November 30, 2017



Chartered Professional Accountants

PEOPLE CORPORATION

Consolidated Statements of Financial Position

As at August 31, 2017 and August 31, 2016

	NOTE	AUG 31, 2017	AUG 31, 2016
Assets			
Current assets:			
Cash		\$ 17,933,832	\$ 14,369,959
Trade and other receivables	5	11,233,804	9,421,731
Income taxes receivable		843,724	782,602
Prepaid and other current assets		1,376,436	1,175,832
Total current assets		31,387,796	25,750,124
Non-current assets:			
Property and equipment	6	2,666,248	1,953,986
Goodwill and intangible assets	7	134,943,617	120,273,962
Loans receivable	8	954,974	-
Total non-current assets		138,564,839	122,227,948
Total assets		\$ 169,952,635	\$ 147,978,072
Liabilities and shareholders' equity			
Current liabilities:			
Trade payables, accrued and other liabilities	9	\$ 14,919,459	\$ 10,905,251
Deferred revenue		3,997,864	5,369,433
Current portion of loans and borrowings	12	3,627,518	2,642,625
Total current liabilities		22,544,841	18,917,309
Accrued and other liabilities	9	1,199,871	2,302,519
Non-controlling interest put options	11	34,059,108	32,571,809
Loans and borrowings	12	32,899,207	37,834,542
Deferred tax liability	13	10,878,605	11,667,033
Total liabilities		101,581,632	103,293,212
Shareholders' equity:			
Share capital	14	58,861,256	39,333,725
Contributed surplus		1,892,859	1,213,006
Retained earnings		7,616,888	4,138,129
Total shareholders' equity		68,371,003	44,684,860
Total liabilities and shareholders' equity		\$ 169,952,635	\$ 147,978,072

Commitments and contingencies (Note 19)

Comparative figures (Note 25)

Subsequent Events (Note 26)

ON BEHALF OF THE BOARD OF DIRECTORS

/s/ "Eric Stefanson"
Director, Chair of the Audit & Risk Committee

/s/ "Laurie Goldberg"
Director, Chief Executive Officer

PEOPLE CORPORATION

Consolidated Statements of Comprehensive (Loss) Income

For the years ended August 31, 2017 and August 31, 2016

	NOTE	YEAR ENDED AUG 31, 2017	YEAR ENDED AUG 31, 2016
Revenue		\$ 105,839,973	\$ 79,802,253
Operating expenses		83,531,240	63,527,786
Depreciation and amortization	6,7	8,451,346	6,975,608
Finance expenses	16	4,978,958	5,258,428
Acquisition, integration and reorganization costs		2,605,022	2,302,565
	24	99,566,566	78,064,387
Income before income taxes		6,273,407	1,737,866
Income tax expense (recovery):			
Current	13	5,464,400	3,229,715
Deferred	13	(2,669,752)	(1,317,055)
		2,794,648	1,912,660
Net income (loss) and Comprehensive Income (Loss)		\$ 3,478,759	\$ (174,794)
Earnings (Loss) per share	14(c)		
Basic		\$ 0.069	\$ (0.004)
Diluted		\$ 0.068	\$ (0.004)

PEOPLE CORPORATION

Consolidated Statements of Changes in Equity

For the years ended August 31, 2017 and August 31, 2016

	NOTE	SHARE CAPITAL	CONTRIBUTED SURPLUS	RETAINED EARNINGS	TOTAL
Balance, August 31, 2015		\$ 39,029,883	\$ 736,584	\$ 4,312,923	\$ 44,079,390
Loss and comprehensive loss for the year		-	-	(174,794)	(174,794)
Exercise of stock options	14(b)	303,842	(117,475)	-	186,367
Share-based payments	15(b)(c)(d)	-	593,897	-	593,897
		303,842	476,422	(174,794)	605,470
Balance, August 31, 2016		\$ 39,333,725	\$ 1,213,006	\$ 4,138,129	\$ 44,684,860
Net income and comprehensive income for the year		-	-	3,478,759	3,478,759
Issuance of common shares	14(b)	19,259,036	-	-	19,259,036
Exercise of stock options	14(b)	268,495	(108,569)	-	159,926
Share-based payments	15(b)(c)(d)	-	788,422	-	788,422
		19,527,531	679,853	3,478,759	23,686,143
Balance, August 31, 2017		\$ 58,861,256	\$ 1,892,859	\$ 7,616,888	\$ 68,371,003

PEOPLE CORPORATION

Consolidated Statements of Cash Flows

For the years ended August 31, 2017 and August 31, 2016

	NOTE	YEAR ENDED AUG 31, 2017	YEAR ENDED AUG 31, 2016
Operating activities			
Net income (loss) for the year		\$ 3,478,759	\$ (174,794)
Adjustments for:			
Depreciation	6	936,333	776,024
Amortization of intangible assets	7	7,515,013	6,199,584
Share-based compensation	15(b)(c)(d)	788,422	593,897
Change in estimated fair value of non-controlling interest put option	11	3,617,211	3,586,413
Accretive interest expense	16	85,710	317,933
Deferred tax recovery	13	(2,669,752)	(1,317,055)
Net cash from operations		13,751,696	9,982,002
Change in the following:			
Trade and other receivables		350,117	261,806
Other current assets		(117,326)	(90,353)
Trade payables, accrued and other liabilities		(479,166)	3,597,075
Deferred revenue		(1,697,721)	114,661
Income taxes receivable		(851,687)	(273,581)
Net cash from (used by) working capital items		(2,795,783)	3,609,608
Net cash from operating activities		10,955,913	13,591,610
Investing activities			
Acquisition of subsidiary, net of cash acquired	4	(12,881,805)	(17,305,049)
Acquisition of property and equipment	6	(1,485,314)	(481,968)
Acquisition of intangible assets	7	(2,776,702)	(2,084,591)
Net cash used in investing activities		(17,143,821)	(19,871,608)
Financing activities			
Proceeds from exercise of stock options		159,926	186,367
Outflows relating to loan advances		(1,044,110)	-
Proceeds from loans and borrowings		14,500,000	18,159,955
Repayment of loans and borrowings		(20,680,526)	(3,269,984)
Proceeds from private placement of shares, net		18,946,403	-
Payment of dividends on non-controlling interest	11	(1,679,008)	(941,115)
Payment of put options on non-controlling interest	11	(450,904)	-
Net cash from financing activities		9,751,781	14,135,223
Net increase in cash		3,563,873	7,855,225
Cash at beginning of the year		14,369,959	6,514,734
Cash at the end of the year		\$ 17,933,832	\$ 14,369,959

PEOPLE CORPORATION

Notes to the Consolidated Financial Statements

For the years ended August 31, 2017 and August 31, 2016

1. REPORTING ENTITY:

People Corporation (the "Company") was incorporated under the Ontario Business Corporations Act on July 5, 2006. The Company is a public company listed on the TSX Venture Exchange (the "TSX-V"), trading under the "PEO" symbol and is domiciled in Canada. The address of the Company's head office is 360 Main Street, Suite 1800, Winnipeg, Manitoba, Canada and the Company's registered office is 180 Bay Street, Suite 4400, Toronto, Ontario, Canada. These consolidated financial statements of the Company comprise accounts of the Company and its subsidiaries. The Company is primarily involved in the delivery of employee group benefit consulting, third-party benefits administration services, pension consulting and human resources consulting to help companies recruit, retain and reward employees.

2. BASIS OF PRESENTATION:

These consolidated financial statements were approved by the Board of Directors and authorized for issue on November 30, 2017.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statements of financial position:

- financial instruments at fair value through profit or loss are measured at fair value
- share-based compensation awards are measured at fair value at grant date

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries. All financial information presented has been rounded to the nearest dollar except where indicated otherwise.

(d) Use of estimates and judgments

Preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates, judgments, and assumptions that affect the application of policies and the reported amounts of assets and liabilities at the date of these financial statements and reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates. Areas of significant accounting estimates and judgments include determination of fair value of financial instruments, impairment of financial instruments, impairment of goodwill and intangible assets, business combinations, and deferred taxes. The Company also uses judgment when determining functional currencies, operating segments, contingencies, acquisition, integration and reorganization costs, non-current assets and the determination of fair value of share-based payments. Details on the estimates and judgments are further described in the relevant accounting policies in these Notes.

PEOPLE CORPORATION

Notes to the Consolidated Financial Statements

For the years ended August 31, 2017 and August 31, 2016

Provisions are recognized for present legal or constructive obligations as a result of a past event, if it is probable that they will result in an outflow of economic resources and the amount can be reliably estimated. The amounts recognized for these provisions are the best estimates of the expenditures required to settle the present obligations or to transfer them to a third party at the statement of financial position date, considering all the inherent risks and uncertainties, as well as the time value of money. These provisions are reviewed as relevant facts and circumstances change.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Business combinations

For acquisitions, the Company measures goodwill as the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in net income (loss).

The Company recognizes liabilities, if any, resulting from a contingent consideration arrangement at their acquisition date fair value and such amounts form part of the cost of the business combination. Subsequent changes in the fair value of contingent consideration arrangements are recognized in net income (loss) for the period.

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments to goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39 Financial Instruments: Recognition and Measurement, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in net income (loss).

Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

PEOPLE CORPORATION

Notes to the Consolidated Financial Statements

For the years ended August 31, 2017 and August 31, 2016

(ii) Subsidiaries

Subsidiaries are entities controlled by the Company or a subsidiary of the Company. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases.

(iii) Transactions eliminated on consolidation

Inter-company balances and transactions, and any realized or unrealized revenue and expenses arising from inter-company transactions, are eliminated in preparing these consolidated financial statements.

These consolidated financial statements include the accounts of the Company and its subsidiaries:

	Common Ownership %
People First HR Services Ltd.	100%
Les Assurances W.B. Inc.	100%
Hamilton + Partners Inc., including its subsidiaries:	100%
Employee Benefits Inc. (100%), Disability Concepts Inc. (100%) and 6814407 Canada Incorporated (100%)	
Bencom Financial Services Group Inc.	100%
Coughlin & Associates Ltd., including its subsidiary:	100%
Allaire, Durand et Associés Ltée. (100%)	
BPA Financial Group Ltd., including its subsidiaries:	100%
Benefit Plan Administrators Ltd. (100%), Benefit Plan Administrators (Atlantic) Ltd. (100%), Benefit Plan Administrators (Pacific) Ltd. (100%), BPA Consulting Group Ltd. (100%), BPA Insurance Agencies Ltd. (100%), BPA Internet Connections Ltd. (100%), TAL Insurance Brokers Ltd. (100%), 1739813 Ontario Ltd. (100%), and Alluvus Solutions Inc. (50%)	
Sirius Benefit Plans Inc.	100%
Skipwith & Associates Insurance Agency Inc.	100%

(b) Financial instruments

(i) Non-derivative financial assets

Financial assets classified as fair value through profit and loss are measured at fair value, with gains and losses recognized in net income (loss). Cash is classified as fair value through profit and loss.

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial

PEOPLE CORPORATION

Notes to the Consolidated Financial Statements

For the years ended August 31, 2017 and August 31, 2016

asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Company has a currently enforceable legal right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(ii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables, and other current and non-current assets.

(iii) Non-derivative financial liabilities

Financial liabilities classified as fair value through profit and loss are measured at fair value, with gains and losses recognized in net income (loss). Non-controlling interest put option is classified as fair value through profit and loss.

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Company has a currently enforceable legal right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: loans and borrowings, trade payables and accrued and other liabilities.

Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(c) Share capital

Common voting shares are classified as equity. Incremental costs directly attributable to the issue of common voting shares are recognized as a deduction from equity, net of any tax effects.

(d) Cash and cash equivalents

Cash and cash equivalents may include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

PEOPLE CORPORATION

Notes to the Consolidated Financial Statements

For the years ended August 31, 2017 and August 31, 2016

(e) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The costs of the day-to-day servicing of property and equipment are recognized in the consolidated statements of comprehensive income (loss) in the period in which they are incurred.

(ii) Depreciation

Depreciation is recognized in the consolidated statements of comprehensive income (loss) over the estimated useful lives of each part of an item of property and equipment in a manner which most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

ASSET	BASIS	RATE
Leasehold improvements	Straight-line	Shorter of useful life or term of the lease
Furniture and fixtures	Diminishing balance	20%
Computer equipment	Diminishing balance	30%
Automobiles	Diminishing balance	30%

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(f) Goodwill and intangible assets

(i) Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of subsidiaries over the fair value of the net tangible and intangible assets acquired. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

(ii) Intangible assets

Intangible assets consist of internally-developed software, customer relationships, contracts, acquired software and acquired brands. Intangible assets acquired separately are measured on initial recognition at cost. The cost of identifiable intangible assets acquired in a business combination is equal to fair value as at the date of acquisition. Following initial recognition, identifiable intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Internally-developed software is recognized at the aggregate cost of all eligible development costs, when the following criteria are met: (i) technically feasible; (ii) management intention to complete development; (iii) the Company is able to use the software once implemented; (iv) future benefits associated with the software can be demonstrated; (v) adequate technical, financial and other resources to complete development and to use the software are available; and (vi) expenditures attributable to the software during its development can be reliably

PEOPLE CORPORATION

Notes to the Consolidated Financial Statements

For the years ended August 31, 2017 and August 31, 2016

measured. Eligible expenditures capitalized as part of internally-developed software include external direct costs of materials and services consumed in development and payroll and payroll-related costs, for employees who are directly associated with and who devote time to the development of the software.

Definite life intangible assets are amortized from the date of acquisition or, for internally developed assets, from the time the asset is available for use. Amortization is recognized in the consolidated statements of comprehensive income (loss) either on a declining balance or on a straight-line basis over the estimated useful life of the asset, and the residual values and useful lives of the assets are reviewed at each financial year-end and adjusted if appropriate. The estimated useful lives for the current and comparative periods are as follows:

ASSET	BASIS	RATE
Customer relationships	Straight-line	8 - 10 years
Customer contracts	Straight-line	term of the contract
Computer software	Straight-line	4 years
Computer software - internally developed	Straight-line	8 - 10 years

Intangible assets are considered to have indefinite lives where management believes that there is no foreseeable limit to the period over which the intangible assets are expected to generate net cash flows.

(g) Impairment

(i) Financial assets

Financial assets not carried at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net income (loss) and reflected in an allowance account against assets. Interest on the impaired asset continues to be recognized using the effective interest rate method. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed up to the amount of original cost through net income (loss).

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets (that have indefinite useful lives or that are not yet available for use) the recoverable amount is estimated each year at the same time.

PEOPLE CORPORATION

Notes to the Consolidated Financial Statements

For the years ended August 31, 2017 and August 31, 2016

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit" or "CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net income (loss). Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(h) Trade payables, accrued and other liabilities

Trade payables include obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less and are recognized initially at fair value and subsequently measured at amortized cost.

Accrued liabilities include accruals for salaries and compensation, and other obligations incidental to the Company's normal business operations. They are classified as current when they are expected to be settled within one year of the reporting period date, and are recognized initially at fair value and subsequently measured at amortized cost.

(i) Deferred revenue

Deferred revenue represents payments received in advance for services which have not yet been performed. Deferred revenues are recognized into income as services are rendered, in accordance with the revenue recognition policies described below.

(j) Insurance premium liabilities and related cash

In its capacity as a third party administrator, the Company collects premiums from clients and

PEOPLE CORPORATION

Notes to the Consolidated Financial Statements

For the years ended August 31, 2017 and August 31, 2016

remits premiums and claim payments, net of agreed deductions, such as taxes, administrative fees and commissions, to insurance carriers. As the Company is acting in its capacity as a third party administrator to collect and remit premiums to insurance underwriters and claim payments to individuals, the Company is considered to have a legal right to offset premiums collected and corresponding liabilities. As such, the cash and investment balances relating to these liabilities have been offset against the related liability in the Company's consolidated statements of financial position.

(k) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Share-based payment transactions

Share-based payments are comprised of equity-settled Employee Share Purchase Plan ("ESPP"), equity-settled stock options, equity-settled performance-conditioned Restricted Stock Units and equity-settled Deferred Stock Units (collectively, "Equity-Settled Awards"). Equity-Settled Awards granted to employees and directors of the Company are measured at the fair value of the equity instruments at the grant date. The grant date fair value of Equity-Settled Awards are recognized as compensation expense, with a corresponding increase in equity, over the period that the awards vest. The amount recognized as an expense is adjusted to reflect the number of Equity-Settled Awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of Equity-Settled Awards that do meet the related service and non-market performance conditions at the vesting date. For Equity-Settled Awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no reconciliation for differences between expected and actual outcomes.

The Company's contributions under its ESPP are expensed as incurred.

Equity-Settled Awards to non-employees are measured at the fair value of the goods and services received unless that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instrument granted and measured at the date the Company obtains the good or the counterparty renders the service.

(l) Revenue recognition

Revenue includes fees and commissions generated from administrative, advisory and consulting services provided to clients.

Generally, revenue from the rendering of services is recognized when the following criteria are met:

- The amount of revenue can be reliably measured;
- The stage of completion of services can be reliably measured;

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- The receipt of economic benefits is probable; and
- Costs incurred and to be incurred can be reliably measured.

Concurrently with the above general principles, the Company applies the following specific revenue recognition policies:

Group benefit commission revenue from clients where advisory services and plan administration services are provided by the Company is generally received in advance and recorded as deferred revenue. Commission advances are recognized in income on a monthly basis based on the number of months for which the commission revenue was advanced, net of a provision for return commissions due to policy cancellation and adjustments. The provision is determined based on historical data.

Group benefit commission revenue from clients where the Company provides only advisory services is recognized in income at the effective or renewal date of the policy, net of a provision for return commissions due to policy cancellation and adjustments. The provision is determined based on historical data.

Fee revenue from administrative and consulting services is recognized as services are provided.

For fee revenue that is contingent on certain criteria being met, the revenue is not recognized until criteria has been met.

All other revenues are recognized as services are rendered by the Company. Other revenue includes investment income recorded on the accrual basis of accounting.

(m) Finance income and finance costs

Finance income comprises interest income on funds invested which is recognized as it accrues in net income (loss), using the effective interest method. Finance costs comprise interest expense on borrowings which are recognized in net income (loss) using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income (loss) except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to

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temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(o) Earnings per share

Basic earnings per share is calculated by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise stock options, tandem stock appreciation rights, restricted stock units and deferred stock units.

(p) New standards and interpretations adopted

The Company has adopted the following new and revised Standards and Interpretations issued by IASB:

IFRS 2, Share-based Payment ("IFRS 2")

The IASB amended IFRS 2 on June 20, 2016 effective for annual periods beginning on or after January 1, 2018. The amendment allows for a share-based payment transaction with employees to be accounted for as equity-settled when the transaction is settled on a net basis in order to meet statutory withholding requirements and the transaction would otherwise be classified as equity-settled if there were no net settlement feature. The Company adopted the amendments to IFRS 2 on September 1, 2016, on a retrospective basis. The early adoption of this amendment did not have an impact on the recognized amounts or measurements in the consolidated financial statements.

(q) New standards and interpretations not yet adopted

The Company has not early adopted the following new and revised Standards and Interpretations that have been issued by IASB but are not yet effective:

IFRS 9, Financial Instruments ("IFRS 9")

The IASB issued IFRS 9 as a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple rules in IAS 39. The approach in IFRS 9 focuses on how an entity manages its financial instruments in the context of its business model, as well as the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods currently provided in IAS 39. The effective date is for annual periods beginning on or after January 1, 2018.

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The Company is currently evaluating the impact of adopting IFRS 9 on its consolidated financial statements and the extent of the impact of adoption of the standard has not yet been determined.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

The IASB issued IFRS 15 to establish principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

The Company is currently evaluating the impact of adopting IFRS 15 on its consolidated financial statements and the extent of the impact of adoption of the standard has not yet been determined.

IFRS 16, Leases ("IFRS 16")

The IASB issued IFRS 16 which set out principles for the recognition, measurement, presentation and disclosure of leases. The objective of IFRS 16 is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. The standard is effective for annual periods beginning on or after January 1, 2019.

The Company is currently in the process of implementing a transition plan and evaluating the impact of adopting IFRS 16 on its financial statements, and expects this standard will have a significant impact on its consolidated statement of financial position, along with a change to the recognition, measurement and presentation of lease expenses in the consolidated statement of earnings.

4. BUSINESS ACQUISITIONS:

During the period the Company acquired the following businesses:

Effective April 12, 2017, the Company acquired all of the issued and outstanding shares of Sirius Benefit Plans Inc. ("Sirius"), a national industry leading Third Party Administrator (TPA) and Third Party Payer (TPP) administering employee benefit programs for small to medium-sized companies across Canada.

Effective May 1, 2017, the Company acquired all of the issued and outstanding shares of Skipwith & Associates Insurance Agency Inc. ("Skipwith"), an established TPA and TPP providing group benefit consulting, administrative solutions and claims management services to corporations, unions and public service organizations in the Ontario region.

These acquisitions enable the Company to continue execution of its growth strategy and expansion of its national presence.

The Company accounted for these transactions as a business combination and has applied the acquisition method of accounting in accordance with IFRS 3. The recognized amounts of assets acquired and liabilities assumed in the transactions and the acquisition date fair value of the total consideration paid or payable are as follows:

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	Sirius	Skipwith	Total
Assets acquired and liabilities assumed			
Goodwill	\$ 8,747,958	\$ 251,635	\$ 8,999,593
Customer relationships and other intangible assets	8,357,453	1,878,421	10,235,874
Property and equipment	155,809	7,477	163,286
Deferred tax assets	93,664	-	93,664
Above-market lease agreement	(353,448)	-	(353,448)
Net working capital	(1,887,271)	116,021	(1,771,250)
Deferred tax liabilities	(2,202,808)	(490,884)	(2,693,692)
	\$ 12,911,357	\$ 1,762,670	\$ 14,674,027
Consideration paid or payable			
Cash payment on closing	13,500,000	1,000,000	14,500,000
Working capital adjustment due from vendors	(2,037,271)	46,424	(1,990,847)
Vendor take-back notes payable	1,448,628	716,246	2,164,874
	\$ 12,911,357	\$ 1,762,670	\$ 14,674,027

Total consideration paid was subject to final adjustments for working capital which were settled subsequent to the end of the year. Net working capital includes \$1,618,195 of operating cash acquired. Vendor take-back notes payable are subject to clawback adjustments tied to achievement of certain financial metrics.

A significant part of the goodwill recorded on the acquisitions can be attributed to the assembled workforce and the operating know-how of key personnel. However, no intangible assets qualified for separate recognition in this respect.

The Company's consolidated statements of comprehensive income (loss) include the results of operations for Sirius and Skipwith from its date of acquisition to August 31, 2017.

	AUG 31, 2017	
	AS REPORTED	PRO FORMA OF THE COMPANY
Operating revenues		
Sirius	3,019,933	6,059,709
Skipwith	230,533	543,753
Net income and comprehensive income		
Sirius	622,896	889,420
Skipwith	68,131	225,023

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Pro forma balances represent management's estimates of consolidated revenue and consolidated net income as if the acquisitions had been completed on September 1, 2016. For the purposes of these pro forma balances, comprehensive income is equal to net income. Acquisition-related costs amounting to \$1,215,918 (2016 - \$2,002,630) are not included as part of the consideration transferred and have been recognized as acquisition, integration and reorganization costs in the consolidated statements of comprehensive income (loss).

BPA Financial Group Limited

Effective April 13, 2016, the Company acquired BPA Financial Group Ltd. ("BPA"), an independent full service national firm providing group benefit and pension administration consulting and claims management services to corporations and multi-employer trust organizations in Canada. The Company holds a 100% voting interest and will hold a 67% economic interest in BPA through ownership of all of the issued dividend-bearing common shares of BPA ("Company Shares").

The principals of BPA collectively hold non-voting, non-cumulative, dividend-bearing shares of BPA ("BPA Principal Shares") and options to acquire BPA Principal Shares at a nominal price over a period of approximately four and one-half years from April 13, 2016 ("BPA Share Options"), which upon exercise of the options will result in the BPA Principals holding an aggregate 33% economic interest in BPA ("BPA Retained Economic Interest"). Commencing November 29, 2016, the issued Company Shares and BPA Principal Shares have an ongoing contractual right to receive quarterly dividends based on a calculation derived from BPA's earnings. The Company is entitled to a priority on the payment of dividends declared on the BPA dividend-bearing shares to the extent of a specified earnings amount.

In addition, the Company has a future right to purchase the BPA Principal Shares ("BPA Call Options") and individual BPA Principals have a future right to require the Company to purchase the BPA Principal Shares (collectively, the "BPA Put Options"), subject to the satisfaction of certain terms and conditions and by giving notice to the Company. On the effective date of exercise of the BPA Call Options or the BPA Put Options, the BPA Principal's pro-rata right to earn dividends will be terminated.

The Company accounted for this transaction as a business combination and has applied the acquisition method of accounting in accordance with IFRS 3. The recognized amounts of assets acquired and liabilities assumed in the transaction and the acquisition date fair value of the total consideration paid or payable are as follows:

Assets acquired and liabilities assumed	
Net working capital	\$ 1,654,624
Property and equipment	869,166
Customer relationships and other intangible assets	12,431,347
Goodwill (including assembled workforce)	14,665,972
Deferred tax liabilities	(3,406,189)
	\$ 26,214,920
Consideration paid or payable	
Cash payment on closing	\$ 18,159,955
Working capital adjustment due to vendors	777,523
Non-controlling interest ("BPA Retained Economic Interest") (Note 11)	7,277,442
	\$ 26,214,920

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Notes to the Consolidated Financial Statements

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Total consideration paid was subject to final adjustments for working capital.

The BPA Retained Economic Interest represented by the BPA Principal Shares and BPA Share Options is classified as a liability due to its terms, including the discounted value of estimated future dividend payments and put and call features. The fair value of these shares and options was determined using a discounted cash flow approach, and based on the terms of the BPA Principal Shares. The key assumptions in valuing the interest associated with the BPA Principal Shares and BPA Share Options, include: estimated gross projected cash flows based on historical results and applying a growth factor; the dates at which the put options will be exercised by the holder; the likelihood of certain contingent milestones being reached; and, a discount rate of 16.0%. In accordance with IFRS 2, the BPA Share Options are deemed to have vested immediately. BPA Principals are restricted from exercising their respective BPA Put Options until dates on or after September 2018, subject to certain terms and conditions including restrictions requiring a minimum time period between individual exercise dates.

Changes in fair value, arising from changes in assumptions and accretion of interest, of these estimated liabilities for consideration paid will be recorded in finance costs in the consolidated statements of comprehensive income in future periods.

The Company's consolidated statements of comprehensive income include the result of the operations of BPA from its date of acquisition to August 31, 2017, and 2016.

5. TRADE AND OTHER RECEIVABLES:

The Company had the following trade and other receivables:

		AUG 31, 2017	AUG 31, 2016
Trade receivables		\$ 9,242,957	\$ 9,421,731
Working capital adjustment due from vendors	4	1,990,847	-
		<u>\$ 11,233,804</u>	<u>\$ 9,421,731</u>

The Company's exposure to credit and currency risks, and impairment losses related to trade and other receivables is disclosed in note 20.

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Notes to the Consolidated Financial Statements

For the years ended August 31, 2017 and August 31, 2016

6. PROPERTY AND EQUIPMENT:

The Company had the following property and equipment:

	LEASEHOLD IMPROVEMENTS	FURNITURE & FIXTURES	COMPUTER EQUIPMENT	AUTOMOBILES	TOTAL
Cost					
Balance, August 31, 2015	\$ 1,424,698	\$ 2,201,137	\$ 2,432,973	\$ 35,000	\$ 6,093,808
Additions	283,892	50,680	147,396	-	481,968
Acquisition through business combination	250,830	198,493	131,718	84,181	665,222
Balance, August 31, 2016	1,959,420	2,450,310	2,712,087	119,181	7,240,998
Additions	1,054,946	86,309	344,059	-	1,485,314
Write down and disposal of assets	-	(2,668)	-	-	(2,668)
Acquisition through business combination	-	69,138	94,148	-	163,286
Balance, August 31, 2017	\$ 3,014,366	\$ 2,603,089	\$ 3,150,294	\$ 119,181	\$ 8,886,930
Depreciation					
Balance, August 31, 2015	\$ (842,169)	\$ (1,680,660)	\$ (1,969,819)	\$ (18,340)	\$ (4,510,988)
Depreciation for the year	(298,647)	(166,045)	(296,005)	(15,327)	(776,024)
Balance, August 31, 2016	(1,140,816)	(1,846,705)	(2,265,824)	(33,667)	(5,287,012)
Depreciation for the year	(398,234)	(176,958)	(335,487)	(25,654)	(936,333)
Write down and disposal of assets	-	2,663	-	-	2,663
Balance, August 31, 2017	\$ (1,539,050)	\$ (2,021,000)	\$ (2,601,311)	\$ (59,321)	\$ (6,220,682)
Carrying amounts					
Balance, August 31, 2016	\$ 818,604	\$ 603,605	\$ 446,263	\$ 85,514	\$ 1,953,986
Balance, August 31, 2017	\$ 1,475,316	\$ 582,089	\$ 548,983	\$ 59,860	\$ 2,666,248

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7. GOODWILL AND INTANGIBLE ASSETS:

The Company had the following goodwill and intangible assets:

	GOODWILL	CUSTOMER RELATIONSHIPS	CUSTOMER CONTRACTS	COMPUTER SOFTWARE	TOTAL
Cost					
Balance, August 31, 2015	\$ 56,068,618	\$ 47,771,813	\$ 3,506,110	\$ 2,499,127	\$ 109,845,668
Additions	-	790,562	331,884	962,145	2,084,591
Acquisition through business combination	14,665,972	12,431,347	-	203,944	27,301,263
Balance, August 31, 2016	70,734,590	60,993,722	3,837,994	3,665,216	139,231,522
Additions	-	1,090,049	42,006	1,817,147	2,949,202
Acquisition through business combination	8,999,592	10,164,876	-	70,998	19,235,466
Balance, August 31, 2017	\$ 79,734,182	\$ 72,248,647	\$ 3,880,000	\$ 5,553,361	\$ 161,416,190
Amortization					
Balance, August 31, 2015	\$ -	\$ (8,399,740)	\$ (2,491,369)	\$ (1,866,867)	\$ (12,757,976)
Amortization for the year	-	(5,317,905)	(329,905)	(551,774)	(6,199,584)
Balance, August 31, 2016	-	(13,717,645)	(2,821,274)	(2,418,641)	(18,957,560)
Amortization for the year	-	(6,248,644)	(474,355)	(792,014)	(7,515,013)
Balance, August 31, 2017	\$ -	\$ (19,966,289)	\$ (3,295,629)	\$ (3,210,655)	\$ (26,472,573)
Carrying amounts					
Balance, August 31, 2016	\$ 70,734,590	\$ 47,276,077	\$ 1,016,720	\$ 1,246,575	\$ 120,273,962
Balance, August 31, 2017	\$ 79,734,182	\$ 52,282,358	\$ 584,371	\$ 2,342,706	\$ 134,943,617

Included in computer software additions is \$1,683,276 (2016 - \$1,107,038) of internally developed assets.

The Company completed its annual impairment tests for goodwill and concluded that there was no impairment. For impairment test purposes, the carrying value of goodwill has been allocated as follows:

	AUG 31, 2017	AUG 31, 2016
Coughlin & Associates Ltd.	\$ 25,930,637	\$ 25,930,637
BPA Financial Group Ltd. (Note 4)	14,665,972	14,665,972
Hamilton & Partners Ltd.	11,600,184	11,600,184
Sirius Benefit Plan Inc. (Note 4)	8,747,958	-
Bencom Financial Services Group Inc.	3,913,752	3,913,752
Other	14,875,679	14,624,045
	\$ 79,734,182	\$ 70,734,590

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The key assumptions used to calculate the value in use are those regarding discount rates, growth rates and expected changes in margins. The values of these assumptions reflect past experience.

The after tax weighted average cost of capital was determined to be 16.0% (August 31, 2016 - 15.0% to 16.0%) and is based on a risk-free rate, an equity risk premium adjusted for betas of comparable publicly traded companies, an unsystematic risk premium, an after-tax cost of debt based on the Company's financing arrangements and the capital structure of comparable publicly traded companies.

Cash flow projections have been discounted using rates of return derived from the Company's after-tax weighted average cost of capital considering specific risks relating to each CGU. At August 31, 2017, the after-tax discount rate used in the recoverable amount calculations was 16.0% (August 31, 2016 - 15.0% to 16.0%). The pre-tax discount rate was 21.0% (August 31, 2016 - 19.0% to 21.0%).

The Company included five years of cash flows in its discounted cash flow model. The cash flow forecasts were extrapolated beyond the five year period using an estimated long term growth rate of 2.0% (August 31, 2016 - 2.0%).

8. LOANS RECEIVABLE:

The Company had the following loans receivable:

	AUG 31, 2017	AUG 31, 2016
Loans receivable	\$ 1,044,110	\$ -
Less current portion of loans receivable	(89,136)	-
Total non-current accrued and other liabilities	\$ 954,974	\$ -

During the year, the Company made an interest bearing loan to facilitate the transfer of certain economic interest through the ongoing right to earn performance based commissions and fees and ownership of non voting, non dividend earning special shares in a subsidiary.

Subsequent to the end of the year, the Company entered into an agreement with an employee in which it provided a \$1,000,000 interest bearing loan forgivable over ten years subject to certain conditions. In addition, the agreement provides for future additional advances subject to certain conditions.

9. TRADE PAYABLES, ACCRUED AND OTHER LIABILITIES:

The Company had the following trade payables, accrued and other liabilities:

	AUG 31, 2017	AUG 31, 2016
Trade payables and other liabilities	\$ 14,868,653	\$ 10,852,669
Provision for onerous contracts	896,300	564,667
Contingent acquisition consideration	-	1,308,793
Post-retirement benefits and other liabilities	354,377	481,641
	16,119,330	13,207,770
Less current portion of trade payables, accrued and other liabilities	14,919,459	10,905,251
Total non-current accrued and other liabilities	\$ 1,199,871	\$ 2,302,519

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Amounts previously recorded as contingent acquisition consideration related to the acquisition of Hamilton + Partners group of companies ("H+P") on July 9, 2013, were paid on November 29, 2016, for the fair value consideration of \$1,308,793. For the year ended August 31, 2017, the Company recognized an adjustment to the fair value of the contingent consideration of nil (2016 - \$125,474).

10. INSURANCE PREMIUM LIABILITIES AND RELATED CASH:

In its capacity as a third-party benefits administrator, the Company collects premiums from insurers and remits premiums, net of agreed deductions, such as taxes, administrative fees and commissions, to insurance underwriters. These are considered flow-through items for the Company and, as such, the cash and investment balances relating to these liabilities are deducted from the related liability in the consolidated balance sheets. The Company has the following amounts held in accounts segregated from the Company's operating funds for insurance premium liabilities.

	AUG 31, 2017	AUG 31, 2016
Payable to carriers and insured individuals or groups	\$ 62,010,813	\$ 46,034,450
Less related cash balances	62,010,813	46,034,450
	\$ -	\$ -

11. NON-CONTROLLING INTEREST PUT OPTIONS:

The Company is subject to the following non-controlling interest put options:

	NOTE	AUG 31, 2017	AUG 31, 2016
Balance, beginning of year		\$ 32,571,809	\$ 22,649,069
Acquisition through business combination	4	-	7,277,442
Change in estimated fair value	16	3,617,211	3,586,413
Less payment of dividends on non-controlling interest		(1,679,008)	(941,115)
Less non-controlling interest put options exercised		(450,904)	-
Balance, end of year		\$ 34,059,108	\$ 32,571,809

Changes in estimated fair value represents accretion of interest and changes in assumptions used to estimate the liability related to future dividend payments and put features.

(i) BPA

In connection with the BPA acquisition, the Company entered into various agreements whereby the BPA Principals, through a class of non-voting, non-cumulative, dividend-bearing shares of BPA ("BPA Principal Shares") and options to acquire BPA Principal Shares at a nominal price over a period of approximately four and one-half years from April 13, 2016, ("BPA Share Options"), can collectively hold an aggregate 33% economic interest in BPA ("BPA Retained Economic Interest"). Commencing November 29, 2016, the issued Company Shares and BPA Principal Shares have an ongoing contractual right to receive quarterly dividends based on a calculation derived from BPA's earnings. The Company is entitled to a priority on the payment of dividends declared on the BPA dividend-bearing shares to the extent of a specified earnings amount.

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All classes of non-voting, non-cumulative, dividend-bearing shares of BPA have an ongoing contractual right to receive dividends based on a calculation derived from BPA's earnings. The Company is entitled to a priority on the payment of dividends declared on the Company Shares to the extent of a specified earnings amount. BPA dividend entitlements are paid in arrears on a quarterly basis.

In addition, the Company has a future right to purchase the BPA Principal Shares ("BPA Call Options") and BPA Principals have a future right to require the Company to purchase the BPA Principal Shares (collectively, the "BPA Put Options"), subject to the satisfaction of certain terms and conditions and by giving notice to the Company. On the effective date of exercise of the BPA Call Options or the BPA Put Options, the BPA Principal's pro-rata right to earn dividends will be terminated.

The liability recognized in connection with the BPA Retained Economic Interest, which includes the fair value of future dividend entitlements of the BPA Principal Shares and the BPA Put Options, has been determined based on a pre-determined formula defined in an agreement which is based on a multiple of estimated future earnings of BPA, the estimated future exercise dates of BPA Put Options and other factors. BPA Principals are restricted from exercising their respective BPA Put Options until dates on or after August 31, 2019, subject to certain terms and conditions, including restrictions requiring a minimum time period between individual exercise dates.

(ii) Coughlin

In connection with the Coughlin acquisition, the Company entered into various agreements whereby the former Coughlin shareholders (the "Coughlin Vendors") retained an initial 34% minority economic interest ("Coughlin Retained Economic Interest") through a class of non-voting, non-cumulative, dividend-bearing shares of Coughlin ("Coughlin Vendor Shares"). In addition, certain of the Coughlin Vendors were issued a class of non-voting, non-cumulative, dividend-bearing shares of Coughlin ("Coughlin Spring Shares") in which the aggregate Coughlin Retained Economic Interest can increase to 40% in five years, subject to certain specified terms and conditions having been met and subject to Coughlin achieving certain financial performance targets over the next five years, and thereby reducing the Company's economic interest in Coughlin to 60%.

All classes of non-voting, non-cumulative, dividend-bearing shares of Coughlin have an ongoing contractual right to receive dividends based on a calculation derived from Coughlin's earnings. The Company is entitled to a priority on the payment of dividends declared on a distinct class of Coughlin dividend-bearing shares to the extent of a specified earnings amount. Coughlin dividend entitlements are paid in arrears on a quarterly basis.

In addition, the Company has the right to purchase the Coughlin Vendor Shares and the Coughlin Spring Shares ("Coughlin Call Options") and individual Coughlin Vendors have the right to require the Company to purchase the Coughlin Vendor Shares and the Coughlin Spring Shares (the "Coughlin Put Options") by giving notice to the Company. On the effective date of exercise of the Coughlin Call Options or the Coughlin Put Options, the Coughlin Vendor's right to earn earnings-based dividends will be terminated.

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The liability recognized in connection with the Coughlin Retained Economic Interest, which includes the fair value of future dividend entitlements on the Coughlin Vendor Shares and Coughlin Spring Shares and the Coughlin Put Options, has been determined based on a pre-determined formula defined in an agreement which is based on a multiple of estimated future earnings of Coughlin, the estimated future exercise dates of Coughlin Put Options and other factors. Coughlin Vendors are restricted from exercising their respective Coughlin Put Options until dates on or after August 31, 2018, subject to certain terms and conditions including restrictions requiring a minimum time period between individual exercise dates.

On September 1, 2016, 1,000 Class Y Shares were exercised under the terms of the Coughlin Put Options with a total value of \$450,904. As at November 30, 2016, the Company's economic interest in Coughlin was 67.0%.

(iii) H+P

In connection with the acquisition of H+P, the Company entered into various agreements whereby the H+P vendors hold an economic interest in H+P through the ongoing right to earn performance-based commissions and fees. In addition, the H+P vendors hold ongoing ownership through non-voting, non-dividend earning special shares ("H+P Special Shares"). The Company has the right to purchase the H+P Special Shares ("H+P Call Option") and the vendors have the right to require the Company to purchase the H+P Special Shares ("H+P Put Option") at certain dates in the future, subject to certain vesting and other conditions. On the effective date of exercise of the H+P Call Option or the H+P Put Option, the H+P vendor's right to earn performance-based commissions and fees will be terminated.

The liability recognized in connection with the H+P Put Option has been determined based on a pre-determined formula defined in an agreement which is based on a multiple of estimated future earnings of H+P, the estimated future exercise dates and other factors. The H+P Put Option was restricted until July 2016, which was three years from the effective date of the agreement, and is exercisable at any time by the non-controlling shareholder(s), subject to certain terms and conditions.

(iv) Bencom

In connection with the acquisition of Bencom Financial Service Group Inc. ("Bencom"), the Company entered into various agreements whereby the vendors hold an economic interest in Bencom through the ongoing right to earn performance-based commissions and fees. In addition, the vendors hold ongoing ownership through non-voting, non-dividend earning special shares ("Bencom Special Shares"). The Company has the right to purchase the Bencom Special Shares ("Bencom Call Option") and the vendors have the right to require the Company to purchase the Bencom Special Shares ("Bencom Put Option") at certain dates in the future, subject to certain vesting and other conditions. On the effective date of exercise of the Bencom Call Option or the Bencom Put Option, the Bencom vendor's right to earn performance-based commissions and fees will be terminated.

The liability recognized in connection with the Bencom Put Option has been determined based on a pre-determined formula defined in an agreement which is based on a multiple of estimated future earnings of Bencom, the estimated future exercise dates and other factors. The Bencom Put Option was restricted until December 2015, which was three years from the effective date of the agreement, and is exercisable at any time by the non-controlling shareholder(s), subject to certain terms and conditions.

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The fair value of the liability associated with the non-controlling put options is determined by discounting the estimated future payment obligation at each reporting date. Changes in fair value of the estimated liability in future periods will be recorded in finance costs in subsequent consolidated statements of comprehensive income. As no non-controlling put options were exercised and unsettled as at August 31, 2017, the Company had no specific contractual cash flows payable.

Significant unobservable inputs assumptions include: (i) put option exercises over periods ranging from 6 to 60 months; (ii) Contractually-defined EBITDA of BPA, Coughlin, H+P and Bencom before considering the retained economic interest attributable to the respective vendors generated ("Put EBITDA") as at August 31, 2017, equal to \$20.8 million; (iii) growth rates applied to Put EBITDA ranging from 1.2% to 11.9% annually based on historical results; and (iv) discount rate of 16%. An increase in the Put EBITDA would result in an increase to the liability associated with the non-controlling put options. A 1% change in the discount rate would decrease or increase the liability associated with the non-controlling put options by \$0.9 million.

12. LOANS AND BORROWINGS:

The Company had the following loans and borrowings, which are measured at amortized cost:

	AUG 31, 2017	AUG 31, 2016
Term loans		
(a) A bank loan bearing interest of bankers' acceptance rates plus an amount equal to 1.75% to 3.50% per annum subject to certain terms, secured by the assets of the Company, repayable in quarterly installments equal to 2.00% to 3.00% of the opening principal balance throughout the term of the agreement. The loan matures October 31, 2019, unless extended pursuant to the agreement.	\$ 18,882,750	\$ 21,104,250
(b) A bank loan bearing interest of bankers' acceptance rates plus an amount equal to 1.75% to 3.50% per annum subject to certain terms, secured by the assets of the Company, to the extent not previously paid, the principal shall be due and payable on the maturity date. The loan matures October 31, 2019, unless extended pursuant to the agreement.	14,500,000	17,984,955
Total term loans	\$ 33,382,750	\$ 39,089,205
Vendor take-back loans		
(c) A vendor take-back loan bearing no interest per annum, unsecured, payable in three annual installments of \$100,000. The amortized cost of the loan has been discounted using a rate equal to 5.80%. The loan matures on October 29, 2017.	99,040	198,094
(d) A vendor take-back loan bearing no interest per annum, unsecured, payable in monthly installments of \$5,224. The amortized cost of the loan has been discounted using a rate of 6.43%. The loan matured on August 31, 2017.	-	60,494
(e) A vendor take-back loan bearing no interest per annum, unsecured, payable in five payments: \$150,000 in the first year and \$300,000 annually thereafter. The amortized cost of the loan has been discounted using a rate of 4.40%. The loan matures on June 12, 2020.	834,762	1,090,098
(f) A vendor take-back loan bearing no interest per annum, unsecured, payable in two annual installments of \$750,000. The amortized cost of the loan has been discounted using a rate of 2.56%. The loan matures on April 12, 2019.	1,459,912	-
(g) A vendor take-back loan bearing no interest per annum, unsecured, payable in two payments: \$325,000 in the first year and \$425,180 in the second year. The amortized cost of the loan has been discounted using a rate of 2.56%. The loan matures on July 31, 2019.	722,366	-
Total vendor take-back loans	3,116,080	1,348,686

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Finance lease liabilities		
(h) A finance lease repayable in monthly installments of \$1,082 and secured by the assets to which the obligation relates. The lease expires December 13, 2019, and includes an implicit interest rate equal to 4.71%.	27,895	39,276
Total finance lease liabilities	27,895	39,276
	36,526,725	40,477,167
Less: current portion of:		
Term loans	2,221,500	2,221,500
Vendor take-back loans	1,394,089	410,834
Finance lease liabilities	11,929	10,291
	3,627,518	2,642,625
	\$ 32,899,207	\$ 37,834,542

The Company is a party to an agreement with a syndicate of Canadian banks, which as at August 31, 2017, included the following components:

1. \$5,000,000 revolving credit facility to fund operating cash flow needs. As at August 31, 2017, the Company had not utilized this facility (August 31, 2016 - nil).
2. \$22,215,000 term credit facility installment loan, which was used to refinance the acquisition facility balance outstanding under the previous agreement and fund acquisitions. As at August 31, 2017, the balance owing on this facility was equal to \$18,882,750 (August 31, 2016 - \$21,104,250).
3. \$34,000,000 term acquisition credit facility to fund future acquisitions. As at August 31, 2017, \$14,500,000 (August 31, 2016 - \$17,984,955) was drawn down on the credit facility in connection with the acquisitions of Sirius and Skipwith.

The agreement provides for an option (the "Accordion Feature"), subject to the satisfaction of certain terms and conditions, to increase the term acquisition credit facility by an additional \$15,000,000 of capacity. The exercise of the option would result in the size of the term acquisition credit facility being increased to a maximum of \$49,000,000 and overall credit capacity being increased to a maximum of \$76,215,000. See Note 26(c).

The facility is secured by a general security agreement over the assets of the Company and its subsidiaries and is subject to covenants (Note 21).

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13. INCOME TAXES:

Income taxes recognized in net income (loss) comprise the following:

	AUG 31, 2017	AUG 31, 2016
Income before income taxes	\$ 6,273,407	\$ 1,737,866
Statutory tax rate	26.81%	26.80%
Income tax provision at statutory tax rates	1,681,900	465,748
Adjustments to income taxes		
Non-deductible items	1,405,030	1,265,781
Prior period deferred tax recovery	(170,515)	-
Prior period current tax recovery, net	(143,765)	-
Change in tax rates and other	21,998	(50,950)
Change in estimate	-	232,081
	2,794,648	1,912,660
Current taxes	5,464,400	3,229,715
Deferred taxes	(2,669,752)	(1,317,055)
	\$ 2,794,648	\$ 1,912,660

The 2017 statutory tax rate differs from the 2016 statutory tax rate resulting from a change in the provincial allocation of gross revenue and wages.

Significant components of deferred tax assets and liabilities are as follows:

	AUG 31, 2017	AUG 31, 2016
Deferred tax assets		
Property and equipment	\$ -	\$ 21,146
Deferred financing costs	1,779	7,165
Lease inducements	-	869
Equity issue and financing costs	390,883	191,695
Non-capital losses carried forward	1,938,555	27,425
Cumulative eligible capital	560,393	399,072
Other	526,220	581,468
	\$ 3,417,830	\$ 1,228,840
Deferred tax liabilities		
Intangible assets	14,296,435	12,895,873
Net deferred tax liabilities	\$ (10,878,605)	\$ (11,667,033)

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Movement in net deferred tax liabilities:

	AUG 31, 2017	AUG 31, 2016
Balance, August 31, 2016	\$ (11,667,033)	\$ (10,065,194)
Recognized in the statement of income and comprehensive income	2,669,752	1,317,055
Recognized in business acquisitions	(2,693,692)	(3,406,189)
Other	812,368	487,295
Balance, August 31, 2017	\$ (10,878,605)	\$ (11,667,033)

14. SHARE CAPITAL:

(a) Authorized

The Company has authorized share capital of an unlimited number of common voting shares with no par value.

(b) Shares issued and outstanding

Shares issued and outstanding are as follows:

	NUMBER OF COMMON VOTING SHARES	AMOUNT
Balance, August 31, 2015	44,958,383	\$ 39,029,883
Exercise of stock options	266,667	303,842
Balance, August 31, 2016	45,225,050	39,333,725
Private placement of shares	5,439,500	19,259,036
Exercise of stock options	336,590	268,495
Balance, August 31, 2017	51,001,140	\$ 58,861,256

On October 6, 2016, the Company closed a private placement offering of 5,439,500 shares at a price of \$3.70 per share, for gross proceeds of \$20,126,150. The offering resulted in net proceeds of \$18,946,403 after share issuance and commission costs. In addition, the Company recorded a deferred tax asset of \$312,633 relating to share issuance and commission costs. See Note 26(b).

(c) Earnings per share

Basic earnings per share is calculated by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is calculated by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for the potentially dilutive effect of the total number of additional common shares related to grants outstanding at August 31, 2017, that would have been issued by the Company under its stock option plans.

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The following details the earnings per share, basic and diluted, calculations for the years ended August 31, 2017 and August 31, 2016:

	AUG 31, 2017	AUG 31, 2016
Net income (loss) attributable to common shares (basic and diluted)	\$ 3,478,759	\$ (174,794)
Weighted average number of common shares (basic)	50,321,853	45,093,051
Add: Dilutive effect of stock options	715,271	-
Add: Dilutive effect of deferred stock units	39,789	-
Add: Dilutive effect of restricted stock units	296,508	-
Weighted average number of common shares (diluted)	51,373,421	45,093,051
Net income (loss) per share (basic)	\$ 0.069	\$ (0.004)
Net income (loss) per share (diluted)	\$ 0.068	\$ (0.004)

The average market value of the Company's shares for the purposes of calculating the dilutive effect of stock options was based on quoted market prices for the period during which the options were outstanding.

15. SHARE-BASED PAYMENTS:

The Company's Security Based Compensation Plan allows for the issuance of stock options, tandem stock appreciation rights, restricted stock units and deferred stock units.

Under the Security Based Compensation Plan, awards may be granted to any director, officer, employee or consultant of the Company or of any of its affiliates by the Company's Board of Directors. Subject to the adjustment provisions provided for in the Security Based Compensation Plan and the applicable rules and regulations of all regulatory authorities to which the Company is subject (including the TSX Venture Exchange), the aggregate number of common shares reserved for issuance pursuant to the Security Based Compensation Plan cannot exceed 5,986,222, which number takes into account the common shares that are available for issuance under the Company's Security Based Compensation Plan.

(a) Employee share purchase plan

The Company has an ESPP whereby both employee and Company contributions are used to purchase shares on the open market for employees. The Company's contributions are expensed as incurred as there is no vesting period. Under the plan, the Company matches \$1 for every \$4 contributed by employee contributions of between 2% and 5% of annual base remuneration.

At August 31, 2017, there were 274 participants (August 31, 2016 – 207) in the plan. The total number of shares purchased during the year ended August 31, 2017, on behalf of participants, including the Company contribution, was 245,720 shares (August 31, 2016 – 321,528 shares). During the year ended August 31, 2017, the Company's matching contributions totaled 49,144 shares (August 31, 2016 – 64,306 shares).

For the year ended August 31, 2017, the Company recorded an expense to recognize the matching contribution equal to \$242,258 (August 31, 2016 – \$185,440).

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(b) Stock option plans

Stock options may be granted to directors, officers, employees and service providers of the Company on terms that the directors of the Company may determine within the limitations set forth in the Security Based Compensation Plan or former Stock Option Plan or by security regulators. Options shall not be granted for a term exceeding eight years under the terms of the Security Based Compensation Plan or five years under the terms of the former Stock Option Plan.

Changes in the number of options outstanding during the years ended August 31, 2017 and August 31, 2016, were as follows:

	AUG 31, 2017		AUG 31, 2016	
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, beginning of the year	1,504,897	\$ 2.08	\$ 1,107,679	\$ 1.12
Granted	130,173	4.37	713,885	3.11
Exercised	(336,590)	0.48	(266,667)	0.70
Forfeited and expired	-	-	(50,000)	2.96
Balance, end of year	1,298,480	\$ 2.73	\$ 1,504,897	\$ 2.08
Options exercisable, end of year	600,927		664,775	

For the year ended August 31, 2017, the Company received proceeds equal to \$159,926 (2016 - \$186,367) from the exercise of 336,590 (2016 - 266,667) options. Related to these transactions, the Company transferred \$108,569 (2016 - \$117,475) from contributed surplus to share capital.

Options outstanding at August 31, 2017, consisted of the following:

RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE
\$ 0.51 - \$ 1.00	193,334	0.65 years	0.63	193,334
\$ 1.01 - \$ 2.00	125,000	1.46 years	1.71	125,000
\$ 2.01 - \$ 3.00	572,184	5.71 years	2.88	184,165
\$ 3.01 - \$ 4.00	293,930	6.36 years	3.58	89,075
\$ 4.01 - \$ 4.48	114,032	7.33 years	4.43	9,353
\$ 0.51 - \$ 4.48	1,298,480	4.84 years	\$ 2.73	600,927

For the year ended August 31, 2017, the Company recorded an expense to recognize stock option compensation expense for options granted to employees and directors of the Company equal to \$359,397 (2016 - \$262,317).

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The stock option compensation expense for options issued to employees was determined based on the fair value of the options at the date of measurement using the Black-Scholes option pricing model (Note 18) with the following weighted average assumptions:

	AUG 31, 2017	AUG 31, 2016
Expected option life	5.00 years	5.28 years
Risk-free interest rate	0.72%	0.80%
Dividend yield	nil	nil
Forfeiture rate	7.78%	7.24%
Volatility factor of expected market price of the Company's shares	31.74%	35.62%

For awards that vest at the end of a vesting period, compensation cost is recognized on a straight-line basis over the period of service. For awards subject to graded vesting, each installment is treated as a separate award with separate fair value and a separate vesting period. The estimated forfeiture rate is adjusted to actual forfeiture experience as information becomes available.

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. Volatility is determined based on the five-year share price history of the Company and comparable listed entities. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

(c) Performance-conditioned Restricted Stock Units (RSUs)

The Company has conditionally granted RSUs (payable in cash or shares of the Company's common stock at the discretion of the Board of Directors) to designated management employees, that may be earned at the end of a one-year performance period, based on each fiscal year ("the performance period"), subject to certain financial metrics for the performance period. In order to earn RSUs a minimum threshold must be achieved, with the maximum number of RSUs being earned upon achievement of the target.

For the year ended August 31, 2017, the Company conditionally granted 199,942 RSUs related to the current fiscal year; the RSUs, if earned, are scheduled to vest on or after October 11, 2019, conditional upon continued employment with the Company until such date.

Changes in the number of RSUs outstanding during the years ended August 31, 2017, and August 31, 2016, were as follows:

	AUG 31, 2017		AUG 31, 2016	
	NUMBER OF RSUs	GRANT PRICE \$	NUMBER OF RSUs	GRANT PRICE \$
Balance, beginning of the year	128,680	\$ 3.73	38,568	\$ 4.11
Granted	199,942	3.96	110,724	3.59
Forfeited and expired	(3,466)	4.11	(20,612)	3.69
Balance, end of year	325,156	\$ 3.87	128,680	\$ 3.73

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The fair value of RSU's awarded is determined at the grant date and calculated based on the closing price of the Company's common shares for the ten business days preceding grant date and the related salary expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. The number of RSUs awarded is determined based on the fair market value of those RSUs on the date credited.

For the year ended August 31, 2017, the Company recorded an expense to recognize vesting of RSUs granted to employees and directors of the Company equal to \$369,024 (2016 - \$231,578).

(d) Deferred Stock Units ("DSUs")

Independent members of the Company's Board of Directors are paid a portion of their annual retainer in the form of DSUs, which vest on the date determined by the Board of Directors. They may also elect to receive up to 100% of their remaining cash remuneration in the form of DSUs. The underlying security of DSUs are the Company's common shares, which are valued based on their volume weighted average closing price for the ten trading days prior to the date on which the DSUs are granted. The DSUs will be settled by the issuance of common shares by the Company unless, subject to the consent of the Company, the Director elects to receive cash in lieu of common shares.

Changes in the number of DSUs outstanding during the years ended August 31, 2017 and August 31, 2016, were as follows:

	AUG 31, 2017		AUG 31, 2016	
	NUMBER OF DSUs	GRANT PRICE \$	NUMBER OF DSUs	GRANT PRICE \$
Balance, beginning of the year	26,442	\$ 3.78	9,730	\$ 4.11
Granted	15,036	3.99	16,712	3.59
Balance, end of year	41,478	\$ 3.86	26,442	\$ 3.78

The fair value of DSU's awarded is determined at the grant date calculated with reference to the closing price of the Company's common shares for the ten business days preceding grant date and the related salary expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied, if any. The number of DSUs awarded is determined based on the fair market value of those DSUs on the date credited.

For the year ended August 31, 2017, the Company recorded an expense to recognize DSUs granted to directors of the Company equal to \$60,000 (2016 - \$100,000) for annual awards covering the 2017 fiscal year.

For the year ended August 31, 2017, the Company recorded a non-cash expense to recognize Stock Option, RSU and DSU grants to employees and directors of the Company equal to \$788,422 (August 31, 2016 - \$593,897).

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16. FINANCE EXPENSES:

The Company's finance expenses for the years ended August 31, 2017 and August 31, 2016, were comprised of the following:

	NOTE	AUG 31, 2017	AUG 31, 2016
Interest and finance costs on long-term debt	12	\$ 1,212,266	\$ 1,290,921
Other finance costs, net		63,771	63,161
Non-cash finance costs			
Accretion expense on vendor-take-back loans and long-term liabilities		85,710	192,459
Accretion on contingent acquisition consideration	9	-	125,474
		85,710	317,933
Change in estimated fair value of non-controlling interest put option	11	3,617,211	3,586,413
		3,702,921	3,904,346
		\$ 4,978,958	\$ 5,258,428

17. FINANCIAL INSTRUMENTS:

Fair Value Measurement

The Company's financial instruments measured at fair value through profit or loss include cash, contingent consideration, and non-controlling interest put options. The valuation techniques used to measure level 2 and level 3 financial instruments are described in the referenced notes.

The following presents the Company's assets and liabilities measured at fair value on a recurring basis and categorized by hierarchy level:

	NOTE	(QUOTED PRICES IN AN ACTIVE MARKET FOR IDENTICAL ASSETS) LEVEL 1	(SIGNIFICANT OTHER OBSERVABLE INPUTS) LEVEL 2	(SIGNIFICANT OTHER UNOBSERVABLE INPUTS) LEVEL 3
August 31, 2016:				
Cash		\$ 14,369,959	\$ -	\$ -
Contingent acquisition consideration	9	-	-	1,308,793
Non-controlling interest put options	11	-	-	32,571,809
August 31, 2017:				
Cash		\$ 17,933,832	\$ -	\$ -
Non-controlling interest put options	11	-	-	34,059,108

The carrying value of the Company's trade and other receivables, trade payables, accrued and other liabilities approximate their fair values due to the immediate or short term maturity of these instruments. The carrying value of the long term debt approximates its fair value as the interest rates are consistent with the current rates offered to the Company for debt with similar terms. The carrying value of the other non-current assets approximates its fair value as the interest rates are consistent with the current rates offered by the Company for loans with similar terms.

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- Level 1** Unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Fair value through profit or loss financial instruments are measured at fair value using Level 1 inputs for cash and Level 3 inputs for non-controlling interest put options and contingent acquisition consideration.

18. DETERMINATION OF FAIR VALUES:

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial instruments and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property and equipment

The fair value of property and equipment recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

(b) Intangible assets

The fair value of customer contracts and customer relationships is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(c) Share-based payment transactions

The fair value of the employee share options and the share appreciation rights is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Restricted Stock Units are conditionally granted and subject to achievement of performance goals. The fair value of each Restricted Stock Unit is estimated in accordance with IFRS 2 on the grant date based on the volume-weighted average of the closing prices of common shares on the stock exchange for the 10 immediately preceding trading sessions, and are amortized over the vesting period, subject to the terms of the plan. Dependent on the expected nature of settlement, the Company may periodically re-value RSUs.

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The fair value of Deferred Stock Units are estimated in accordance with IFRS 2 on the grant date based on the volume-weighted average of the closing prices of common shares on the stock exchange for the 10 immediately preceding trading sessions. Deferred Stock Units vest immediately and are expensed in the period granted.

(d) Non-controlling interest put option

The fair value of the non-controlling interest put option has been determined by discounting estimated future cash flows based on an appropriate discount rate. The estimated future cash flows are calculated based on pre-determined formulas as defined in the purchase agreements which are based on a multiple of estimated future earnings, estimated future exercise dates and other factors.

19. COMMITMENTS AND CONTINGENCIES:

(a) Contractual obligations

The Company leases premises and various office equipment under agreements which expire on various dates up to December 2027. Future minimum lease payments as at August 31, 2017, are as follows:

Next 12 months	\$ 4,880,551
13 - 24 months	4,041,675
25 - 36 months	3,702,555
37 - 48 months	3,132,808
49 - 60 months	2,609,609
Thereafter	6,894,948
	\$ 25,262,146

Included in operating expenses for the year ended August 31, 2017, are operating lease expenses, primarily in respect of leased premises and equipment of \$3,469,801 (2016 - \$2,405,082).

During the year, the Company entered into a lease agreement for office space representing a commitment of approximately \$6.9 million over a ten-year period beginning on January 1, 2018, which is included in the above table. The Company has entered into agreements in which it is committed to project costs, including leasehold improvements, furniture and equipment, for the new premises of approximately \$9.5 million.

(b) Contingencies

In the ordinary course of operating the Company's business it may from time to time be subject to various claims or possible claims. Management's view is that there are no claims or possible claims that if resolved, would either individually or collectively, result in a material adverse impact on the Company's financial position, results of operations, or cash flows. These matters are inherently uncertain and Management's view of these matters may change in the future.

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20. FINANCIAL RISK MANAGEMENT:

The Company has exposure to the following risks from its use of financial instruments:

- Interest risk
- Credit risk
- Liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing these risks, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

(a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. Financial assets and financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. The Company's term loans bear interest at variable rates and vendor take-back loans are non-interest bearing. The carrying value of the long term debt approximates its fair value as the interest rates are consistent with the current rates offered to the Company for debt with similar terms.

The Company has identified an exposure to fair value variation in relation to variable interest term loans. The Company does not use financial derivatives to decrease its exposure to interest risk. For the year ended August 31, 2017, a change in interest rate relating to loans and borrowings of 1% would have increased or decreased finance expense by approximately \$385,000 (2016 - \$329,000).

(b) Credit Risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Company is exposed to credit risk from customers. In order to reduce its credit risk, the Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. When a receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. Subsequent recoveries of amounts previously written off are credited against "general and administrative operating expenses" in the consolidated statement of comprehensive income. The Company recorded an expense for bad debt during the year ended August 31, 2017 of \$45,780 (2016 - \$224,230).

Pursuant to their respective payment terms, consolidated trade receivables were aged as follows as at August 31, 2017:

Current	\$ 8,360,905
31 - 60 days past due	1,763,773
61 - 90 days past due	703,233
Over 91 days past due	625,276
	11,453,187
Allowance for doubtful accounts	(219,383)
	\$ 11,233,804

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(c) Liquidity Risk

Liquidity risk is the risk that the Company would not be able to meet its financial obligations as they come to maturity or can only do so at excessive costs. Based on the Company's ability to generate cash flows through its ongoing operations, Management believes that cash flows are sufficient to cover its known operating and capital requirements, as well as its debt servicing costs. The Company manages its cash resources through ongoing financial forecasts and anticipated cash flows.

The maturity dates of the Company's financial liabilities as at August 31, 2017, are as follows:

	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	MATURING IN THE NEXT 12 MONTHS	MATURING IN 13 TO 36 MONTHS	MATURING IN 37 TO 60 MONTHS	MATURING IN MORE THAN 60 MONTHS
Trade payables and accrued liabilities	\$ 16,119,330	\$ 16,410,576	\$ 14,875,635	\$ 847,207	\$ 280,734	\$ 407,000
Loans and borrowings	36,526,725	36,662,153	3,709,488	32,952,665	-	-
	\$ 52,646,055	\$ 53,072,729	\$ 18,585,123	\$ 33,799,872	\$ 280,734	\$ 407,000

21. CAPITAL MANAGEMENT:

The Company views its capital as the combination of its cash, loans and borrowings, and shareholders' equity, which as at August 31, 2017, was equal to \$86,963,896 (2016 - \$70,792,068). The Company's primary objective when managing capital is to safeguard the entity's ability to continue as a going concern while supporting the growth of the Company's business through organic growth and new acquisitions.

The Company manages the capital structure and makes adjustments to it in accordance with the aforementioned objective, as well as taking into consideration changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new or repurchase existing shares and assume new or repay existing debt.

The credit facilities require the Company to maintain certain financial covenants. Management also uses these ratios as key indicators in managing the Company's capital. The Company complied with all the required financial covenants at August 31, 2017.

22. OPERATING SEGMENTS:

The Company offers human resource consulting, recruitment services, pension advisory services, group benefits insurance, benefits and pension administration. As at August 31, 2017, the Company applied the aggregation criteria on the basis that the type of services provided across all the segments is similar and in accordance with IFRS 8, Operating Segments, the Company was represented by and had one reportable segment. The Company operates exclusively within Canada.

23. RELATED PARTIES:

(a) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors and Officers are

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key management personnel. In addition to their salaries, the Company also provides non-cash benefits and participation in the Employee Share Purchase Plan (Note 15(a)) and Security Based Compensation Plan (Note 15(b)(c),(d)).

The following table details the compensation paid to key management personnel during the years ended August 31, 2017, and 2016:

	AUG 31, 2017	AUG 31, 2016
Salaries, fees and short-term employee benefits	\$ 2,217,330	\$ 1,952,624
Share-based payments	481,198	463,627
	<u>\$ 2,698,528</u>	<u>\$ 2,416,251</u>

(b) Key management personnel and director transactions

As at August 31, 2017, directors and key management personnel owned 17.31% (August 31, 2016 - 19.19%) of the voting shares of the Company.

During the years ended August 31, 2017 and August 31, 2016, the Company engaged in transactions with Directors and key management personnel of the Company. All the transactions were in the normal course of operations and are measured at the exchanged amount, which is the consideration agreed to by the parties.

24. EXPENSES BY NATURE:

The Company's expenses for the years ended August 31, 2017 and August 31, 2016, were comprised of the following:

	AUG 31, 2017	AUG 31, 2016
Personnel and compensation	\$ 62,977,492	\$ 47,630,673
General and administrative	13,638,403	10,405,522
Occupancy	5,803,598	4,423,180
Administration fees	3,398,085	3,023,050
Public company costs	318,684	347,926
	<u>86,136,262</u>	<u>65,830,351</u>
Depreciation and amortization	8,451,346	6,975,608
Finance expenses	4,978,958	5,258,428
	<u>\$ 99,566,566</u>	<u>\$ 78,064,387</u>

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Notes to the Consolidated Financial Statements

For the years ended August 31, 2017 and August 31, 2016

The Company's operating expenses and acquisition, integration and reorganization costs, as reported on the statements of comprehensive income, for the years ended August 31, 2017 and August 31, 2016, were comprised of the following:

	AUG 31, 2017	AUG 31, 2016
Operating expenses	\$ 83,531,240	\$ 63,527,786
Acquisition, integration and reorganization costs	2,605,022	2,302,565
	\$ 86,136,262	\$ 65,830,351

Certain employees of the Company participate in a defined contribution pension plan. Contributions to the plan by the Company totaled \$489,713 for the year ended August 31, 2017 (2016 – \$227,039).

Other employee benefits totaled \$6,381,522 for the year ended August 31, 2017 (2016 – \$5,036,671). These amounts are included in the personnel and compensation expense in these consolidated financial statements.

For the year ended August 31, 2017, the Company incurred \$2,605,022 (2016 - \$2,302,565) of acquisition, integration and reorganization costs. Acquisition, integration and reorganization costs are comprised of professional fees and other non-recurring incremental costs incurred to secure and complete specific acquisitions, non-operating outlays associated with integrating acquired operations into the Company's business model subsequent to completion of an acquisition, and non-recurring outlays, including consulting and recruiting fees and severance costs, associated with reorganization of operations.

25. COMPARATIVE FIGURES:

Certain prior period balances have been reclassified to conform with the current year presentation. The Company reported a deferred tax asset equal to \$1,228,840 on the Consolidated Statement of Financial Position as at August 31, 2016. In the current year, this deferred tax asset is included as a reduction to the deferred tax liability in recognition that both the deferred tax asset and deferred tax liability are attributable to the same taxing jurisdiction. These reclassifications do not affect the prior period's net income.

26. SUBSEQUENT EVENTS:

(a) Agreement to acquire

On November 1, 2017, the Company announced that it had entered into definitive agreements to acquire specific assets, liabilities and business operations of Assurances Dalbec Ltée ("Dalbec"), a leading Third Party Administrator (TPA) and Third Party Payor (TPP) service provider for employee benefit plans of small and medium-sized companies in the Québec market. The Company has agreed to purchase the assets of Dalbec for a purchase price of \$16.1 million, subject to post-closing adjustments. The purchase price is comprised of a payment of \$11.3 million at closing and the \$4.8 million remaining balance in the form of a vendor note to be repaid in installments on the first, second, and third anniversaries of the closing. The deferred payments are subject to potential adjustments related to the financial performance of the business over that period.

Closing of the Dalbec transaction, which is subject to customary conditions, is expected to occur during the Company's second fiscal quarter.

The payment due on close of \$11.3 million is expected to be funded by the net proceeds of the private placement share offering noted below. The additional payments are expected to be paid from available cash resources on the anniversaries.

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(b) Private placement

On November 1, 2017, the Company entered into an agreement with a syndicate of underwriters led by Cormark Securities Inc. (collectively the "Underwriters"), which the Underwriters have agreed to purchase, on a bought deal private placement basis, 3,284,000 common shares (the "Shares") of the Company at a price of \$6.70 per Share (the "Issue Price"), with an option, exercisable in whole or in part at any time prior to the closing date, to purchase for resale up to an additional 15% of the Shares sold at the Issue Price (the "Offering").

The Offering was completed on November 22, 2017 and, pursuant to the Offering, the Company issued 3,776,600 Shares of the Company at a purchase price of \$6.70 per Share, including 492,600 Shares issued through the full exercise of the syndicate's over-allotment option, for gross proceeds to the Company of \$25,303,220. The members of the syndicate received a cash commission equal to 5.0% of the gross proceeds raised in the Offering.

The net proceeds of the Offering will be used to fund the previously announced acquisition of the assets, liabilities and business operations of Dalbec, with the balance to be used to repay indebtedness and fund growth initiatives.

The Shares issued in connection with the Offering are subject to a statutory four-month hold period which expires on March 23, 2018.

(c) Amendment to credit facility

In conjunction with the anticipated acquisition of Dalbec, the Company's senior lender has increased the Company's existing credit facility by \$22,085,000 to a total of \$83,300,000. The amended credit facility consists of a \$5,000,000 revolving facility (the "Revolving Credit Facility"), a \$19,500,000 term loan (the "Term Loan") with \$9,500,000 delayed draw on the term loan (the "Delayed Draw"), and a \$48,800,000 revolving acquisition facility (the "Acquisition Revolver") with an option (the "Accordion Feature"), subject to the satisfaction of certain terms and conditions, to increase the Acquisition Revolver by an additional \$15,000,000 of capacity, which would result in the size of the Acquisition Revolver being increased to \$82,800,000, and overall credit capacity being increased to \$97,800,000.

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CORPORATE INFORMATION

EXECUTIVE MANAGEMENT TEAM:

Laurie Goldberg, Chief Executive Officer
Bonnie Chwartacki, President
Dennis Stewner, Chief Financial Officer & Chief Operating Officer
Brevan Canning, Executive Vice President, Benefit Solutions
Lisa Villani, Executive Vice President, Consulting Solutions
Paul Admundson, Executive Vice President & Chief Corporate Development Officer

BOARD OF DIRECTORS:

Laurie Goldberg, Chairman
Scott Anderson, Lead Director
Richard Leipsic, Director
Eric Stefanson, Director

CORPORATE OFFICES:

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Registered Office:
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TRANSFER AGENT:

TMX Equity Transfer Services
301 - 100 Adelaide Street West
Toronto, Ontario, M5H 4H1 Canada

LISTING:

Stock Exchange: TSX-V
Symbol: PEO

ANNUAL GENERAL MEETING:

February 26, 2018
3:00 PM Central Standard Time
1403 Kenaston Boulevard
Winnipeg, Manitoba, R3P 2T5 Canada



EXECUTIVE HEAD OFFICE:

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