Consolidated Financial Statements
(Expressed in Canadian Dollars)

people
CORPORATION

Experience the Benefits of People

Years ended August 31, 2018 and August 31, 2017

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, 2018 and August 31, 2017, 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 Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of People Corporation and its subsidiaries as at August 31, 2018 and August 31, 2017 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP LLP

Winnipeg, Manitoba

November 29, 2018

Chartered Professional Accountants

MNP LLP

PEOPLE CORPORATION
Consolidated Statements of Financial Position

As at August 31, 2018 and 2017

	Note	August 31, 2018	August 31, 2017
Assets			
Current assets:			
Cash		$ 21,119,220	$ 17,933,832
Trade and other receivables	5	13,735,697	11,233,804
Income taxes receivable		112,745	843,724
Prepaid and other current assets		1,830,716	1,376,436
Total current assets		36,798,378	31,387,796
Non-current assets:			
Property and equipment	6	10,667,472	2,666,248
Goodwill and intangible assets	7	213,428,886	134,943,617
Loans receivable	8	1,660,384	954,974
Total non-current assets		225,756,742	138,564,839
Total assets		**$ 262,555,120**	**$ 169,952,635**
Liabilities and shareholders' equity			
Current liabilities:			
Trade payables, accrued and other liabilities	9	$ 21,649,670	$ 14,919,459
Deferred revenue		3,288,650	3,997,864
Current portion of loans and borrowings	12	7,074,946	3,627,518
Total current liabilities		32,013,266	22,544,841
Accrued and other liabilities	9	2,165,489	1,199,871
Non-controlling interest put options	11	52,613,161	34,059,108
Loans and borrowings	12	31,198,602	32,899,207
Deferred tax liability	13	16,448,628	10,878,605
Total liabilities		**134,439,146**	**101,581,632**
Shareholders' equity:			
Share capital	14	124,672,253	58,861,256
Contributed surplus		2,747,472	1,892,859
Retained earnings		696,249	7,616,888
Total shareholders' equity		**128,115,974**	**68,371,003**
Total liabilities and shareholders' equity		**$ 262,555,120**	**$ 169,952,635**

Commitments and contingencies (Note 19)

ON BEHALF OF THE BOARD OF DIRECTORS

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

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

The notes are an integral part of these Consolidated Financial Statements.

PEOPLE CORPORATION

Consolidated Statements of Comprehensive Income (Loss)

For the years ended August 31, 2018 and 2017

	Note	Year ended August 31, 2018	Year ended August 31, 2017
Revenue		$ 130,518,057	$ 105,839,973
Operating expenses		100,228,915	83,531,240
Depreciation and amortization	6,7	10,659,028	8,451,346
Finance expenses			
Change in estimated fair value of non-controlling interest put option	16	11,736,962	3,617,211
Other finance expenses	16	4,188,947	1,361,747
Acquisition, integration and reorganization costs		6,326,566	2,605,022
	24	133,140,418	99,566,566
Income (loss) before income taxes		**(2,622,361)**	**6,273,407**
Income tax expense (recovery):			
Current	13	5,882,030	5,464,400
Deferred	13	(1,583,752)	(2,669,752)
		4,298,278	2,794,648
Net income (loss) and comprehensive income (loss)		**$ (6,920,639)**	**$ 3,478,759**
(Loss) earnings per share	14(c)		
Basic		$ (0.127)	$ 0.069
Diluted		$ (0.127)	$ 0.068

The notes are an integral part of these Consolidated Financial Statements.

PEOPLE CORPORATION

Consolidated Statements of Changes in Equity

For the years ended August 31, 2018 and 2017

	Note		Share Capital		Contributed Surplus		Retained Earnings		Total
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**
Net loss and comprehensive loss for the year			-		-		(6,920,639)		(6,920,639)
Issuance of common shares	14(b)		62,906,800		-		-		62,906,800
Acquisition-related issuance of shares	14(b)		1,914,315		-		-		1,914,315
Settlement of restricted stock units	14(b)		63,031		(167,594)		-		(104,563)
Exercise of stock options	14(b)		926,851		(291,003)		-		635,848
Share-based payments	15(b)(c)(d)		-		1,313,210		-		1,313,210
			65,810,997		854,613		(6,920,639)		59,744,971
Balance, August 31, 2018		**$**	**124,672,253**	**$**	**2,747,472**	**$**	**696,249**	**$**	**128,115,974**

The notes are an integral part of these Consolidated Financial Statements.

PEOPLE CORPORATION

Consolidated Statements of Cash Flows

For the years ended August 31, 2018 and 2017

	Note	Year ended August 31, 2018	Year ended August 31, 2017
Operating activities			
Net (loss) income for the year		$ (6,920,639)	$ 3,478,759
Adjustments for:			
Depreciation	6	1,485,045	936,333
Amortization of intangible assets	7	9,173,983	7,515,013
Share-based compensation	15(b)(c)(d)	1,313,210	788,422
Impairment losses on property, equipment and intangible assets	6,7	200,524	-
Change in estimated fair value of non-controlling interest put option	11	11,736,962	3,617,211
Change in estimated fair value of contingent consideration obligations	16	2,013,182	-
Accretive interest expense	16	267,955	85,710
Deferred tax recovery	13	(1,583,752)	(2,669,752)
Net cash from operations		17,686,470	13,751,696
Change in the following:			
Trade and other receivables		(2,343,697)	350,117
Prepaid and other current assets		(289,869)	(117,326)
Trade payables, accrued and other liabilities		2,488,342	(479,166)
Deferred revenue		(709,214)	(1,697,721)
Loans receivable		294,590	-
Income taxes receivable		110,135	(851,687)
Net cash used for working capital items		(449,713)	(2,795,783)
Net cash from operating activities		**17,236,757**	**10,955,913**
Investing activities			
Acquisition of subsidiary, net of cash acquired	4	(53,936,879)	(12,881,805)
Acquisition of property and equipment	6	(9,467,295)	(1,485,314)
Acquisition of intangible assets	7	(1,861,089)	(2,776,702)
Net cash used in investing activities		**(65,265,263)**	**(17,143,821)**
Financing activities			
Proceeds from exercise of stock options	15(b)	635,848	159,926
Settlement of restricted stock units		(104,563)	-
Outflows relating to loan receivables	8	(1,000,000)	(1,044,110)
Proceeds from loans and borrowings		55,662,250	14,500,000
Repayment of loans and borrowings	12	(63,366,897)	(20,680,526)
Proceeds from private placement of shares, net		61,950,909	18,946,403
Payment of dividends on non-controlling interest	11	(2,563,653)	(1,679,008)
Payment of put options on non-controlling interest	11	-	(450,904)
Net cash from financing activities		**51,213,894**	**9,751,781**
Net increase in cash		3,185,388	3,563,873
Cash at beginning of the year		17,933,832	14,369,959
Cash at the end of the year		**$ 21,119,220**	**$ 17,933,832**

The notes are an integral part of these Consolidated Financial Statements.

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 corporate office is 1403 Kenaston Boulevard, 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 29, 2018.

(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.

(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, 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 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.

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 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 a liability is re-measured as subsequent report dates with subsequent changes in the fair value of the contingent consideration recognized in net income (loss). The subsequent re-measurement of contingent consideration is estimated based on pre-determined formulas as defined in the purchase agreements which are generally a multiple of estimated future revenue or earnings of the acquired companies exceeding target thresholds over a specified period.

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.

(ii) Subsidiaries

Subsidiaries are entities controlled by 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. Where necessary, adjustments are made to the financial statements of acquired subsidiaries to conform their accounting policies to the Company.

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%
Hamilton + Partners Inc., including its subsidiaries: *Employee Benefits Inc. (100%), Disability Concepts Inc. (100%) and 6814407 Canada Corporation (100%)*	100%
Bencom Financial Services Group Inc.	100%
Coughlin & Associates Ltd.	100%
BPA Financial Group Ltd., including its subsidiaries: *Benefit Plan Administrators Ltd. (100%), Benefit Plan Administrators (Atlantic) Ltd. (100%), BPA Consulting Group Ltd. (100%), BPA Internet Connections Ltd. (100%), TAL Insurance Brokers Ltd. (100%), 1739813 Ontario Ltd. (100%), and Alluvus Solutions Inc. (50%)*	100%
Sirius Benefit Plans Inc.	100%
Skipwith & Associates Insurance Agencies Inc.	100%
Lane Quinn Benefit Consultants Ltd.	100%
Silverberg & Associates 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 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 assets and loans receivable.

(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 options and contingent consideration obligations are 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 & 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.

(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 & 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, acquired customer relationships and brands, customer contracts and acquired software. 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 the 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 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) 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**
Acquired customer relationships and brands	Straight-line	8 - 10 years
Customer contracts	Straight-line	term of the contract
Computer software (including internally developed)	Straight-line	4 - 10 years

(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.

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 it is 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 third party administrators, the Company collects premiums from clients and 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 third party administrators 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;
- 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 such 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 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.

(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 or not yet 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.

The following new and revised Standards and Interpretations have been issued by IASB but are not yet effective and have not been applied in preparing these financial statements:

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

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. It applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

The Company will adopt IFRS 15 and the related Clarifications to IFRS 15 in its financial statements for the annual period beginning on September 1, 2018. The Company intends to adopt IFRS 15 using the cumulative effect method (using the practical expedient of recognizing the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset the Company otherwise would have recognized is one year or less), with the effect of initially applying this standard recognized at the date of initial application.

The Company is in the process of determining the impact, if any, to its retained earnings as at September 1, 2018, and to its revenue and net income for future periods. Although IFRS 15 introduces significant new guidance, particularly around identification of separate performance obligations based on whether services are distinct, its application is not expected to have a material impact on the timing or amount of revenue recognized by the Company.

Revenue includes fees and commissions generated from administrative, advisory and consulting services provided to clients. Revenue and related costs from these services is recognized in accordance with the five-step model in IFRS 15:

1. Identify the contract with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price, which is the total consideration provided by the customer.
4. Allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
5. Recognize revenue when the relevant criteria are met for each performance obligation.

IFRS 15 also contains additional presentation and disclosure requirements. Concurrently with the above general principles, the Company expects to apply the following changes to its current revenue recognition policies and disclosures under IFRS 15:

- The incremental costs of obtaining contracts for new clients, the renewal of contracts and the fulfillment of the contracts for these customers were previously expensed. Under IFRS 15, incremental costs of obtaining and renewing customer contracts with terms in excess of 12 months, and certain qualifying fulfillment costs will be recognized as contract assets and amortized over the expected term of the related contract, if the Company expects to recover those costs.

- Group benefit commission advances previously recorded as deferred revenue in the consolidated statement of financial position will be reclassified to contract liabilities.

- Revenue recognized from contracts with customers will be disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The Company continues to evaluate the systems, internal controls, policies and procedures necessary to collect and disclose the required information under IFRS 15.

IFRS 9, *Financial Instruments* ("IFRS 9")

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new ‘expected credit loss’ model for calculating impairment.

The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

The Company will adopt IFRS 9 on September 1, 2018, which replaces IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”).

(i) Classification of financial assets and liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (“FVOCI”), and fair value through profit or loss (“FVTPL”). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard replaces the previous classification categories of held to maturity, loans and receivables, and available for sale under IAS 39. The two principal classification categories for financial liabilities under IFRS 9 are amortized cost, and FVTPL. The adoption of the IFRS is not expected to have a material impact on the Company’s classification and measurement of financial assets and financial liabilities.

(ii) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an expected credit loss (“ECL”) model. The new impairment model applies to financial assets carried at amortized cost and contract assets. The adoption of the new ECL impairment model is not expected to have a material impact on the Company’s measurement of impairment losses on its financial assets carried at amortized cost and contract assets.

IFRS 16, *Leases* ("IFRS 16")

On January 13, 2016 the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 will replace IAS 17 Leases.

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Company is currently in the process of implementing a transition plan and evaluating the impact of adopting IFRS 16 on its financial statements, but 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 comprehensive income.

4. Business acquisitions:

During the period the company acquired the following businesses:

Effective August 1, 2018, the Company acquired Silverberg & Associates Inc. (“Silverberg”), an independent privately-owned employee group benefits consulting firm in Western Canada. Total consideration paid for the acquisition of Silverberg included cash, subject to final adjustments for working capital and non-controlling interest put options. The Company holds a 100% voting interest and holds a 75% economic interest in Silverberg through ownership of all of the issued dividend-bearing common shares of Silverberg.

The Silverberg Principals collectively hold a 25% economic interest in Silverberg through ownership of non-voting, non-cumulative, dividend-bearing special shares of Silverberg ("Silverberg Principal Shares"). All classes of non-voting, non-cumulative, dividend-bearing shares of Silverberg have an ongoing contractual right to receive quarterly dividends based on a calculation derived from Silverberg’s earnings. The Company is entitled to a priority on the payment of dividends declared on the Silverberg dividend-bearing shares to the extent of a specified earnings amount.

In addition, the Company has a future right to purchase the Silverberg Principal special shares (“Silverberg Call Options”) and individual Silverberg Principals have a future right to require the Company to purchase the Silverberg Principal special shares (collectively, the “Silverberg 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 Silverberg Call Options or the Silverberg Put Options, the Silverberg Principal’s pro-rata right to earn dividends will be terminated.

Effective May 23, 2018, the Company acquired all of the issued and outstanding shares of Lane Quinn Benefit Consultants Ltd. ("Lane Quinn"), a group benefits consulting firm in the Alberta market. Total consideration paid for the acquisition of Lane Quinn included cash, subject to final adjustments for working capital, vendor take-back notes, common shares of the Company and contingent consideration. Vendor take back notes payable are subject to claw back adjustments tied to achievement of certain financial metrics. The contingent consideration recorded is based on Lane Quinn exceeding predetermined EBITDA targets, over the three annual periods from August 1, 2018 to July 31, 2021, multiplied by the transaction multiple. The present value of the estimated contingent consideration has been determined using a 15.8% discount rate.

Effective February 1, 2018, the Company acquired specific assets, liabilities and business operations of Rockwater Benefits Company ("Rockwater"), an established group retirement and group benefits insurance advisory practice based in Ontario. Total consideration paid for the acquisition of Rockwater included cash and vendor take-back notes. Vendor take back notes payable are subject to claw back adjustments tied to achievement of certain revenue metrics.

Effective December 1, 2017, the Company acquired specific assets, liabilities and business operations of Assurances Dalbec Ltée ("Dalbec"), a 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. Total consideration paid for the acquisition of Dalbec included cash, subject to final adjustments for working capital, vendor take-back notes and contingent consideration. Vendor take back notes payable are subject to claw back adjustments tied to achievement of certain revenue metrics. The contingent consideration recorded is based on Dalbec exceeding predetermined revenue targets, over the three annual periods from December 4, 2017 to December 3, 2020, multiplied by a multiple. The present value of the estimated contingent consideration has been determined using a 5.0% discount rate.

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:

	Dalbec	Rockwater	Lane Quinn	Silverberg	Total
Assets acquired and liabilities assumed					
Goodwill (including assembled workforce)	$ 7,462,986	$ 1,225,773	$ 12,482,106	$ 24,114,013	$ 45,284,878
Customer relationships and other intangible assets	8,692,126	1,726,966	11,083,900	19,164,600	40,667,592
Property and equipment	-	-	39,441	25,750	65,191
Deferred tax liabilities	-	-	(3,024,803)	(5,078,619)	(8,103,422)
Liabilities assumed	-	-	(1,068,363)	-	(1,068,363)
Net working capital	(152,180)	-	(319,481)	(587,341)	(1,059,002)
Cash	-	-	300,443	945,978	1,246,421
	16,002,932	2,952,739	19,493,243	38,584,381	77,033,295
Consideration paid or payable					
Cash payment on closing	11,270,000	2,000,000	12,931,637	29,045,000	55,246,637
Cash received on closing for negative working capital	(185,419)	-	-	-	(185,419)
Working capital adjustment due to / (from) vendors	33,239	-	(69,794)	158,637	122,082
Vendor take-back notes payable	4,332,131	952,739	3,919,551	-	9,204,421
Contingent consideration obligation	552,981	-	789,541	-	1,342,522
Common shares issued by the Company	-	-	1,922,308	-	1,922,308
Non-controlling interest put options	-	-	-	9,380,744	9,380,744
	16,002,932	2,952,739	19,493,243	38,584,381	77,033,295

A 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 Dalbec, Rockwater, Lane Quinn and Silverberg from their dates of acquisition to August 31, 2018. The acquisitions contributed the following revenue and net income during the year ended August 31, 2018.

	August 31, 2018
	As reported
Operating revenues	
Dalbec	4,550,991
Rockwater	332,595
Lane Quinn	1,364,989
Silverberg	596,853
Net income (loss) and comprehensive income (loss)	
Dalbec	1,235,930
Rockwater	19,539
Lane Quinn	(45,223)
Silverberg	56,112

If the acquisitions had occurred on September 1, 2017, management estimates that consolidated revenue would have been $145,835,127 and consolidated net income (loss) for the year would have been $(5,319,578). In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on September 1, 2017. Acquisition-related costs amounting to $1,928,807 (2017 - $1,215,918) 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).

Effective April 12, 2017, the Company acquired all of the issued and outstanding shares of Sirius Benefit Plans Inc. ("Sirius"), a 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:

	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 claw back 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, 2018.

5. Trade and other receivables:

The Company had the following trade and other receivables:

	August 31, 2018	August 31, 2017
Trade receivables	$ 13,646,854	$ 9,242,957
Working capital adjustment due from vendors	88,843	1,990,847
	$ 13,735,697	$ 11,233,804

The Company’s exposure to credit risk and impairment losses related to trade and other receivables is disclosed in note 20.

6. Property and equipment:

The Company had the following property and equipment:

	Leasehold improvements	Furniture & fixtures	Computer equipment	Automobiles	Total
Cost					
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	-	(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**
Additions	6,757,528	2,195,953	513,814	-	**9,467,295**
Write down and disposal	(1,153,021)	(433,710)	(608,630)	(96,836)	**(2,292,197)**
Acquisition through business combination	5,585	57,624	1,982	-	**65,191**
Balance, August 31, 2018	$ 8,624,458	$ 4,422,956	$ 3,057,460	$ 22,345	**$16,127,219**

Depreciation					
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	-	2,663	-	-	**2,663**
Balance, August 31, 2017	(1,539,050)	(2,021,000)	(2,601,311)	(59,321)	**(6,220,682)**
Depreciation for the year	(722,058)	(387,231)	(363,763)	(11,993)	**(1,485,045)**
Write down and disposal	1,153,013	425,732	608,630	58,605	**2,245,980**
Balance, August 31, 2018	$ (1,108,095)	$ (1,982,499)	$ (2,356,444)	$ (12,709)	**$ (5,459,747)**
Carrying amounts					
Balance, August 31, 2017	$ 1,475,316	$ 582,089	$ 548,983	$ 59,860	**$ 2,666,248**
Balance, August 31, 2018	$ 7,516,363	$ 2,440,457	$ 701,016	$ 9,636	**$10,667,472**

During the year ended August 31, 2018, the Company wrote off property and equipment with an original cost of $2,292,197 and a net book value of $46,217 primarily in connection with the move to the Company's new head office building.

7. Goodwill and intangible assets:

The Company had the following goodwill and intangible assets:

	Goodwill	Acquired customer relationships & brands	Customer contracts	Computer software	Total
Cost					
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**
Additions	-	228,696	97,849	1,534,544	**1,861,089**
Write down and disposal	-	(154,200)	-	(290,783)	**(444,983)**
Acquisition through business combination	45,284,878	40,667,592	-	-	**85,952,470**
Balance, August 31, 2018	$125,019,060	$112,990,735	$ 3,977,849	$ 6,797,122	**$248,784,766**
Amortization					
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)**
Amortization for the year	-	(8,140,349)	(79,739)	(953,895)	**(9,173,983)**
Write down and disposal	-	-	-	290,676	**290,676**
Balance, August 31, 2018	$ -	$ (28,106,638)	$ (3,375,368)	$ (3,873,874)	**$ (35,355,880)**

Carrying amounts					
Balance, August 31, 2017	$ 79,734,182	$ 52,282,358	$ 584,371	$ 2,342,706	**$134,943,617**
Balance, August 31, 2018	$125,019,060	$ 84,884,097	$ 602,481	$ 2,923,248	**$213,428,886**

During the year ended August 31, 2018, the Company wrote off computer software with an original cost of $290,783 and a net book value of $107 in connection with the move to the Company's new head office building.

Included in computer software additions is $1,130,466 (2017 - $1,683,276) 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:

		August 31, 2018	August 31, 2017
Coughlin & Associates Ltd.		$ 25,930,637	$ 25,930,637
BPA Financial Group Ltd.		14,665,972	14,665,972
Hamilton & Partners Ltd.		11,600,184	11,600,184
Sirius Benefit Plans Inc.	(Note 4)	8,747,958	8,747,958
Bencom Financial Services Group Inc.		3,913,752	3,913,752
Assurances Dalbec Ltée	(Note 4)	7,462,986	-
Lane Quinn Benefit Consultants Ltd.	(Note 4)	12,482,106	-
Silverberg & Associates Inc.	(Note 4)	24,114,013	-
Other		16,101,452	14,875,679
		$ 125,019,060	**$ 79,734,182**

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, 2017 - 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, 2018, the after-tax discount rate used in the recoverable amount calculations was 16.0% (August 31, 2017 - 16.0%). The pre-tax discount rate was 21.9% (August 31, 2017 - 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 estimated average long term growth rate of 5.0% (August 31, 2017 - 2.0%).

8. Loans receivable:

The Company had the following loans receivable:

	August 31, 2018	August 31, 2017
Loans receivable	$ 1,892,110	$ 1,044,110
Less current portion of loans receivable	(231,726)	(89,136)
Total non-current loans receivable	**$ 1,660,384**	**$ 954,974**

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.

During 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:

	August 31, 2018	August 31, 2017
Trade payables and other liabilities	$ 18,763,502	$ 14,487,049
Provision for onerous contracts	1,315,821	1,277,904
Post-retirement benefits and contingent consideration obligations	3,735,836	354,377
	23,815,159	16,119,330
Less current portion of trade payables, accrued and other liabilities	21,649,670	14,919,459
Total non-current accrued and other liabilities	**$ 2,165,489**	**$ 1,199,871**

The fair value of the contingent consideration liability is subsequently revalued by discounting the estimated future payment obligations at each reporting date. The changes in fair value of the estimated liability in future periods will be recorded in finance costs in subsequent consolidated statements of net income. Significant unobservable assumptions include: 1) projected revenue and EBITDA of the practices, 2) growth rates based on historical results, and 3) discount rates ranging from 5% to 15.8%.

10. Insurance premium liabilities and related cash:

In its capacity as 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 statement of financial position. The Company has the following amounts held in accounts segregated from the Company's operating funds for insurance premium liabilities.

	August 31, 2018	August 31, 2017
Payable to carriers and insured individuals or groups	$ 90,448,848	$ 79,161,415
Less related cash balances	90,448,848	79,161,415
	$ -	**$ -**

11. Non-controlling interest put options:

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

	Note	August 31, 2018	August 31, 2017
Balance, beginning of year		$ 34,059,108	$ 32,571,809
Acquisition through business combination	4	9,380,744	-
Change in estimated fair value	16	11,736,962	3,617,211
Less payment of dividends on non-controlling interest		(2,563,653)	(1,679,008)
Less non-controlling interest put options exercised		-	(450,904)
Balance, end of year		**$ 52,613,161**	**$ 34,059,108**

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) Silverberg

In connection with the Silverberg acquisition, the Company entered into various agreements whereby the Silverberg Principals, through their Silverberg Principal Shares, hold an aggregate 25% economic interest in Silverberg ("Silverberg Retained Economic Interest").

All classes of non-voting, non-cumulative, dividend-bearing shares of Silverberg have an ongoing contractual right to receive dividends based on a calculation derived from Silverberg’s earnings. The Company is entitled to a priority on the payment of dividends declared on the Silverberg dividend-bearing shares to the extent of a specified earnings amount.

In addition, the Company has a future right to purchase the Silverberg Principal Shares (“Silverberg Call Options”) and individual Silverberg Principals have a future right to require the Company to purchase the Silverberg Principal Shares (collectively, the “Silverberg 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 Silverberg Call Options or the Silverberg Put Options, the Silverberg Principal's pro rata right to earn dividends will be terminated.

The liability recognized in connection with the Silverberg Retained Economic Interest, which includes the fair value of future dividend entitlements of the Silverberg Principal Shares and the Silverberg 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 Silverberg, the estimated future exercise dates of Silverberg Put Options and other factors. Individual Silverberg Principals are restricted from exercising their respective Silverberg Put Options until dates on or after August 1, 2021, subject to certain terms and conditions including restrictions requiring a minimum time period between individual exercise dates.

(ii) 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"). Effective September 1, 2017, the BPA Principals held a 16.2% (2016 - 10.2%) of aggregate BPA Retained Economic Interest. The remaining 16.8% of BPA Share Options will vest evenly on an annual basis over the next three years.

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. 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 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 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. Individual 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.

(iii) 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.

The liability recognized in connection with the Coughlin Retained Economic Interest, which includes the fair value of future dividend entitlements of 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. Individual 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 Coughlin Vendor Shares were exercised under the terms of the Coughlin Put Options with a total value of $450,904, resulting in the Company's economic interest in Coughlin increasing from 66.0% to 67.0%.

(iv) H+P

In connection with the acquisition of H+P on July 9, 2013, 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.

The agreement also includes a provision for contingent consideration payable to the vendors if the growth of contractually-defined earnings exceed certain thresholds during the first five years following the close of the transaction. Amounts relating to this obligation are revalued in contingent consideration obligations.

(v) 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.

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, and 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, 2018, 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 earnings of BPA, Coughlin, Silverberg, H+P and Bencom before considering the retained economic interest attributable the respective vendors generated ("Put Earnings") as at August 31, 2018 equal to $25.5 million; (iii) growth rates applied to Put Earnings ranging from 0.7% to 10.0% annually based on historical results; and (iv) discount rate of 16%. An increase in the Put Earnings 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 $1.4 million.

12. Loans and borrowings:

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

		August 31, 2018	August 31, 2017
Term and revolving credit facility			
(a)	Term 1:		
	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.	$ 17,998,430	$ 18,882,750
(b)	Term 2:		
	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.	$ 8,786,000	$ -
(c)	Revolver:		
	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 was repaid in the fourth quarter of fiscal 2018.	$ -	$ 14,500,000
Total term and revolving credit facility		26,784,430	33,382,750
Vendor take-back loans			
(d)	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 was repaid on March 12, 2018.	-	99,040
(e)	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.	738,451	1,459,912

(f)	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 loan is subject to certain performance conditions set out in the share purchase agreement. The amortized cost of the loan has been discounted using a rate of 2.56%. The loan matures on July 31, 2019.	740,348	722,366
(g)	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.	568,191	834,762
(h)	A vendor take-back loan bearing no interest per annum, unsecured, payable in two payments of $575,000 and $425,000 on the date that is 15 and 27 months following acquisition date, respectively. The loan is subject to certain performance conditions set out in the asset purchase agreement. The amortized cost of the loan has been discounted using a rate of 2.90%. The loan matures on May 31, 2020.	966,638	-
(i)	A vendor take-back loan bearing no interest per annum, unsecured, payable in two annual installments of $2,125,000. The loan is subject to certain performance conditions set out in the share purchase agreement. The amortized cost of the loan has been discounted using a rate of 4.75%. The loan matures on September 1, 2020.	3,965,288	-
(j)	A vendor take-back loan bearing no interest per annum, secured by the assets of the Company, payable in three annual installments of $1,610,000. The loan is subject to certain performance conditions set out in the asset purchase agreement. The amortized cost of the loan has been discounted using a rate of 5.00%. The loan matures on February 28, 2021.	4,493,291	-
Total vendor take-back loans		11,472,207	3,116,080

Finance lease liabilities		
(k) 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%.	16,911	27,895
Total finance lease liabilities	16,911	27,895
	38,273,548	36,526,725
Less current portion of:		
Term loans	3,329,132	2,221,500
Vendor take-back loans	3,733,311	1,394,089
Finance lease liabilities	12,503	11,929
	7,074,946	3,627,518
	$ 31,198,602	**$ 32,899,207**

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

1. $5,000,000 revolving credit facility to fund operating cash flow needs. As at August 31, 2018, the Company had not utilized this facility (August 31, 2017 - nil).
2. $19,500,000 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, 2018, the balance owing on this facility was equal to $17,998,430 (August 31, 2017 - $18,882,750).
3. $63,800,000 term acquisition credit facility to fund future acquisitions. The accordion feature was exercised on August 1, 2018, resulting in the term acquisition credit facility increasing by $15,000,000 to $63,800,000 from $48,800,000. As at August 31, 2018, the balance on this facility was nil (August 31, 2017 - $14,500,000).
4. $9,500,000 delayed draw term credit facility to fund leasehold improvements at the Company's head office. As at August 31, 2018, the balance owing on this facility was equal to $8,786,000 (August 31, 2017 - nil).

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).

The following table provides details on the changes in the Company's Loans and Borrowings during the year.

	Term 1	Term 2	Revolver	VTB	Finance Leases	Total
Balance, August 31, 2017	$ 18,882,750	$ -	$ 14,500,000	$ 3,116,080	$ 27,895	$ 36,526,725
Proceeds	1,117,250	9,500,000	45,045,000	9,204,421	-	64,866,671
Repayment	(2,001,570)	(714,000)	(59,545,000)	(1,094,398)	(11,929)	(63,366,897)
Amortization/ Other	-	-	-	246,104	945	247,049
Balance, August 31, 2018	$ 17,998,430	$ 8,786,000	$ -	$ 11,472,207	$ 16,911	$ 38,273,548

13. Income Taxes:

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

	August 31, 2018	August 31, 2017
Income (loss) before income taxes	$ (2,622,361)	$ 6,273,407
Statutory tax rate	26.84 %	26.81 %
Income tax provision (recovery) at statutory tax rates	(703,842)	1,681,900
Adjustments to income taxes		
Non-deductible items	3,988,952	1,405,030
Prior period current tax provision (recovery), net	(448,687)	(143,765)
Prior period deferred tax provision (recovery) and other	1,461,855	(148,517)
	4,298,278	2,794,648
Current taxes	5,882,030	5,464,400
Deferred taxes	(1,583,752)	(2,669,752)
	$ 4,298,278	$ 2,794,648

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

	August 31, 2018	August 31, 2017
Deferred tax assets		
Property and equipment	$ 240,543	$ -
Onerous leases	352,771	455,442
Equity issue and financing costs	1,144,351	390,883
Non-capital losses carried forward	1,906,273	1,938,555
Other	-	72,557
	$ 3,643,938	$ 2,857,437
Deferred tax liabilities		
Intangible assets	(19,978,205)	(13,736,042)
Other	(114,361)	-
	(20,092,566)	(13,736,042)
Net deferred tax liabilities	$ (16,448,628)	$ (10,878,605)

Movement in net deferred tax liabilities:

	August 31, 2018	August 31, 2017
Balance, August 31, 2017	$ (10,878,605)	$ (11,667,033)
Recognized in the statement of income and comprehensive income	1,583,752	2,669,752
Recognized in business acquisitions	(8,103,422)	(2,693,692)
Recognized in equity	955,891	312,633
Other	(6,244)	499,735
Balance, August 31, 2018	$ (16,448,628)	$ (10,878,605)

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, 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
Private placement of shares	9,004,500	62,906,800
Acquisition-related issuance of shares	235,001	1,914,315
Exercise of stock options	384,534	926,851
Settlement of restricted stock units	15,336	63,031
Balance, August 31, 2018	**60,640,511**	**$ 124,672,253**

On August 21, 2018, the Company closed a private placement offering of 5,227,900 shares at a price of $7.70 per share, for gross proceeds of $40,254,830. The offering resulted in net proceeds of $38,654,611 after share issuance and commission costs, including a deferred tax asset of $576,948 relating to share issuance and commission costs.

On November 22, 2017, the Company closed a private placement offering of 3,776,600 shares at a price of $6.70 per share, for gross proceeds of $25,303,220. The offering resulted in net proceeds of $24,252,189 after share issuance and commission costs, including a deferred tax asset of $378,943 relating to share issuance and commission costs.

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 $19,259,036 after share issuance and commission costs, including a deferred tax asset of $312,633 relating to share issuance and commission costs.

In connection with the acquisition of Lane Quinn, the Company issued 235,001 common shares to the vendors for an aggregate value of $1,914,315 net of issuance costs.

(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, 2018 that would have been issued by the Company under its Security Based Compensation Plan.

The following details the earnings per share, basic and diluted, calculations for the years ended August 31, 2018 and August 31, 2017.

	August 31, 2018	August 31, 2017
Net (loss) income attributable to common shares (basic and diluted)	$ (6,920,639)	$ 3,478,759
Weighted average number of common shares (basic)	54,353,322	50,321,853
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)	54,353,322	51,373,421
(Loss) earnings per share (basic)	$ (0.127)	$ 0.069
(Loss) earnings per share (diluted)	$ (0.127)	$ 0.068

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, 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, 2018, there were 338 participants (August 31, 2017 – 274) in the plan. The total number of shares purchased during the year ended August 31, 2018 on behalf of participants, including the Company contribution, was 226,560 shares (August 31, 2017 – 245,720 shares). During the year ended August 31, 2018, the Company’s matching contributions totaled 45,312 shares (August 31, 2017 – 49,144 shares).

For the year ended August 31, 2018 the Company recorded an expense to recognize the matching contribution equal to $330,728 (August 31, 2017 – $242,258).

(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, 2018 and 2017, were as follows:

	August 31, 2018		August 31, 2017	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance, beginning of year	1,298,480	$ 2.73	1,504,897	$ 2.08
Granted	2,774,847	7.78	130,173	4.37
Exercised	(384,534)	1.65	(336,590)	0.48
Forfeited and expired	(6,932)	2.94	-	-
Balance, end of year	**3,681,861**	**$ 6.64**	**1,298,480**	**$ 2.73**
Options exercisable, end of year	**569,197**		**600,927**	

For the year ended August 31, 2018, the Company received proceeds equal to $635,848 (2017 - $159,926) from the exercise of 384,534 (2017 - 336,590) options. Related to these transactions, the Company transferred $291,003 (2017 - $108,569) from contributed surplus to share capital.

Options outstanding at August 31, 2018 consisted of the following:

Range of exercise prices	Number outstanding	Remaining contractual life	Weighted average exercise price	Number exercisable
$ 1.00 - $ 2.00	84,000	0.46 years	$ 1.70	84,000
$ 2.01 - $ 3.00	434,270	4.65 years	2.88	182,245
$ 3.01 - $ 4.00	274,712	5.35 years	3.59	168,920
$ 4.01 - $ 5.00	214,032	5.65 years	4.28	134,032
$ 7.01 - $ 7.93	2,674,847	5.06 years	7.91	-
$ 1.00 - $ 7.93	3,681,861	4.96 years	$ 6.64	569,197

For the year ended August 31, 2018, the Company recorded an expense to recognize stock option compensation expense for options granted to employees and directors of the Company equal to $441,940 (2017 - $359,397).

On August 28, 2018, the Company granted 2,600,000 options to certain senior executives. The options were granted as part of the Company's overall compensation strategy to reward the senior executives for individual and corporate performance, to align their interests with that of the Company and to provide for long-term incentives. Except in certain circumstances, all of the options vest on the third anniversary of the issuance. Of the 2.6 million options granted, 60% or 1.56 million are performance conditioned options, with a requirement for the Company's share price to reach a threshold of $12 in order for these options to vest. The remaining 40% or 1.04 million are regular options. All of the options have an exercise price of $7.93 per share, have a term of 5 years and otherwise are subject to the terms of the Plan. The stock option compensation expense for options issued to certain senior executives was determined based on the fair value of the options at the grant date using a Monte Carlo simulation approach using the following assumptions:

Expected life time vesting options	4.00 years
Expected life performance vesting options	4.06 years
Risk-free interest rate	2.21%
Dividend yield	nil
Forfeiture rate	nil
Volatility factor of expected market price of the Company's shares	40.10%

The stock option compensation expense for options issued in normal course 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:

	August 31, 2018	August 31, 2017
Expected option life	5.00 years	5.00 years
Risk-free interest rate	1.85%	0.72%
Dividend yield	nil	nil
Forfeiture rate	7.44%	7.78%
Volatility factor of expected market price of the Company's shares	27.20%	31.74%

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.

For recently granted stock options, 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. 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. The expected volatility of previously granted stock options was determined based on the five-year share price history of the Company and comparable listed entities.

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

The Company conditionally grants 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, 2018, the Company conditionally granted 151,814 RSUs related to the current fiscal year; the RSUs, if earned, are scheduled to vest on or after November 30, 2019, conditional upon continued employment with the Company until such date.

Changes in the number of RSUs outstanding during the years ended August 31, 2018 and August 31, 2017, were as follows:

	August 31, 2018		August 31, 2017	
	Number of RSUs	Grant price $	Number of RSUs	Grant price $
Balance, beginning of year	325,156	$ 3.87	128,680	$ 3.73
Granted	151,814	6.60	199,942	3.96

Settled	(31,203)		4.11	-		-
Forfeited	(3,488)		6.59	(3,466)		4.11
Balance, end of year	**442,279**	**$**	**4.77**	**325,156**	**$**	**3.87**

The fair value of RSU's awarded is determined at grant date calculated based on the closing price of the Company's common shares for the ten business days preceding grant date and the related stock compensation 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, 2018, the Company recorded an expense to recognize vesting of RSUs granted to employees and directors of the Company equal to $622,773 (2017 - $369,024).

On January 8, 2018, the Company settled 31,203 fully vested RSUs and recorded a fair value adjustment of $39,350 (2017 - $nil) to recognize the incremental stock compensation expense incurred to net settle the RSUs.

(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. In addition, certain employees of the Company are granted DSUs that form part of their compensation arrangement. 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, 2018 and August 31, 2017, were as follows:

	August 31, 2018			**August 31, 2017**		
	Number of DSUs		Grant price $	Number of DSUs		Grant price $
Balance, beginning of year	41,478	$	3.86	26,442	$	3.78
Granted	27,800		7.68	15,036		3.99
Balance, end of year	**69,278**	**$**	**5.79**	**41,478**	**$**	**3.86**

The fair value of DSU's awarded is determined at 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 stock compensation 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. A portion of the DSUs were granted subsequent to year end.

For the year ended August 31, 2018, the Company recorded an expense relating to DSUs totaling $209,147 (2017 - $60,000) for annual awards covering the 2018 fiscal year.

For the year ended August 31, 2018 the Company recorded non-cash expense to recognize Stock Option, RSU and DSU grants to employees and directors of the Company equal to $1,313,210 (2017 – $788,422).

16. Finance expenses:

The Company's finance expenses for the years ended August 31, 2018 and August 31, 2017 were comprised of the following:

	Note	August 31, 2018	August 31, 2017
Interest and finance costs on long-term debt	12	$ 1,756,432	$ 1,212,266
Other finance costs, net		151,378	63,771
Non-cash finance costs			
Accretion expense on vendor take-back loans and long-term liabilities		267,955	85,710
Change in estimated fair value of contingent consideration obligations	9	2,013,182	-
Change in estimated fair value of non-controlling interest put option	11	11,736,962	3,617,211
		14,018,099	3,702,921
		$ 15,925,909	$ 4,978,958

17. Financial instruments:

Fair value measurement

The Company's financial instruments measured at fair value through profit or loss include cash, contingent consideration obligations, 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, 2017:				
Cash		$ 17,933,832	$ -	$ -
Non-controlling interest put options	11	-	-	34,059,108
August 31, 2018				
Cash		$ 21,119,220	$ -	$ -
Contingent consideration obligations	9	-	-	3,355,703
Non-controlling interest put options	11	-	-	52,613,161

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.

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 consideration obligations.

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 are measured using the Black-Scholes and Monte Carlo valuation models. 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 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.

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) Lease 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, 2018 are as follows:

Next 12 months	$ 4,992,504
13 - 24 months	4,590,036
25 - 36 months	4,007,553
37 - 48 months	3,382,342
49 - 60 months	3,011,516
Thereafter	5,014,987
	$ 24,998,938

Included in operating expenses for the year ended August 31, 2018 are operating lease expenses, primarily in respect of leased premises and equipment of $4,329,449 (2017 - $3,469,801).

(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.

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 risk, 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 cash flows relating to variable interest rate loans. The Company does not use financial derivatives to decrease its exposure to interest risk. For the year ended August 31, 2018, a change in interest rate relating to loans and borrowings of 1% would have increased or decreased finance expense by approximately $300,800 (2017 - $385,000).

(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, 2018 of $10,413 (2017 - $45,780).

Pursuant to their respective payment terms, consolidated trade receivables were aged as follows as at August 31, 2018:

Current	$ 12,268,682
31 - 60 days past due	543,084
61 - 90 days past due	520,490
Over 91 days past due	622,824
	13,955,080
Allowance for doubtful accounts	(219,383)
	$ 13,735,697

(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.

Contractual obligations

The maturity dates of the Company's financial liabilities as at August 31, 2018 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	$23,815,159	$24,334,757	$21,456,603	$ 2,318,320	$ 194,833	$ 365,000
Loans and borrowings	38,273,548	38,980,845	7,328,382	31,652,463	-	-
	$62,088,707	$63,315,602	$28,784,985	$33,970,783	$ 194,833	$ 365,000

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, 2018 was equal to $145,270,302 (2017 - $86,963,896). 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, 2018.

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, 2018, the Company applied the aggregation criteria on the basis of 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 key management personnel. In addition to their compensation paid or payable, 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, 2018 and 2017:

	August 31, 2018	August 31, 2017
Salaries, fees and short-term employee benefits	$ 2,245,121	$ 2,217,330
Share-based payments	594,551	481,198
	$ 2,839,672	$ 2,698,528

(b) Key management personnel and director transactions

As at August 31, 2018, directors and key management personnel owned 14.58% (August 31, 2017 - 17.31%) of the voting shares of the Company.

24. Expenses by nature:

The Company's expenses for the years ended August 31, 2018 and August 31, 2017 were comprised of the following:

	August 31, 2018	August 31, 2017
Personnel and compensation	$ 79,739,189	$ 62,977,492
General and administrative	16,296,494	13,638,403
Occupancy	6,125,276	5,803,598
Administration fees	4,025,752	3,398,085
Public company costs	368,770	318,684
	106,555,481	86,136,262
Depreciation and amortization	10,659,028	8,451,346
Finance expenses	15,925,909	4,978,958
	$ 133,140,418	$ 99,566,566

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, 2018 and August 31, 2017 were comprised of the following:

	August 31, 2018	August 31, 2017
Operating expenses	$ 100,228,915	$ 83,531,240
Acquisition, integration and reorganization costs	6,326,566	2,605,022
	$ 106,555,481	$ 86,136,262

Certain employees of the Company participate in a defined contribution pension plan. Contributions to the plan by the Company totaled $1,040,701 for the year ended August 31, 2018 (2017 – $489,713).

For the year ended August 31, 2018 the Company incurred $6,326,566 (2017 - $2,605,022) 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, incremental costs incurred to develop the Company's administration platform, and non-recurring outlays including consulting and recruiting fees and severance costs associated with reorganization of operations.

25. Subsequent events:

(a) Extension of Credit Facility Agreement

On October 31, 2018, the Company negotiated a six month extension to its credit facility with a syndicate of Canadian banks, on similar terms and conditions, which extends the facility from October 31, 2019 to April 30, 2020.

(b) Acquisition of Benefit Partners Inc.

Effective November 27nd, 2018, the Company acquired Benefits Partners Inc. ("BPI"), a Company providing group benefit consulting and group retirement solutions to clients based primarily in Ontario. The payment of $6,937,000 in cash on closing, subject to post-closing adjustment for working capital, represents the purchase price for an initial 75% economic interest in BPI. The Company has also entered into an agreement with the BPI Principals whereby they will retain a 25% economic interest in the business through the ownership of non-voting, non-cumulative, dividend-bearing special shares of BPI ("BPI Special Shares"). The Company holds a 100% voting interest and holds a 75% economic interest in BPI through ownership of all of the issued dividend-bearing common shares of BPI.

The BPI Principals collectively hold a 25% economic interest in BPI through ownership of BPI Special Shares. Both the Company's common shares and the BPI Special Shares have an ongoing contractual right to receive quarterly dividends based on a calculation derived from BPI's earnings. The Company is entitled to a priority on the payment of dividends declared on the BPI dividend-bearing shares to the extent of a specified earnings amount.

In addition, the Company has a future right to purchase the BPI Special Principal Shares and individual BPI Principals have a future right to require the Company to purchase the BPI Special Shares, subject to the satisfaction of certain terms and conditions and by giving notice to the Company.

The cash payment at closing of $6,937,500 was funded by the Company from by drawing on the Acquisition Revolver component of the Company's credit facilities with its senior lenders.

As this transaction has recently closed, a complete determination of the purchase consideration and the purchase price allocation to the net assets acquired will be fully disclosed in the Q1 2019 consolidated financial statements.