

Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian Dollars)



For the six months ended February 28, 2019 and 2018  
(Unaudited)

In accordance with National Instruments 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim condensed consolidated financial statements for the six months ended February 28, 2019.

# PEOPLE CORPORATION

Condensed Consolidated Interim Statement of Financial Position  
(Expressed in Canadian dollars) (unaudited)

	Note	February 28, 2019	August 31, 2018
<b>Assets</b>			
Current assets:			
Cash		\$ 12,750,091	\$ 21,119,220
Trade and other receivables		15,210,463	13,735,697
Income tax receivable		825,991	112,745
Prepaid and other current assets		1,995,541	1,830,716
Total current assets		30,782,086	36,798,378
Non-current assets:			
Property and equipment	5	12,741,093	10,667,472
Goodwill and intangible assets	6	238,786,894	213,428,886
Loans receivable		1,786,773	1,660,384
Contract cost asset		139,429	-
Total non-current assets		253,454,189	225,756,742
<b>Total assets</b>		<b>\$ 284,236,275</b>	<b>\$ 262,555,120</b>
<b>Liabilities and shareholders' equity</b>			
Current liabilities:			
Trade and other liabilities	7	\$ 13,781,898	\$ 21,649,670
Deferred revenue		-	3,288,650
Contract liabilities		6,180,255	-
Non-controlling interest put options	9	434,280	-
Loans and borrowings	10	8,928,133	7,074,946
Total current liabilities		29,324,566	32,013,266
Trade and other liabilities	7	2,246,122	2,165,489
Non-controlling interest put options	9	54,682,236	52,613,161
Loans and borrowings	10	54,392,418	31,198,602
Deferred tax liability		18,423,487	16,448,628
<b>Total liabilities</b>		<b>159,068,829</b>	<b>134,439,146</b>
Shareholders' equity:			
Share capital	11	125,036,551	124,672,253
Contributed surplus		4,330,430	2,747,472
Retained earnings (deficit)		(4,199,535)	696,249
<b>Total shareholders' equity</b>		<b>125,167,446</b>	<b>128,115,974</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 284,236,275</b>	<b>\$ 262,555,120</b>

Commitments and contingencies (Note 16.)  
Subsequent event (Note 17.)

# PEOPLE CORPORATION

Condensed Consolidated Interim Statement of Comprehensive Income (Loss)  
(Expressed in Canadian dollars) (unaudited)

		February 28, 2019		February 28, 2018	
	Note	Three months	Six months	Three months	Six months
Revenue	13	\$ 40,533,337	\$ 76,875,200	\$ 32,514,497	\$ 60,984,593
Operating expenses		31,091,091	59,948,774	24,616,191	46,996,973
Depreciation and amortization	5, 6	3,495,412	6,829,605	2,330,646	4,537,075
Finance expenses					
Change in estimated fair value of non-controlling interest put option	14	4,216,542	6,355,059	1,478,618	2,736,800
Other finance expenses	14	806,929	1,450,445	734,969	1,105,612
Acquisition, integration and reorganization costs	15	2,417,972	4,590,993	1,384,844	2,273,444
	15	42,027,946	79,174,876	30,545,268	57,649,904
<b>Income (loss) before income taxes</b>		<b>(1,494,609)</b>	<b>(2,299,676)</b>	<b>1,969,229</b>	<b>3,334,689</b>
Income tax expense (recovery):					
Current		2,430,992	4,439,447	804,047	2,437,257
Deferred		(551,806)	(1,843,339)	555,045	(176,411)
		1,879,186	2,596,108	1,359,092	2,260,846
<b>Net income (loss) and comprehensive income (loss)</b>		<b>\$ (3,373,795)</b>	<b>\$ (4,895,784)</b>	<b>\$ 610,137</b>	<b>\$ 1,073,843</b>
Earnings (loss) per share					
Basic	11, c	\$ (0.056)	\$ (0.081)	\$ 0.011	\$ 0.020
Diluted	11, c	\$ (0.056)	\$ (0.081)	\$ 0.011	\$ 0.020

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

# PEOPLE CORPORATION

Condensed Consolidated Interim Statement of Changes in Equity  
(Expressed in Canadian dollars) (unaudited)

	Note	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total
<b>Balance, August 31, 2017</b>		<b>\$ 58,861,256</b>	<b>\$ 1,892,859</b>	<b>\$ 7,616,888</b>	<b>\$ 68,371,003</b>
Net income and comprehensive income for the period		-	-	1,073,843	1,073,843
Issuance of common shares	11, b	24,252,189	-	-	24,252,189
Settlement of restricted stock units	11, b	63,031	(167,594)	-	(104,563)
Exercise of stock options	11, b	623,214	(181,044)	-	442,170
Share-based payments	12, b, c, d	-	513,503	-	513,503
		24,938,434	164,865	1,073,843	26,177,142
<b>Balance, February 28, 2018</b>		<b>\$ 83,799,690</b>	<b>\$ 2,057,724</b>	<b>\$ 8,690,731</b>	<b>\$ 94,548,145</b>
<b>Balance, August 31, 2018</b>		<b>\$124,672,253</b>	<b>\$ 2,747,472</b>	<b>\$ 696,249</b>	<b>\$128,115,974</b>
Net loss and comprehensive loss for the period		-	-	(4,895,784)	(4,895,784)
Acquisition-related issuance of shares	11, b	74,575	-	-	74,575
Settlement of restricted stock units	11, b	183,715	(626,993)	-	(443,278)
Exercise of stock options	11, b	106,008	(33,964)	-	72,044
Share-based payments	12, b, c, d	-	2,243,915	-	2,243,915
		364,298	1,582,958	(4,895,784)	(2,948,528)
<b>Balance, February 28, 2019</b>		<b>\$125,036,551</b>	<b>\$ 4,330,430</b>	<b>\$ (4,199,535)</b>	<b>\$125,167,446</b>

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

# PEOPLE CORPORATION

Condensed Consolidated Interim Statement of Cash Flows  
(Expressed in Canadian dollars) (unaudited)

	Note	February 28, 2019		February 28, 2018	
		Three months	Six months	Three months	Six months
<b>Operating activities</b>					
Net income (loss) for the period		\$ (3,373,795)	\$ (4,895,784)	\$ 610,137	\$ 1,073,843
<b>Adjustments for:</b>					
Depreciation	5	457,593	871,262	346,652	630,976
Amortization of intangible assets	6	3,037,819	5,958,343	1,983,994	3,906,099
Share-based compensation	12	1,177,514	2,243,915	283,943	513,503
Impairment losses on tangible and intangible assets		-	-	192,119	192,119
Change in fair value of non-controlling interest put option	9	4,216,542	6,355,059	1,478,618	2,736,800
Accretive interest expense	14	182,672	346,041	22,306	39,058
Deferred tax recovery		(551,806)	(1,843,339)	555,045	(176,411)
Net cash from operations		5,146,539	9,035,497	5,472,814	8,915,987
Change in the following:					
Trade and other receivables		(1,275,077)	(1,103,679)	(3,177,393)	(420,583)
Income taxes receivable		(1,175,440)	(686,296)	(881,620)	(279,404)
Prepaid and other current assets		188,865	176,651	(366,088)	278,997
Contract cost assets		(99,857)	(139,429)	-	-
Loans receivable		43,055	73,611	56,906	56,906
Trade and other liabilities		(273,704)	(8,254,317)	(413,728)	(4,774,935)
Deferred revenue		-	(3,288,650)	613,902	265,538
Contract liabilities		308,309	4,741,770	-	-
Net cash used for working capital items		(2,283,849)	(8,480,339)	(4,168,021)	(4,873,481)
<b>Net cash from operating activities</b>		<b>2,862,690</b>	<b>555,158</b>	<b>1,304,793</b>	<b>4,042,506</b>
<b>Investing activities</b>					
Acquisition of subsidiaries, net of cash acquired	4	(13,594,792)	(20,347,008)	(13,084,581)	(13,084,581)
Acquisition of property and equipment	5	(2,355,599)	(2,833,340)	(2,881,444)	(6,631,575)
Acquisition of intangible assets	6	(246,687)	(532,365)	(723,100)	(1,171,499)
<b>Net cash used in investing activities</b>		<b>(16,197,078)</b>	<b>(23,712,713)</b>	<b>(16,689,125)</b>	<b>(20,887,655)</b>
<b>Financing activities</b>					
Proceeds from exercise of stock options	12, b	72,044	72,044	181,780	442,170
Settlement of restricted stock units	12, c	(443,278)	(443,278)	(104,563)	(104,563)
Outflows relating to loans receivable		-	(200,000)	-	(1,000,000)
Proceeds from loans and borrowings	10	16,340,425	23,120,085	12,617,250	12,617,250
Repayment of loans and borrowings	10	(1,197,391)	(1,936,730)	(14,958,339)	(15,615,699)
Proceeds from private placement of shares, net		-	-	-	23,873,246
Payment of dividends on non-controlling interest	9	(2,255,994)	(2,365,150)	(2,081,165)	(2,345,342)
Repayment of put/call options on non-controlling interest	9	(2,899,750)	(3,458,545)	-	-
<b>Net cash from (used in) financing activities</b>		<b>9,616,056</b>	<b>14,788,426</b>	<b>(4,345,037)</b>	<b>17,867,062</b>
Net increase (decrease) in cash		(3,718,332)	(8,369,129)	(19,729,369)	1,021,913
Cash at beginning of the period		16,468,423	21,119,220	38,685,114	17,933,832
<b>Cash at the end of the period</b>		<b>\$ 12,750,091</b>	<b>\$ 12,750,091</b>	<b>\$ 18,955,745</b>	<b>\$ 18,955,745</b>

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

# PEOPLE CORPORATION

Notes to the Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars) (unaudited)

For the three and six months ended February 28, 2019 and 2018.

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## 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 condensed consolidated interim 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 condensed consolidated interim financial statements for the three months and six months ended February 28, 2019 have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board.

These condensed consolidated interim financial statements do not include all the disclosures required by International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for annual consolidated financial statements and accordingly should be read in conjunction with the Company's audited consolidated financial statements for the year ended August 31, 2018 prepared in accordance with IFRS.

These condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on April 17, 2019.

## 3. Significant accounting policies:

The accounting policies applied by the Company in these condensed consolidated interim financial statements are consistent with those applied by the Company in its consolidated financial statements as at and for the year ended August 31, 2018, except as outlined below:

### (a) Changes in accounting policies

The Company adopted the following new and revised standards, along with any consequential amendments, effective September 1, 2018. These changes were made in accordance with the applicable transitional provisions.

#### **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 Company has adopted 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 of September 1, 2018. Accordingly, the information presented for 2017 and as at August 31, 2018, has not been restated to reflect the new requirements, and is presented as previously reported. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

A description of the changes and the quantitative impact of the adoption of IFRS 15 are presented below.

There was no impact on retained earnings as a result of adopting IFRS 15 as at September 1, 2018.

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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.

Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires judgment.

Additional information about the Company's new revenue recognition accounting policies is as follows:

## Services and Performance Obligations

### Benefit solutions

Benefit solutions revenue is primarily from fees earned for third-party administrative services. In addition, the Company earns fees from group retirement consulting and administration, and individual financial services including insurance and wealth management. Revenue from administrative services is recognized as services are provided and the performance obligation is met, except as follows.

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 a contract liability on the consolidated statements of financial position. Commission advances are recognized in revenue over time based on the number of months for which the commission revenue was advanced. The transaction price and consideration received is reduced for expected return commissions due to policy cancellation and adjustments. The transaction price reduction 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, with the transaction price reduced for expected return commissions due to policy cancellation and adjustments. The transaction price reduction is determined based on historical data.

Variable consideration is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

### Consulting solutions

Consulting solutions revenue is primarily comprised of commissions from insurance carriers. In addition, the Company provides group retirement plan advisory services from which it earns commissions paid by the carrier who administers and invests the funds. Revenue from consulting services is recognized as services are provided and the performance obligation is met.

### Human Resource solutions

Human Resource solutions revenue is primarily earned from hourly or fixed fees for consulting services and as a percentage of compensation for recruiting services. Fee revenue from consulting services is recognized as services are provided and the performance obligation is met. For fee revenue that is contingent on certain criteria being met, consulting service revenue is not recognized until the criteria have been met.

# PEOPLE CORPORATION



Notes to the Condensed Consolidated Interim Financial Statements  
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For the three and six months ended February 28, 2019 and 2018.

## Other

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

## Incremental costs of obtaining a contract and costs to fulfill a contract

The Company incurs incremental costs in obtaining contracts for new clients, the renewal of contracts for existing clients, and in the fulfillment of the contracts for these clients. Previously all implementation and fulfillment costs were expensed once revenue on the contracts with customers was recognized. Under IFRS 15, incremental costs of obtaining and renewing contracts, and fulfillment costs on certain customer contracts with terms in excess of 12 months, will be recognized as contract assets and expensed over the term of the related contract. The Company considers the renewal period in the contract in addition to the initial term of the contract, when the renewal is highly probable, in determining the recognition period for the contract asset.

## Impact on the interim consolidated statement of financial position

There was no impact on retained earnings as a result of adopting IFRS 15 as at September 1, 2018.

The following tables summarize the impact of adopting IFRS 15 on the Company's consolidated interim statement of financial position as at February 28, 2019 for each of the line items affected below. There was no material impact on the Company's interim statement of comprehensive income (loss) and interim statement of cash flows for the six month period ended February 28, 2019.

	As reported	Adjustments	Amounts without adoption of IFRS 15
Contract assets	\$ 139,429	\$ (139,429)	\$ -
Deferred revenue	\$ -	\$ (6,180,255)	\$ (6,180,255)
Contract liabilities	\$ (6,180,225)	\$ 6,180,225	\$ -

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

### (i) Classification and measurement 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.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL: it is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and liabilities as at September 1, 2018.



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	Original Classification under IAS 39	New classification under IFRS 9	Carrying amount Original under IAS 39	Carrying amount New under IFRS 9
Financial assets:				
Cash	FVTPL	Amortized cost	\$ 21,119,220	\$ 21,119,220
Trade and other receivables	Loans and receivables	Amortized cost	13,735,697	13,735,697
Loans receivable	Loans and receivables	Amortized cost	1,660,384	1,660,384
Financial liabilities:				
Trade payables and other liabilities	Amortized cost	Amortized cost	(23,815,159)	(23,815,159)
Loans and borrowings	Amortized cost	Amortized cost	(38,273,548)	(38,273,548)
Non-controlling interest put options	FVTPL	FVTPL	\$ (52,613,161)	\$ (52,613,161)

The adoption of the IFRS 9 has not had a significant impact on the Company's measurement of financial assets and financial liabilities.

The following accounting policies apply to the subsequent measurement of financial assets and liabilities:

Financial assets at amortized cost are subsequently measured using the effective interest method. The amortized cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

## (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. The financial assets at amortized cost consist of cash, trade and other receivables and loans receivable.

Generally under IFRS 9, credit losses are recognized earlier than under IAS 39. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on historical experience and informed credit assessment and including forward-looking information.

The adoption of the new ECL impairment model has not had a significant impact on the Company's measurement of impairment losses on its financial assets carried at amortized cost.

## (iii) Transition

# PEOPLE CORPORATION



Notes to the Condensed Consolidated Interim Financial Statements  
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For the three and six months ended February 28, 2019 and 2018.

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Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. The Company has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Accordingly, the information presented for the comparative period ended February 28, 2018 and as at August 31, 2018 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application: the determination of the business model within which a financial asset is held and the designation of financial liabilities as measured at FVTPL.

There was no impact on retained earnings as a result of adoption of IFRS 9 as at September 1, 2018.

## **(b) New standards and interpretations not yet adopted**

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

### **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:

### **Life Benefit Solutions Inc. ("Life")**

Effective February 11, 2019, the Company acquired all of the issued and outstanding shares of Life Benefit Solutions Inc. ("Life"), a company providing group benefit consulting and group retirement solutions primarily focused on the First Nation market segment based in Winnipeg, Manitoba. Total consideration paid for the acquisition of Life 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 both claw back adjustments and an earn back provision tied to achievement of certain financial metrics set out in the share purchase agreement. The contingent consideration recorded is based on Life reaching predetermined EBITDA targets, over the three annual periods from March 1, 2019 to February 28, 2022, multiplied by the transaction multiple.

### **Benefit Partners Inc. ("BPI")**

Effective November 27, 2018, the Company acquired Benefits Partners Inc. ("BPI"), a company providing group benefit consulting and group retirement solutions to clients based primarily in Ontario. Total consideration paid for the acquisition of BPI 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 BPI through ownership of all of the issued dividend-bearing common shares of BPI.

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The BPI Principals collectively hold a 25% economic interest in the business through ownership of non-voting, non-cumulative, dividend-bearing special shares of BPI ("BPI Principal Shares"). All classes of non-voting, noncumulative, dividend-bearing shares of BPI 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 Principal Shares ("BPI Call Options") and individual BPI Principals have a future right to require the Company to purchase the BPI Principal Shares (collectively, the "BPI 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 BPI Call Options or the BPI Put Options, the BPI Principals pro-rata right to earn dividends will be terminated.

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

	Life Benefit Solutions Inc.		Benefit Partners Inc.		Total
<b>Assets acquired and liabilities assumed</b>					
Goodwill (including assembled workforce)	\$	10,893,041	\$	5,680,351	\$ 16,573,392
Customer relationships and other intangible assets		9,736,000		4,474,594	14,210,594
Property and equipment		59,138		52,405	111,543
Deferred tax liabilities		(2,703,435)		(1,182,510)	(3,885,945)
Net working capital		(727,827)		(278,106)	(1,005,933)
Cash		1,346,576		79,872	1,426,448
	\$	18,603,493	\$	8,826,606	\$ 27,430,099
<b>Consideration paid or payable</b>					
Cash payment upon closing	\$	14,840,425	\$	6,779,660	\$ 21,620,085
Working capital adjustment due to vendors		78,416		74,955	153,371
Non-controlling interest put options		-		1,971,991	1,971,991
Vendor take-back notes payable		3,610,077		-	3,610,077
Common shares issued by the Company		74,575		-	74,575
	\$	18,603,493	\$	8,826,606	\$ 27,430,099

Total consideration paid for the acquisition of Life, during the period, is subject to final adjustments for working capital. The fair values of the net identifiable assets were determined provisionally at February 28, 2019.

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.

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Notes to the Condensed Consolidated Interim Financial Statements  
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The Company's condensed consolidated interim statements of comprehensive income include the results of operations for Benefit Partners Inc. and Life Benefit Solutions Inc. from their respective dates of acquisition to February 28, 2019. The acquisitions contributed the following revenue and net income during the period ended February 28, 2019.

	February 28, 2019	
	As reported	
<b>Operating revenues</b>		
Benefit Partners Inc.	\$	897,767
Life Benefit Solutions Inc.	\$	259,249
<b>Net income (loss) and comprehensive income (loss)</b>		
Benefit Partners Inc.	\$	144,362
Life Benefit Solutions Inc.	\$	61,943

If the acquisitions had occurred on September 1, 2018, management estimates that consolidated revenue for the three months and six months ended February 28, 2019 would have been \$41,527,070 and \$80,019,684 and the consolidated net income (loss) would have been \$(3,201,744) and \$(4,345,376). In determining these amounts, management 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, 2018.

## 5. Property and equipment:

The Company had the following property and equipment:

	Leasehold improvements	Furniture & fixtures	Computer equipment	Automobiles	Total
<b>Cost</b>					
Balance, August 31, 2018	\$ 8,624,458	\$ 4,422,956	\$ 3,057,460	\$ 22,345	\$ 16,127,219
Additions	2,121,618	405,421	306,301	-	2,833,340
Write down and disposal	-	(14,003)	-	-	(14,003)
Acquisition through business combination	20,146	62,990	28,407	-	111,543
Balance, February 28, 2019	10,766,222	4,877,364	3,392,168	22,345	19,058,099
<b>Depreciation</b>					
Balance, August 31, 2018	(1,108,095)	(1,982,499)	(2,356,444)	(12,709)	(5,459,747)
Depreciation for the period	(481,174)	(249,528)	(139,115)	(1,445)	(871,262)
Write down and disposal	-	14,003	-	-	14,003
Balance, February 28, 2019	(1,589,269)	(2,218,024)	(2,495,559)	(14,154)	(6,317,006)
<b>Carrying amounts</b>					
Balance, February 28, 2019	\$ 9,176,953	\$ 2,659,340	\$ 896,609	\$ 8,191	\$ 12,741,093

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## 6. Goodwill and intangible assets:

The Company had the following goodwill and intangible assets:

	Goodwill	Customer relationships	Customer contracts	Computer software	Total
<b>Cost</b>					
Balance, August 31, 2018	\$ 125,019,060	\$ 112,990,735	\$ 3,977,849	\$ 6,797,122	\$ 248,784,766
Additions	-	-	-	532,365	532,365
Acquisition through business combination	16,573,392	14,198,300	-	12,294	30,783,986
Balance, February 28, 2019	141,592,452	127,189,035	3,977,849	7,341,781	280,101,117
<b>Amortization</b>					
Balance, August 31, 2018	-	(28,106,638)	(3,375,368)	(3,873,874)	(35,355,880)
Amortization for the period	-	(5,624,909)	(44,145)	(289,289)	(5,958,343)
Balance, February 28, 2019	-	(33,731,547)	(3,419,513)	(4,163,163)	(41,314,223)
<b>Carrying amounts</b>					
Balance, February 28, 2019	\$ 141,592,452	\$ 93,457,488	\$ 558,336	\$ 3,178,618	\$ 238,786,894

Included in computer software additions is \$224,112 (February 28, 2018 - \$759,724) of internally developed assets.

## 7. Trade and other liabilities:

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

	February 28, 2019	August 31, 2018
Trade payables and other liabilities	\$ 13,099,839	\$ 18,763,502
Provision for onerous contracts	1,084,176	1,315,821
Post-retirement benefits and contingent consideration obligations	1,844,005	3,735,836
	16,028,020	23,815,159
Less current portion of trade and other liabilities	13,781,898	21,649,670
Total non-current trade and other liabilities	\$ 2,246,122	\$ 2,165,489

The fair value of the contingent consideration obligations are 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 comprehensive 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%.

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## 8. 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 balance sheets. The Company has the following amounts held in accounts segregated from the Company's operating funds for insurance premium liabilities.

	February 28, 2019		August 31, 2018	
Payable to carriers and insured individuals or groups	\$	91,666,298	\$	90,448,848
Less related cash balances		91,666,298		90,448,848
	\$	-	\$	-

## 9. Non-controlling interest put options:

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

	Note	February 28, 2019		August 31, 2018	
Balance, beginning of year		\$	52,613,161	\$	34,059,108
Acquisition through business combination	4		1,971,991		9,380,744
Change in estimated fair value	14		6,355,059		11,736,962
Less payment of dividends on non-controlling interest			(2,365,150)		(2,563,653)
Less non-controlling interest put/call options exercised			(3,458,545)		-
			55,116,516		52,613,161
Less current portion of non-controlling interest put options			434,280		-
Total non-current non-controlling interest put options		\$	54,682,236	\$	52,613,161

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.

On October 16, 2018, the Company acquired 2,000 Class C special shares of BPA, being all of the issued and outstanding Class C Special shares, from one of the BPA Principals, pursuant to the Company's call right under the BPA Shareholder agreement, for a total purchase price of \$558,795. The Class C special shares were non-voting and non-dividend bearing and did not participate in BPA's earnings. This transaction did not change the economic interests in BPA that are held by the Company and the BPA Principals.

On January 2, 2019, the Company executed its right to purchase 5,000 Coughlin Vendor Shares for total consideration of \$2,899,750. The Coughlin Vendor was entitled to dividend payments derived from Coughlin's earnings up to the period ending November 30, 2018, thereafter the Coughlin Vendor will not be entitled to be paid any further dividends. The Company's economic interest in Coughlin has increased from 67% to 72% effective the second quarter of fiscal 2019.

During the second quarter of 2019, three vendors exercised their put option. The Company expects to settle the liability with the vendors over the course of the next three years. An estimate of the current portion of the liability has been recorded on the Company's statement of financial position as at February 28, 2019.

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**(a) Benefit Partners Inc.**

In connection with the BPI acquisition, the Company entered into various agreements whereby the BPI Principals, through non-voting, non-cumulative, dividend-bearing shares of BPI ("BPI Principal Shares"), hold an aggregate 25% economic interest in BPI ("BPI Retained Economic Interest").

All classes of non-voting, non-cumulative, dividend-bearing shares of BPI have an ongoing contractual right to receive 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 Principal Shares ("BPI Call Options") and individual BPI Principals have a future right to require the Company to purchase the BPI Principal Shares (collectively, the "BPI 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 BPI Call Options or the BPI Put Options, the BPI Principal's pro rata right to earn dividends will be terminated.

The liability recognized in connection with the BPI Retained Economic Interest, which includes the fair value of future dividend entitlements of the BPI Principal Shares and the BPI 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 BPI, the estimated future exercise dates of BPI Put Options and other factors. Individual BPI Principals are restricted from exercising their respective BPI Put Options until dates on or after November 27, 2020, subject to certain terms and conditions including restrictions requiring a minimum time period between individual exercise dates.

**(b) Silverberg**

In connection with the Silverberg acquisition, the Company entered into various agreements whereby the Silverberg Principals, through non-voting, non-cumulative, dividend-bearing shares of Silverberg ("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.



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**(c) 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, 2018, the BPA Principals held a 21.8% (2018 - 16.2%) Retained Economic Interest in BPA. The remaining 11.2% of BPA Share Options will vest evenly on an annual basis over the next two years.

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 predetermined formula, including the exercise of BPA Share Options on vesting, 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.

On October 16, 2018, the Company acquired 2,000 Class C special shares of BPA, being all of the issued and outstanding Class C Special shares, from one of the BPA Principals, pursuant to the Company's call right under the BPA Shareholder Agreement, for a total purchase price of \$558,795. The Class C special shares were non-voting and non-dividend bearing and did not participate in BPA's earnings. This transaction did not change the economic interests in BPA that are held by the Company and the BPA Principals.



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## (d) 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% on August 31, 2020, subject to certain specified terms and conditions having been met and subject to Coughlin achieving certain financial performance targets over the five year period following the date of close, 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%.

On January 2, 2019, the Company executed its right to purchase 5,000 Coughlin Vendor Shares for total consideration of \$2,899,750. The Coughlin Vendor was entitled to dividend payments derived from Coughlin's earnings up to the period ending November 30, 2018, thereafter the Coughlin Vendor will not be entitled to be paid any further dividends. The Company's economic interest in Coughlin has increased from 67% to 72% effective the second quarter of 2019.

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**(e) 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 Options are exercisable at any time by the non-controlling shareholder(s), subject to certain terms and conditions.

**(f) 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 Options are 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.

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## 10. Loans and borrowings:

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

	February 28, 2019	August 31, 2018
<b>Term and revolving credit facility</b>		
a Term 1:		
A bank loan bearing interest of bankers' acceptance rates plus an amount equal to 1.75% to 3.5% 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 April 30, 2020 unless extended pursuant to the agreement.	\$ 16,916,823	\$ 17,998,430
b Term 2:		
A bank loan bearing interest of the bankers' acceptance rates plus an amount equal to 1.75% to 3.50% per annum subject to certain terms, secured by the assets of the Company, to the extent not previously paid, the principal shall be due and payable on the maturity date. The loan matures April 30, 2020 unless extended pursuant to the agreement.	8,263,000	8,786,000
c Revolver:		
A bank loan bearing interest of the bankers' acceptance rates plus an amount equal to 1.75% to 3.50% per annum subject to certain terms, secured by the assets of the Company, to the extent not previously paid, the principal shall be due and payable on the maturity date. The loan matures April 30, 2020 unless extended pursuant to the agreement.	23,120,085	-
<b>Total term and revolving credit facility</b>	<b>48,299,908</b>	<b>26,784,430</b>
<b>Vendor take-back loans</b>		
d 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.	747,096	738,451
e 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 August 1, 2019.	420,682	740,348

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	February 28, 2019	August 31, 2018
f 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 1, 2020.	980,739	966,638
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 June 12, 2020.	580,556	568,191
h A vendor take-back loan bearing no interest per annum, unsecured, payable in two annual installments of \$2,125,000 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 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.	4,058,371	3,965,288
i 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 March 1, 2021.	4,604,048	4,493,291
j A vendor take-back loan bearing no interest per annum payable in three payments: \$1,092,500 in the first and second year and \$1,900,000 in the third 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 4.50%. The loan matures on June 1, 2022.	3,619,363	-
<b>Total vendor take-back loans</b>	<b>15,010,855</b>	<b>11,472,207</b>

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	February 28, 2019	August 31, 2018
<b>Finance lease liabilities</b>		
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%.	9,788	16,911
<b>Total finance lease liabilities</b>	9,788	16,911
	63,320,551	38,273,548
<b>Less current portion of:</b>		
Term loans	3,473,356	3,329,132
Vendor take-back loans	5,445,233	3,733,311
Finance lease liabilities	9,544	12,503
	8,928,133	7,074,946
	\$ 54,392,418	\$ 31,198,602

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 February 28, 2019, the Company had not utilized this facility (August 31, 2018 - 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 to fund acquisitions. As at February 28, 2019, the balance owing on this facility was equal to \$16,916,823 (August 31, 2018 - \$17,998,430).
3. \$9,500,000 delayed draw term credit facility to fund leasehold improvements at the Company's head office. As at February 28, 2019, the balance owing on this facility was equal to \$8,263,000 (August 31, 2018 - \$8,786,000).
4. \$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 February 28, 2019, the balance on this facility was \$23,120,085 (August 31, 2018 - nil).

The facility is secured by a general security agreement over the assets of the Company and its subsidiaries and is subject to covenants. As at February 28, 2019, the Company was in compliance with all of its financial and non-financial covenants.

## 11. 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:

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	Number of Common voting shares	Amount
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
Acquisition-related issuance of shares	9,842	74,575
Exercise of stock options	34,446	106,008
Settlement of restricted stock units	51,989	183,715
Balance, February 28, 2019	60,736,788 \$	125,036,551

In connection with the acquisition of Life Benefit Solutions Inc. on February 11, 2019, the Company issued 9,842 common shares to one of the vendors for an aggregate value of \$74,575 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 February 28, 2019 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 three months and six months ended February 28, 2019 and 2018.

	February 28, 2019		February 28, 2018	
	Three Months	Six months	Three Months	Six months
Net income (loss) attributable to common shares (basic and diluted)	\$ (3,373,795)	\$ (4,895,784)	\$ 610,137	\$ 1,073,843
Weighted average number of common shares (basic)	60,677,360	60,658,834	54,925,645	53,157,117
Add: Dilutive effect of stock options	-	-	735,958	758,550
Weighted average number of common shares (diluted)	60,677,360	60,658,834	55,661,603	53,915,667
Net income (loss) per share (basic)	\$ (0.056)	\$ (0.081)	\$ 0.011	\$ 0.020
Net income (loss) per share (diluted)	\$ (0.056)	\$ (0.081)	\$ 0.011	\$ 0.020

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.

For the three and six months ended February 28, 2019, stock options were excluded from the calculation of diluted loss per share as their effect would have been anti-dilutive.

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## 12. 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 7,236,222, which number takes into account the common shares that are available for issuance under the Company's Security Based Compensation Plan.

At the Company's Annual General Meeting on February 26, 2019, the shareholders passed a resolution amending the Company's Security Based Compensation Plan, to increase the number of Common Shares available for issuance by 1,250,000, from 5,986,222 to 7,236,222 Common Shares, inclusive of Common Shares issuable pursuant to the Company's prior security-based compensation plans.

### (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 February 28, 2019, there were 382 participants (February 28, 2018 – 318) in the plan. The total number of shares purchased during the three months and six months ended February 28, 2019 on behalf of participants, including the Company contribution, was 67,845 shares and 131,160 shares (February 28, 2018 – 59,850 and 113,859 shares). During the three months and six months ended February 28, 2019, the Company's matching contributions totaled 13,569 and 26,232 shares (February 28, 2018 – 11,970 and 22,772 shares).

For the three months and six months ended February 28, 2019 the Company recorded an expense to recognize the matching contribution equal to \$104,685 and \$199,140 (February 28, 2018 – \$83,260 and \$156,969).

### (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.

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Changes in the number of options outstanding during the three months and six months ended February 28, 2019 and 2018, were as follows:

	February 28, 2019		February 28, 2018	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance, beginning of period	3,681,861	\$ 6.64	1,298,480	\$ 2.73
Granted	-	-	54,847	7.20
Exercised	(34,446)	2.09	(205,709)	2.15
Forfeited and expired	(11,817)	3.06	-	-
Balance, end of period	3,635,598	\$ 6.70	1,147,618	\$ 3.04
Options exercisable, end of period	630,080		512,558	

For the three months and six months ended February 28, 2019, the Company received proceeds equal to \$72,044 and \$72,044 (2018 - \$68,358 and \$442,170) from the exercise of 34,446 and 34,446 (2018 - 116,246 and 205,709) options. Related to these transactions, the Company transferred \$33,964 and \$33,964 (2018 - \$90,198 and \$181,044) from contributed surplus to share capital.

Options outstanding at February 28, 2019 consisted of the following:

Range of exercise prices	Number Outstanding	Remaining contractual life	Weighted average exercise price	Number exercisable
\$ 1.67 - \$ 2.00	59,000	0.01 years	1.72	59,000
\$ 2.01 - \$ 3.00	425,711	4.13 years	2.88	185,711
\$ 3.01 - \$ 4.00	262,008	4.84 years	3.60	233,057
\$ 4.01 - \$ 5.00	214,032	5.16 years	4.28	134,032
\$ 7.01 - \$ 7.93	2,674,847	4.56 years	7.91	18,280
\$ 1.67 - \$ 7.93	3,635,598	4.49 years	6.70	630,080

For the three months and six months ended February 28, 2019, the Company recorded an expense to recognize stock option compensation expense for options granted to employees and directors of the Company equal to \$655,926 and \$1,318,771 (2018 - \$72,517 and \$143,036).

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

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

For the six months ended February 28, 2019, the Company conditionally granted 141,704 RSUs related to the current fiscal year. The RSUs, if earned, are scheduled to vest on or after September 1, 2020, conditional upon continued employment with the Company until such date.



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Changes in the number of RSUs outstanding during the six months ended February 28, 2019 and 2018, were as follows:

	February 28, 2019		February 28, 2018	
	Number of RSUs	Grant price \$	Number of RSUs	Grant price \$
Balance, beginning of period	\$ 442,279	\$ 4.77	\$ 325,156	\$ 3.87
Granted	141,704	7.98	150,757	6.60
Settled	(106,379)	3.53	(31,203)	4.11
Forfeited	-	-	(2,407)	6.59
Balance, end of period	\$ 477,604	\$ 6.00	\$ 442,303	\$ 4.69

The fair value of RSU's awarded is determined at grant date calculated based on the ten-day volume weighted average price of the Company's common shares 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.

During the period, the Company settled 106,379 fully vested RSUs and recorded a fair value adjustment of \$250,990 (2018 - \$39,351) to recognize the incremental stock compensation expense incurred to net settle the RSUs.

For the three months and six months ended February 28, 2019, the Company recorded an expense to recognize vesting of RSUs granted to employees and directors of the Company equal to \$249,848 and \$490,904 (2018 - \$172,075 and \$271,116).

## (d) Deferred Stock Units ("DSUs")

Independent members of the Company's Board of Directors are paid a portion of their director's fees 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 six months ended February 28, 2019 and 2018, were as follows:

	February 28, 2019		February 28, 2018	
	Number of DSUs	Grant Price \$	Number of DSUs	Grant price \$
Balance, beginning of period	\$ 69,278	\$ 5.33	\$ 41,478	\$ 3.86
Granted	23,468	7.81	9,104	6.59
Balance, end of period	\$ 92,746	\$ 5.96	\$ 50,582	\$ 4.35

The fair value DSU's awarded is determined at grant date calculated based on the volume weighted average price

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

For the three months and six months ended February 28, 2019, the Company recorded an expense to recognize DSUs granted to directors of the Company equal to \$20,750 and \$183,250 (2018 - \$nil and \$60,000).

For the three months and six months ended February 28, 2019 the Company recorded non-cash expense to recognize Stock Option, RSU and DSU grants to employees and directors of the Company equal to \$1,177,514 and \$2,243,915 (2018 - \$283,943 and \$513,503).

## 13. Revenue:

The effect of initially applying IFRS 15 on consolidated revenue is described in note 3

In the following table, revenue is disaggregated by the Company's lines of business:

	Note	February 28, 2019		February 28, 2018	
		Three Months	Six months	Three Months	Six months
Benefit Solutions	\$	23,880,978	\$ 46,974,423	\$ 22,483,199	\$ 42,152,630
Consulting Solutions		14,473,787	25,726,797	8,426,066	15,775,187
HR Solutions and Other		2,178,572	4,173,980	1,605,232	3,056,776
	\$	40,533,337	\$ 76,875,200	\$ 32,514,497	\$ 60,984,593

## 14. Finance expenses:

The Company's finance expenses for the three months and six months ended February 28, 2019 and 2018 were comprised of the following:

	Note	February 28, 2019		February 28, 2018	
		Three Months	Six months	Three Months	Six months
Interest and finance costs on long-term debt	\$	491,652	\$ 854,491	\$ 656,786	\$ 917,061
Other finance costs, net		132,606	249,914	55,877	149,493
Non-cash finance costs					
Accretion on financing instruments		182,671	346,040	22,306	39,058
Change in fair value of non-controlling interest put option	9	4,216,542	6,355,059	1,478,618	2,736,800
		4,399,213	6,701,099	1,500,924	2,775,858
	\$	5,023,471	\$ 7,805,504	\$ 2,213,587	\$ 3,842,412

Accretion expense on vendor take-back loans represents the implied interest cost related to non-interest bearing vendor take-back-loans initially recognized on a discounted basis (Note 10).

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## 15. Expenses by nature:

The Company's expenses for the three months and six months ended February 28, 2019 and 2018 were comprised of the following:

	February 28, 2019		February 28, 2018	
	Three Months	Six months	Three Months	Six months
Personnel and compensation	\$ 25,635,840	\$ 48,954,285	\$ 19,436,251	\$ 36,771,606
General and administrative	5,159,344	10,259,455	4,003,929	7,635,786
Administration fees	977,617	2,085,031	982,613	1,890,461
Occupancy	1,493,822	2,905,784	1,414,744	2,747,828
Public company costs	242,440	335,212	163,498	224,736
	33,509,063	64,539,767	26,001,035	49,270,417
Depreciation and amortization	3,495,412	6,829,605	2,330,646	4,537,075
Finance expenses	5,023,471	7,805,504	2,213,587	3,842,412
	\$ 42,027,946	\$ 79,174,876	\$ 30,545,268	\$ 57,649,904

The Company's operating expenses and acquisition, integration and reorganization costs, as reported on the statements of comprehensive income, for the three months and six months ended February 28, 2019 and 2018 were comprised of the following:

	February 28, 2019		February 28, 2018	
	Three Months	Six months	Three Months	Six months
Operating expenses	\$ 31,091,091	\$ 59,948,774	\$ 24,616,191	\$ 46,996,973
Acquisition, integration and reorganization costs	2,417,972	4,590,993	1,384,844	2,273,444
	\$ 33,509,063	\$ 64,539,767	\$ 26,001,035	\$ 49,270,417

For the three months and six months ended February 28, 2019 the Company incurred \$2,417,972 and \$4,590,993 (2018 - \$1,384,844 and \$2,273,444) of acquisition, integration and reorganization costs. Acquisition, integration and reorganization costs include:

- professional fees, personnel and compensation, and other non-recurring incremental costs incurred to secure and complete specific acquisitions;
- non-operating outlays, which include personnel and compensation and general and administrative expenses, that are associated with integrating acquired operations into the Company's business model subsequent to completion of an acquisition; and
- non-recurring outlays including consulting, recruiting, and severance costs associated with reorganization of operations.

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## 16. 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 February 28, 2019 are as follows:

Next 12 months	\$ 5,091,759
13 - 24 months	4,744,070
25 - 36 months	4,100,426
37 - 48 months	3,208,725
49 - 60 months	2,920,548
Thereafter	3,692,694
	<b>\$ 23,758,222</b>

### (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.

## 17. Subsequent event:

### Draw on Acquisition Revolver

On March 7, 2019, the Company drew \$7,500,000 on its Acquisition Revolver to fund acquired non-controlling interests and future vendor take-back loan repayments.