Condensed Consolidated Interim Financial Statements
(Expressed in Canadian Dollars)

people
CORPORATION

Experience the Benefits of People

Three and nine months ended May 31, 2014 and May 31, 2013
(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 three and nine months ended May 31, 2014.

PEOPLE CORPORATION

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

	Note	May 31, 2014	August 31, 2013
Assets			
Current assets:			
Cash and cash equivalents		$ 11,412,001	$ 2,449,169
Trade and other receivables		2,343,662	2,896,632
Other current assets		470,057	388,383
Total current assets		14,225,720	5,734,184
Non-current assets:			
Property and equipment	5	1,122,405	990,894
Goodwill and intangible assets	6	47,072,332	46,876,735
Deferred tax asset		936,000	134,464
Total non-current assets		49,130,737	48,002,093
Total assets		**$ 63,356,457**	**$ 53,736,277**
Liabilities and shareholders' equity			
Current liabilities:			
Trade payables, accrued and other liabilities	7	$ 4,134,069	$ 4,522,278
Deferred revenue	8	3,512,634	3,792,348
Income taxes payable		498,595	112,240
Current portion of loans and borrowings	11	3,635,020	3,804,077
Total current liabilities		11,780,318	12,230,943
Accrued and other liabilities	7	1,065,817	993,070
Deferred revenue	8	136,936	89,299
Non-controlling interest put options	10	6,473,016	6,172,884
Loans and borrowings	11	13,212,464	15,445,258
Deferred tax liability		4,287,312	4,628,201
Total liabilities		**36,955,863**	**39,559,655**
Shareholders' equity:			
Share capital	12	22,462,626	12,024,732
Contributed surplus		594,259	774,245
Retained earnings		3,343,709	1,377,645
Total shareholders' equity		**26,400,594**	**14,176,622**
Total liabilities and shareholders' equity		**$ 63,356,457**	**$ 53,736,277**

Commitments and contingencies (Note 16)
Subsequent Events (Note 19)

The notes on pages 5 are an integral part of these condensed consolidated interim financial statements.

PEOPLE CORPORATION

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

		May 31, 2014		May 31, 2013	
	Note	**Three months ended**	**Nine months ended**	**Three months ended**	**Nine months ended**
Revenue					
Commissions		$ 6,969,241	$ 19,117,267	$ 4,461,801	$ 12,278,565
Fees and other revenues		4,602,731	13,432,265	4,203,823	11,538,966
		11,571,972	32,549,532	8,665,624	23,817,531
Expenses					
Personnel and compensation	18	7,225,882	19,924,927	5,437,141	15,147,794
General and administrative	18	2,227,224	5,835,518	1,726,530	4,718,534
Advertising and promotion	18	393,036	1,107,729	302,767	903,664
		9,846,142	26,868,174	7,466,438	20,769,992
Income before undernoted		**1,725,830**	**5,681,358**	**1,199,186**	**3,047,539**
Finance and other costs:					
Amortization of intangible assets		(613,407)	(1,750,221)	(328,746)	(907,829)
Write down of capital assets		(28,570)	(28,570)	-	-
Finance expenses	14	(466,261)	(1,204,843)	(202,205)	(458,139)
Acquisition costs	4	(19,615)	(55,155)	(7,568)	(348,860)
		(1,127,853)	(3,038,789)	(538,519)	(1,714,828)
Income before income taxes		**597,977**	**2,642,569**	**660,667**	**1,332,711**
Income tax expense (recovery):					
Current		878,492	1,967,431	497,258	1,063,735
Future		(423,408)	(1,290,926)	(255,037)	(572,100)
		455,084	676,505	242,221	491,635
Net income and comprehensive income		**$ 142,893**	**$ 1,966,064**	**$ 418,446**	**$ 841,076**
Earnings per share	12(c)				
Basic		$ 0.004	0.058	$ 0.013	0.025
Diluted		$ 0.004	0.054	$ 0.012	0.025

The notes on pages 5 are an integral part of these condensed consolidated interim financial statements.

PEOPLE CORPORATION

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

		Share Capital	Contributed Surplus	Retained Earnings	Total
Balance, August 31, 2012		$ 11,990,956	$ 650,878	$ 1,117,536	$ 13,759,370
Net Income and comprehensive income for the period		-	-	841,076	841,076
Share issuance		33,776	(13,510)	-	20,266
Share-based payments		-	99,438	-	99,438
Total transactions with shareholders		$ 33,776	$ 85,928	$ 841,076	$ 960,780
Balance, May 31, 2013		**$ 12,024,732**	**$ 736,806**	**$ 1,958,612**	**$ 14,720,150**

	Note	Share Capital	Contributed Surplus	Retained Earnings	Total
Balance, August 31, 2013		$ 12,024,732	$ 774,245	$ 1,377,645	$ 14,176,622
Net Income and comprehensive income for the period		-	-	1,966,064	1,966,064
Issuance of common shares	12(b)	9,573,447	-	-	9,573,447
Exercise of stock options	12(b)	864,447	(311,055)	-	553,392
Share-based payments		-	131,069	-	131,069
Total transactions with shareholders		10,437,894	(179,986)	1,966,064	12,223,972
Balance, May 31, 2014		**$ 22,462,626**	**$ 594,259**	**$ 3,343,709**	**$ 26,400,594**

The notes on pages 5 are an integral part of these condensed consolidated interim financial statements.

PEOPLE CORPORATION

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

		May 31, 2014		May 31, 2013	
	Note	Three months ended	Nine months ended	Three months ended	Nine months ended
Operating activities					
Net income for the period		$ 142,893	$ 1,966,064	$ 418,446	$ 841,076
Adjustments for:					
Depreciation		188,404	334,956	102,173	278,585
Amortization of intangible assets		613,407	1,750,221	328,746	907,829
Share-based compensation		50,573	131,069	23,710	99,438
Impairment losses on property and equipment		28,570	28,570	-	-
Change in non-controlling put liability		175,502	300,132	30,778	30,778
Accretive interest expense		92,700	286,018	21,429	47,361
Loss from disposal of capital assets		-	-	(3,045)	(3,045)
Deferred tax expense (recovery)		(423,408)	(1,290,926)	(255,037)	(572,100)
Net cash from operating activities		868,641	3,506,104	667,200	1,629,922
Change in the following:					
Trade and other receivables		618,430	554,257	321,368	451,361
Other current assets		(104,961)	(78,284)	(124,372)	12,196
Trade payable, accrued and other liabilities		1,325,756	(613,937)	(898,026)	(1,091,601)
Deferred revenue		(314,730)	(232,077)	(743,114)	(1,043,798)
Income tax payable		(227,350)	378,275	172,272	211,227
Net cash used by working capital items		1,297,145	8,234	(1,271,872)	(1,460,615)
Net cash from (used by) operating activities		**2,165,786**	**3,514,338**	**(604,672)**	**169,307**
Investing activities					
Proceeds from disposal of capital assets		-	-	300	300
Acquisition of intangible assets		(968,935)	(1,103,241)	(27,326)	(73,921)
Acquisition of subsidiaries, net of cash acquired		(261,984)	(261,984)	-	(3,933,317)
Acquisition of property and equipment		(307,171)	(494,534)	(55,198)	(285,067)
Net cash used by investing activities		**(1,538,090)**	**(1,859,759)**	**(82,224)**	**(4,292,005)**
Financing activities					
Proceeds from exercise of stock options		421,262	553,393	20,267	20,267
Proceeds from loans and borrowings		900,000	900,000	-	3,750,000
Repayment of loans and borrowings		(2,019,995)	(3,718,587)	(248,873)	(548,951)
Proceeds from private placement of shares, net		9,573,447	9,573,447	-	-
Net cash from (used by) financing activities		**8,874,714**	**7,308,253**	**(228,606)**	**3,221,316**
Net increase (decrease) in cash and cash equivalents		**9,502,410**	**8,962,832**	**(915,502)**	**(901,382)**
Cash and cash equivalents at beginning of the period		1,909,591	2,449,169	3,213,763	3,199,643
Cash and cash equivalents at the end of the period		**$11,412,001**	**$11,412,001**	**$ 2,298,261**	**$ 2,298,261**

The notes on pages 5 are an integral part of these condensed consolidated interim 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 head office is 360 Main Street, Suite 1800, Winnipeg, Manitoba, Canada and the Company's registered office is 180 Bay Street, Suite 4400, Toronto, Ontario, Canada. These 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, pension consulting and third-party benefits administration services, as well as, recruiting services, strategic human resources consulting and career management services to help companies recruit, retain and reward employees.

2. Basis of presentation:

These condensed consolidated interim financial statements for the three and nine months ended May 31, 2014 and May 31, 2013 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") 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, 2013 prepared in accordance with IFRS.

These condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on July 16, 2014.

3. Significant accounting policies:

Except as described below, 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, 2013.

Changes in accounting policies:

The Company has adopted the following revised standards, along with any consequential amendments, effective September 1, 2013. These changes were made in accordance with the applicable transitional provisions.

(a) IFRS 10, *Consolidated Financial Statements* ("IFRS 10"):

IFRS 10 replaces SIC 12, *Consolidation Special Purpose Entities* and parts of IAS 27, *Consolidated and Separate Financial Statements*. IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company has assessed its consolidation conclusions on September 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

(b) IFRS 11, *Joint Arrangements* ("IFRS 11"):

IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities Non-monetary Contributions by Venturers*. IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas, for a joint operation, the venturer will recognize its share of the assets, liabilities, revenues and expenses of the joint operation. The Company is not a party to any joint arrangements and has determined that adoption of IFRS 11 did not result in a material impact on the results or the financial position of the Company.

(c) IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12")

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, equity accounted investments, special purpose vehicles and off balance sheet vehicles (“Interests in Other Entities”). The standard introduces additional disclosure requirements that address the nature of, and risks associated with, an entity’s interests in other entities. The Company is not a party to any Interests in Other Entities and has determined that adoption of IFRS 12 did not result in a material impact on the results or the financial position of the Company.

(d) IFRS 13, *Fair Value Measurement* ("IFRS 13")

IFRS 13 is a comprehensive standard that defines fair value, sets out a single IFRS framework for measuring fair value, and requires disclosures about fair value measurements. This new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. The Company adopted IFRS 13 on September 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at September 1, 2013. The standard also establishes disclosures about fair value measurement. The Company has included in Note 15 new financial instrument fair value disclosures required by IFRS 13.

Any subsequent changes to IFRSs that become effective and are adopted for the August 31, 2014 consolidated annual financial statements are not expected to result in revisions to accounting policies applied in these condensed consolidated interim financial statements and, if applicable, the opening statement of financial position and reconciliations

New Standards and interpretations not yet adopted

The Company has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective.

IFRS 9, “Financial Instruments”

The IASB issued IFRS 9, “Financial Instruments” to replace IAS 39, “Financial Instruments: Recognition and Measurement”. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple rules in IAS 39. The approach in IFRS 9 focuses on how an entity manages its financial instruments in the context of its business model, as well as the contractual cash and cash equivalents flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods currently provided in IAS 39. In November 2013, the IASB has removed the mandatory effective date for IFRS 9. The new date will be determined when IFRS 9 is closer to completion.

The Company anticipates that the application of IFRS 9 may have impact on the amounts reported in respect of the Company’s financial assets. However, it is not yet practicable to provide a reasonable estimate of that effect.

(Expressed in Canadian dollars) (unaudited)

4. Business acquisitions:

During the period the Company acquired the following businesses:

- Effective May 30, 2014 the Company acquired all of the issued and outstanding shares of Bryan H. Lupe and Associates ("BHL"), a company that provides group benefits consulting and administration services to a broad range of clients.

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

Assets		
Cash	$	218,016
Accounts receivable and other assets		4,678
Property, plant and equipment		493
Customer relationships intangible asset		550,000
Accounts payable and accrued liabilities		(38,552)
Other current liabilities		(140,147)
Shareholder loans		(47,573)
Deferred tax payable		(148,500)
Goodwill		292,577
		690,992
Consideration		
Cash payment		480,000
Promissory note payable		214,570
Working capital adjustment		(3,578)
	$	690,992

(Expressed in Canadian dollars) (unaudited)

5. Property and equipment:

	Note	Leasehold improvements	Furniture and fixtures	Computer equipment	Computer software	Total
Cost						
Balance, August 31, 2012		463,312	725,323	1,016,047	419,290	**2,623,972**
Additions		70,703	11,257	179,552	133,958	**395,470**
Disposals		-	(8,376)	-	-	**(8,376)**
Acquisition through business combination	4	6,527	54,013	23,319	54,204	**138,063**
Balance, August 31, 2013		$ 540,542	$ 782,217	$ 1,218,918	$ 607,452	**$ 3,149,129**
Additions		319,962	10,647	83,662	80,262	**494,534**
Write down of capital assets		-	-	-	(28,570)	**(28,570)**
Acquisition through business combination		44,681	-	46,641	2,535	**93,857**
Balance, May 31, 2014		$ 905,185	$ 792,864	$ 1,349,221	$ 661,679	**$ 3,708,950**

	Note	Leasehold improvements	Furniture and fixtures	Computer equipment	Computer software	Total
Depreciation and impairment losses						
Balance, August 31, 2012		(305,647)	(489,678)	(695,343)	(292,631)	**(1,783,299)**
Depreciation for the period		(88,473)	(53,095)	(127,525)	(110,874)	**(379,967)**
Disposals		-	(5,031)	-	-	**(5,031)**
Balance, August 31, 2013		$ (394,120)	$ (537,742)	$ (822,868)	$ (403,505)	**$ (2,158,235)**
Depreciation for the period		(154,594)	(33,983)	(87,448)	(58,920)	**(334,956)**
Acquisition through business combination		(44,681)	-	(46,148)	(2,535)	**(93,364)**
Balance, May 31, 2014		$ (593,395)	$ (571,725)	$ (956,464)	$ (464,960)	**$ (2,586,555)**
Carrying amounts						
Balance, August 31, 2013		$ 146,422	$ 244,475	$ 396,050	$ 203,947	**$ 990,894**
Balance, May 31, 2014		$ 311,790	$ 221,139	$ 392,757	$ 196,719	**$ 1,122,405**

(Expressed in Canadian dollars) (unaudited)

6. Goodwill and intangible assets:

	Note	Goodwill	Customer relationships	Customer contracts	Total
Cost					
Balance, August 31, 2012		$ 13,547,835	$ 5,961,351	$ 3,000,000	**$ 22,509,186**
Additions		26,200	38,001	134,008	**198,209**
Acquisition through business combination	4	15,978,523	13,644,000	-	**29,622,523**
Balance, August 31, 2013		29,552,558	19,643,352	3,134,008	**52,329,918**
Additions		-	900,000	206,728	**1,106,728**
Adjustment to fair value		(3,487)	-	-	**(3,487)**
Acquisition through business combination	4	292,577	550,000	-	**842,577**
Balance, May 31, 2014		$ 29,841,648	$ 21,093,352	$ 3,340,736	**$ 54,275,736**
Amortization and impairment losses					
Balance, August 31, 2012		$ -	$ (2,661,052)	$ (1,550,000)	**$ (4,211,052)**
Amortization for the period		-	(938,759)	(303,372)	**(1,242,131)**
Balance, August 31, 2013		-	(3,599,811)	(1,853,372)	**(5,453,183)**
Amortization for the period		-	(1,519,151)	(231,070)	**(1,750,221)**
Balance, May 31, 2014		$ -	$ (5,118,962)	$ (2,084,442)	**$ (7,203,404)**
Carrying amounts					
Balance, August 31, 2013		$ 29,552,558	$ 16,043,541	$ 1,280,636	**$ 46,876,735**
Balance, May 31, 2014		$ 29,841,648	$ 15,974,390	$ 1,256,294	**$ 47,072,332**

During the year, the Company acquired an increased economic interest in a portfolio of group benefit clients in a transaction with a third party insurance brokerage firm with a cost of $900,000. In addition, the company incurred $206,728 in direct costs related to the acquisition of customer contracts with fixed terms.

7. Trade payables, accrued and other liabilities:

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

		May 31, 2014	**August 31, 2013**
Trade payables and other liabilities		$ 4,117,200	$ 4,507,749
Contingent consideration	4	1,034,046	950,204
Deferred lease inducements		48,640	57,395
		$ 5,199,886	$ 5,515,348
Less current portion of trade payables, accrued and other liabilities		4,134,069	4,522,278
Long-term portion of accrued and other liabilities		1,065,817	993,070
Total long-term Trade payables		**$ 1,065,817**	**$ 993,070**

(Expressed in Canadian dollars) (unaudited)

Amounts recognized as contingent consideration represent the estimated present value of $1,308,793 for potential additional future consideration based on achieving financial targets for H+P. The liability recognized in connection with the contingent consideration 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 and other factors. The fair value of the liability in connection with the contingent consideration 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 condensed consolidated interim statements of comprehensive income.

8. Deferred revenue:

Deferred revenue is a non-cash liability which represents the excess of retainer amounts billed over costs incurred and revenue earned on service contracts. The Company had the following deferred revenue.

	May 31, 2014	August 31, 2013
Fees received in advance	$ 3,649,570	$ 3,881,647
less: current portion of deferred revenue	3,512,634	3,792,348
Long-term portion of deferred revenue	$ 136,936	$ 89,299

9. Insurance premium liabilities and related cash and cash equivalents:

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 cash equivalents and investment balances relating to these liabilities are deducted from the related liability in the consolidated balance sheets. The Company had the following amounts held in accounts segregated from the Company's operating funds for insurance premium liabilities.

	May 31, 2014	August 31, 2013
Payable to carriers and insured individuals or groups	$ 15,975,033	$ 14,558,743
less: related cash and cash equivalents balances	15,975,033	14,558,743
	$ -	$ -

10. Non-controlling interest Put Options:

In connection with the acquisitions of Bencom Financial Service Group Inc. ("Bencom") and the Hamilton + Partners group of companies ("H+P"), the Company entered into various agreements whereby the vendors hold an economic interest in Bencom and H+P respectively 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 ("Special Shares"). The Company has the right to purchase the Special Shares ("Call Option") and the vendors have the right to require the Company to purchase the Special Shares ("Put Option") at certain dates in the future, subject to certain vesting and other conditions. On the effective date of exercise of the Call Option or the Put Option, the vendor’s right to earn performance based commissions and fees will be terminated.

(Expressed in Canadian dollars) (unaudited)

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 fair value of the liability associated with the Bencom Put Options as at May 31, 2014 was $826,533 (August 31, 2013 - 756,640). The Bencom Put Option is restricted during the first three years of the agreement but then may be exercisable at any time by the non-controlling shareholder(s).

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 fair value of the liability associated with the H+P Put Option as at May 31, 2014 was $5,646,483 (August 31, 2013 - 5,416,245). The H+P Put Option is restricted during the first three years of the agreement but then may be exercisable at any time by the non-controlling shareholder(s).

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 condensed consolidated interim statements of comprehensive income. For the three and nine months ended May 31, 2014 the Company recorded an adjustment to the non-controlling interest put options amounting to $175,502 and $300,132 (2013 – 30,778 and 30,778) to the change in estimated fair value of the liability.

11. Loans and borrowings:

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortized cost. For more information about the Company's exposure to interest rate and liquidity risk, see .

		May 31, 2014	August 31, 2013
Term loans			
(a)	A bank loan bearing interest of prime plus 1.5% per annum, secured by the assets of the Company, repayable in quarterly installments of $90,000 plus accrued interest. The loan matures May 31, 2018	-	1,710,000
(b)	A bank loan bearing interest of prime plus 1.5% per annum, secured by the assets of the Company, repayable in quarterly installments of principal of $133,929 plus accrued interest. The loan matures December 31, 2019.	3,080,357	3,482,143
(c)	A bank loan bearing interest of prime plus 1.5% per annum, secured by the assets of the Company, repayable in quarterly installments of principle of $335,714 plus accrued interest. The loan matures July 8, 2020.	8,392,858	9,400,000
(d)	A bank loan bearing interest of prime plus 1.5% per annum, secured by the assets of the Company, repayable in quarterly installments of $32,143 plus accrued interest. The loan matures March 31, 2021	900,000	-
Total term loans		12,373,215	14,592,143

(Expressed in Canadian dollars) (unaudited)

Vendor-take-back loans		
(e) A vendor-take-back loan bearing no interest per annum, secured by the assets of the Company, payable in two payments of $105,000 and $135,000, respectively. The amortized cost of the loan has been discounted using a rate equal to 5.76%. The loan matures May 1, 2016.	214,570	-
(f) A vendor-take-back loan bearing no interest per annum, unsecured, repayable in monthly installments of $1,933. The loan matured on September 1, 2013.	-	899
(g) A vendor-take-back loan bearing no interest per annum, secured by the assets of the Company, payable in two annual instalments of $350,000. The amortized cost of the loan has been discounted using a rate equal to 6.43%. The loan matures on October 1, 2014.	341,189	672,019
(h) A vendor-take-back loan bearing no interest per annum, secured by the assets of the Company, payable in three annual instalments of $188,031. The amortized cost of the loan has been discounted using a rate equal to 6.43%. The loan matures on December 1, 2015.	352,869	520,386
(i) A vendor-take-back loan bearing no interest per annum, unsecured, payable in monthly instalments of $5,224. The amortized cost of the loan has been discounted using a rate equal to 6.43%. The loan matures on August 1, 2017.	161,906	200,109
(j) A vendor-take-back loan bearing no interest per annum, secured by the assets of the Company, payable in three annual instalments of $1,201,667. The amortized cost of the loan has been discounted using a rate equal to 6.43%. The loan matures on July 9, 2016.	3,374,515	3,220,838
Total vendor-take-back loans	4,445,049	4,614,251
Finance lease liabilities		
(k) A finance lease repayable in monthly installments of $939 and secured by the assets to which the obligation relates. The lease expires August 1, 2015 and includes implicit interest rates ranging from 8.65%.	11,774	18,254
(l) A finance lease repayable in monthly installments of $1,074 and secured by the assets to which the obligation relates. The lease expires December 1, 2015 and includes implicit interest rates ranging from 11.28%.	17,446	24,687
Total finance lease liabilities	29,220	42,941
	16,847,484	19,249,335

(Expressed in Canadian dollars) (unaudited)

Less: current portion				
Term loans		2,007,143		2,238,571
Vendor take-back loans		1,607,905		1,546,978
Finance lease liabilities		19,972		18,528
	$	3,635,020	$	3,804,077
	$	13,212,464	$	15,445,258

The Company is a party to a Credit Facility Agreement with the Canadian Imperial Bank of Commerce which includes the following components:

1. A $2 million operating line of credit. As at May 31, 2014, the Company had not utilized this facility (August 31, 2013 - nil).
2. A $20 million term revolving acquisition credit facility to fund future acquisitions. The acquisition credit facility is available via loans bearing interest at prime plus 1.5% or via bankers' acceptances bearing periodically fixed interest plus a stamping fee of 2.5% annually. Each draw on the facility will be treated as a separate loan repayable over a period of up to seven years. As at May 31, 2014, the balance owing on this facility was equal to $12,373,215 (August 31, 2013 - $12,882,143).

   Subsequent to the end of the period, the Company used cash of $5,980,359 to pay down principal against its acquisition credit facility; and
3. A $2.5 million installment loan which was utilized to refinance certain long-term debt facilities and vendor-take-back debt of the Company. As at May 31, 2014, the balance owing on this facility had been repaid (August 31, 2013 - $1,710,000).

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

Finance lease liabilities are payable as follows:

						May 31, 2014						**August 31, 2013**
		Future minimum lease payments		**Interest**		**PV of minimum lease payments**		**Future minimum lease payments**		**Interest**		**PV of minimum lease payments**
1-12 months	$	22,055	$	2,084	$	19,972	$	22,055	$	3,985	$	18,070
13-60 months		9,542		293		9,248		31,597		2,377		29,220
	$	31,597	$	2,377	$	29,220	$	53,652	$	6,362	$	47,290

(Expressed in Canadian dollars) (unaudited)

12. Share capital

(a) Authorized

The Company has authorized share capital of an unlimited number of common voting shares.

(b) Shares issued and outstanding

Shares issued and outstanding are as follows:

	Note	Number of Common voting shares		Amount
Balance, August 31, 2012		32,970,527	$	11,990,956
Exercise of stock options		56,666		33,776
Balance, August 31, 2013		33,027,193	$	12,024,732
Private placement of shares		4,815,080		9,573,447
Exercise of stock options	13(b)	1,701,713		864,447
Balance, May 31, 2014		39,543,986	$	22,462,626

On April 23, 2014, the Company closed a private placement offering of 4,815,080 shares at a price of $2.15 per share, which included the exercise in full of the Underwriter's over-allotment option of 628,050 shares, for aggregate gross proceeds of $10,352,422. Total share issuance and commission costs of $778,975 were incurred in the private placement.

(c) Earnings per share

Basic earnings per share was calculated by dividing profit attributable to common shares by the sum of the weighted average number of common shares outstanding during the year.

Diluted earnings per share was calculated using the basic calculation described above, and adjusting for the potentially dilutive effect of total number of additional common shares that would have been issued by the Company under its Stock option plan.

(Expressed in Canadian dollars) (unaudited)

The following details the earnings per share, basic and diluted, calculations for the nine months ended May 31, 2014 and May 31, 2013:

	May 31, 2014		May 31, 2013	
	Three months ended	Nine months ended	Three months ended	Nine months ended
Net income attributable to common shares (basic and diluted)	$ 142,893	$ 1,966,064	$ 418,446	$ 841,076
Weighted average number of common shares (basic)	36,179,556	34,189,368	33,017,954	32,991,644
add: Dilutive effect of stock options	1,692,436	2,083,765	713,027	394,890
Weighted average number of common shares (diluted)	37,871,992	36,273,133	33,730,981	33,386,534
Earnings per share (basic)	$ 0.004	$ 0.058	$ 0.013	$ 0.025
Earnings per share (diluted)	$ 0.004	$ 0.054	$ 0.012	$ 0.025

Accretion expense on vendor-take-back loans represents the implied interest cost related to non-interest bearing vendor

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

13. Share-based payments

On February 23, 2011, at the Annual General Meeting of the Shareholders, the Shareholders re-approved and amended the Stock Option Plan and approved the Company’s Employee Share Ownership Plan. Under the terms of the plans, the number of shares issued under the Stock Option Plan and the Employee Share Ownership Plan, as well as all other security based compensation agreements combined cannot exceed 15%, or 5,931,598, of the Company’s issued and outstanding shares.

(a) Employee share ownership plan

The Company has an employee share ownership plan ("ESOP") 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. Contribution under ESOP began effective November 1, 2011.

At May 31, 2014, there were 171 participants (May 31, 2013 – *98*) in the plan. The total number of shares purchased during the three months and nine months ended May 31, 2014 on behalf of participants, including the Company contribution, was 74,809 and 270,695 shares (May 31, 2013 – 74,888 and 353,987 shares). During the three months and nine months ended May 31, 2014, the Company’s matching contributions totalled 14,747 and 53,919 shares (May 31, 2013 – 28,511 and 87,985 shares).

(b) Stock option plan

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 Stock Option Plan or by security regulators. Options shall not be granted for a term exceeding five years.

(Expressed in Canadian dollars) (unaudited)

Changes in the number of options outstanding during the nine months ended May 31, 2014 and May 31, 2013, are as follows:

	May 31, 2014		May 31, 2013	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance, beginning of year	3,129,809	$ 0.37	2,763,142	$ 0.34
Granted	150,000	1.90	175,000	0.44
Exercised	(1,701,713)	0.33	-	-
Forfeited and expired	(3,929)	0.28	-	-
Balance, end of year	1,574,167	$ 0.42	2,938,142	$ 0.34
Options exercisable, end of period	890,828		2,058,138	

Options outstanding at May 31, 2014 consist of the following:

Range of exercise prices	Weighted average Outstanding number	remaining contractual life	Weighted average exercise price	Exercisable number
$ 0.25 - $ 0.40	574,167	1.72 years	$0.31	440,831
$ 0.41 - $ 0.50	500,000	2.73 years	$0.43	333,332
$ 0.51 - $ 0.64	350,000	3.92 years	$0.63	116,665
$ 0.65 - $ 2.84	150,000	4.75 years	$1.90	-
$ 0.25 - $ 0.64	1,574,167	2.94 years	$0.57	890,828

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

	May 31, 2014	**May 31, 2013**
Expected option life	5.00 years	5.00 years
Risk-free interest rate	1.61%	1.33%
Dividend yield	nil	nil
Forfeiture rate	6.38%	6.55%
Volatility factor of expected market price of the Company's shares	76.72%	88.65%

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.

(Expressed in Canadian dollars) (unaudited)

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. 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.

14. Finance expenses:

The Company's Interest and other finance costs for the three and nine months ended May 31, 2014 and May 31, 2013 were comprised of the following:

	May 31, 2014		May 31, 2013	
	Three months ended	Nine months ended	Three months ended	Nine months ended
Interest on long-term debt	$ 194,749	$ 571,093	$ 148,735	$ 340,778
Interest income	(578)	(1,977)	(890)	(2,754)
Other finance costs	3,889	49,578	2,153	41,976
Non-cash finance costs				
Accretion expense on vendor-take-back loans	64,751	202,175	21,429	47,361
Accretion on contingent consideration	27,948	83,842	-	-
Non-controlling interest put option adjustment	175,502	300,132	30,778	30,778
	268,201	586,149	52,207	78,139
Total finance expenses	$ 466,261	$ 1,204,843	$ 202,205	$ 458,139

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 11). Accretion on contingent consideration is a charge to the Company's net income in the period to recognize the change in discounted fair value of the contingent consideration liability (Note 7).

15. Financial instruments:

Fair Value Measurement

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

The following presents the Company's assets and liabilities measured at fair value on a recurring basis and categorized by hierarchy level at May 31, 2014:

(Expressed in Canadian dollars) (unaudited)

	Note	(Quoted prices in an active market for identical assets) **Level 1**	(Significant other observable inputs) **Level2**	(Significant other unobservable inputs) **Level 3**
Cash and cash equivalents		$ 11,412,001	-	-
Contingent consideration	7	-	1,034,046	-
Non-controlling interest put options	10	-	6,473,016	-

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.

16. Commitments and contingencies:

(a) Contractual obligations

The Company leases premises and various office equipment under agreements which expire on various dates up to February 2018. Future minimum lease payments as at May 31, 2014 are as follows:

Next 12 months	$ 848,460
13 - 24 months	674,562
25 - 36 months	579,335
37 - 48 months	387,598
49 - 60 months	73,710
	$ 2,563,665

(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 is of the position 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. 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 salaries, the Company also provides non-cash and cash equivalents benefits and participation in the Employee Share Ownership Plan (Note 13(a)) and Stock Option Plan (Note 13(b)).

The following table details the compensation paid to key management personnel during the three and nine months ended May 31, 2014 and 2013:

(Expressed in Canadian dollars) (unaudited)

	May 31, 2014		May 31, 2013	
	Three months ended	Nine months ended	Three months ended	Nine months ended
Salaries, fees and short-term employee benefits	$ 286,250	$ 1,185,427	$ 481,941	$ 1,170,732
Short-term benefits and insurance premiums	5,960	16,934	11,854	35,875
Share-based payments	43,444	110,495	18,392	79,529
	$ 335,654	$ 1,312,856	$ 512,187	$ 1,286,136

(b) Key management personnel and director transactions

As at May 31, 2014, directors and key management personnel owned 27.20% (August 31, 2013 - 30.66%) percent of the voting shares of the Company.

18. Expenses by nature:

The Company's operating expenses for the three and nine months ended May 31, 2014 and May 31, 2013 were comprised of the following:

	May 31, 2014		May 31, 2013	
	Three months ended	Nine months ended	Three months ended	Nine months ended
Personnel and compensation				
Compensation and benefits	$ 6,046,519	$ 16,722,130	$ 4,531,994	$ 12,521,932
Bonuses	530,405	1,461,946	414,719	1,246,631
Short-term benefits and insurance premiums	598,385	1,609,782	466,718	1,279,793
Share-based payments	50,573	131,069	23,710	99,438
	7,225,882	19,924,927	5,437,141	15,147,794
Advertising and sponsorships	157,734	460,450	114,793	357,279
Automobile	73,827	203,671	72,671	205,816
Administration fees	503,919	1,385,131	557,873	1,254,064
Depreciation of property and equipment	188,404	334,956	102,173	278,585
Occupancy	563,823	1,614,076	432,892	1,170,270
Office supplies and communication	398,751	1,142,968	293,838	869,972
Other	170,586	400,376	86,004	291,503
Professional fees	233,490	509,207	171,291	451,602
Public company costs	53,836	180,565	41,655	193,706
Travel	275,890	711,847	156,107	549,401
	$ 9,846,142	$ 26,868,174	$ 7,466,438	$ 20,769,992

Compensation and benefits includes salaries, wages, management fees and commissions.

Certain employees of the Company participate in a defined contribution pension plan. Contributions to the plan by the Company totaled $19,896 for the nine months ended May 31, 2014 (2013 – $20,151). The amount is included in the salaries, wages and benefits expense in these condensed consolidated interim financial statements.

19. Subsequent events:

Effective on June 19, 2014, the Company acquired 100% of the issued and outstanding common shares of Fairles Benefit Services Inc. ("Fairles") for a purchase price of $700,000, funded through operating cash as well as the issue of a vendor-take-back loan.

Subsequent to the end of the period, the Company paid $5,980,359 in principal against the acquisition credit facility.