Consolidated Financial Statements
(Expressed in Canadian Dollars)

people
CORPORATION

Experience the Benefits of People

Years ended August 31, 2014 and August 31, 2013

Independent Auditors' Report

To the Shareholders of People Corporation:

We have audited the accompanying consolidated financial statements of People Corporation and its subsidiaries which comprise the consolidated statements of financial position as at August 31, 2014 and August 31, 2013, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended August 31, 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of People Corporation and its subsidiaries as at August 31, 2014 and August 31, 2013 and their financial performance and their cash flows for the years ended August 31, 2014 and August 31, 2013 in accordance with International Financial Reporting Standards.

MNP LLP

December 12, 2014
Toronto, Ontario

Chartered Professional Accountants
Licensed Public Accountants

PEOPLE CORPORATION

Consolidated Statements of Financial Position

As at August 31, 2014 and August 31, 2013

	Note	August 31, 2014	August 31, 2013
Assets			
Current assets:			
Cash and cash equivalents		$ 2,750,465	$ 2,449,169
Trade and other receivables	5	3,423,216	2,896,632
Other current assets		526,444	388,383
Total current assets		6,700,125	5,734,184
Non-current assets:			
Property and equipment	6	1,626,581	990,894
Goodwill and intangible assets	7	47,286,690	46,876,735
Deferred tax asset	13	496,031	134,464
Total non-current assets		49,409,302	48,002,093
Total assets		**$ 56,109,427**	**$ 53,736,277**
Liabilities and shareholders' equity			
Current liabilities:			
Trade payables, accrued and other liabilities	8	$ 3,700,928	$ 4,522,278
Deferred revenue	9	4,059,744	3,792,348
Income taxes payable	13	276,275	112,240
Current portion of loans and borrowings	12	3,080,922	3,804,077
Total current liabilities		11,117,869	12,230,943
Accrued and other liabilities	8	1,093,781	993,070
Deferred revenue	9	68,536	89,299
Non-controlling interest put options	10	6,661,351	6,172,884
Loans and borrowings	12	6,579,527	15,445,258
Deferred tax liability	13	4,566,433	4,628,201
Total liabilities		**30,087,497**	**39,559,655**
Shareholders' equity:			
Share capital	14	22,465,334	12,024,732
Contributed surplus		638,090	774,245
Retained earnings		2,918,506	1,377,645
Total shareholders' equity		**26,021,930**	**14,176,622**
Total liabilities and shareholders' equity		**$ 56,109,427**	**$ 53,736,277**

Commitments and contingencies (Note 19)
Subsequent Events (Note 24)

ON BEHALF OF THE BOARD OF DIRECTORS

/s/ "Scott Anderson"
Director, Chair of the Audit Committee

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

The notes are an integral part of these consolidated financial statements.

PEOPLE CORPORATION

Consolidated Statements of Comprehensive Income

For the years ended August 31, 2014 and August 31, 2013

	Note	Year ended August 31, 2014	Year ended August 31, 2013
Revenue			
Commissions		$ 24,995,792	$ 17,433,232
Fees and other revenues		17,547,086	15,458,927
		42,542,878	32,892,159
Operating expenses			
Personnel and compensation	23	26,501,987	21,056,253
General and administrative		7,694,444	6,763,330
Advertising and promotion		1,440,580	1,245,111
	23	35,637,011	29,064,694
Income before undernoted		**6,905,867**	**3,827,465**
Finance and other income (costs):			
Amortization of intangible assets		(2,418,626)	(1,242,131)
Write down of property and equipment	16	(22,320)	-
Finance expenses	16	(1,642,637)	(930,783)
Acquisition costs	4	(95,799)	(966,018)
		(4,179,382)	(3,138,932)
Net income before income taxes		**2,726,485**	**688,533**
Income tax expense:			
Current	13	1,894,600	711,149
Deferred	13	(708,976)	(282,725)
		1,185,624	428,424
Net income and comprehensive income		**$ 1,540,861**	**$ 260,109**
Earnings per share	14(c)		
Basic		$ 0.043	0.008
Diluted		$ 0.041	0.008

The notes are an integral part of these consolidated financial statements.

PEOPLE CORPORATION
Consolidated Statements of Changes in Equity

For the years ended August 31, 2014 and August 31, 2013

	Note	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 year		-	-	260,109	260,109
Exercise of stock options	14(b)	33,776	(13,510)	-	20,266
Share-based payments	15(b)	-	136,877	-	136,877
Total transactions with shareholders		$ 33,776	$ 123,367	$ 260,109	$ 417,252
Balance, August 31, 2013		**$ 12,024,732**	**$ 774,245**	**$ 1,377,645**	**$ 14,176,622**

	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 year		-	-	1,540,861	1,540,861
Issuance of common shares	14(b)	9,573,447	-	-	9,573,447
Exercise of stock options	14(b)	867,155	(311,888)	-	555,267
Share-based payments	15(b)	-	175,733	-	175,733
Total transactions with shareholders		10,440,602	(136,155)	1,540,861	11,845,308
Balance, August 31, 2014		**$ 22,465,334**	**$ 638,090**	**$ 2,918,506**	**$ 26,021,930**

PEOPLE CORPORATION

Consolidated Statements of Cash Flows

For the years ended August 31, 2014 and August 31, 2013

	Note	Year ended August 31, 2014	Year ended August 31, 2013
Operating activities			
Net income for the year		$ 1,540,861	$ 260,109
Adjustments for:			
Depreciation	6	460,481	379,967
Amortization of intangible assets	7	2,418,626	1,242,131
Share-based compensation		175,733	136,877
Non-controlling interest put option fair value adjustment		488,467	123,220
Accretive interest expense		400,444	163,426
Loss from disposal or write down of property and equipment	6	22,320	3,045
Deferred tax expense (recovery)		(725,735)	(282,725)
Net cash from operations		4,781,197	2,026,050
Change in the following:			
Trade and other receivables		(476,748)	167,912
Other current assets		(138,061)	139,101
Trade payables, accrued and other liabilities		(992,910)	(277,379)
Deferred revenue		246,633	(367,404)
Deferred tax liability		138,478	(221,265)
Net cash from (used by) working capital items		(1,222,608)	(559,035)
Net cash from operating activities		**3,558,589**	**1,467,015**
Investing activities			
Proceeds from disposal of property and equipment		-	300
Acquisition of subsidiary, net of cash and cash equivalents acquired		(746,044)	(13,991,842)
Acquisition of property and equipment		(1,118,488)	(395,470)
Acquisition of intangible assets		(1,163,308)	(198,205)
Net cash used in investing activities		**(3,027,840)**	**(14,585,217)**
Financing activities			
Proceeds from exercise of stock options		555,267	20,266
Proceeds from loans and borrowings		900,000	13,150,000
Repayment of loans and borrowings		(11,258,167)	(802,538)
Proceeds from private placement of shares, net		9,573,447	-
Net cash used in financing activities		**(229,453)**	**12,367,728**
Net increase (decrease) in cash and cash equivalents		301,296	(750,474)
Cash and cash equivalents at beginning of the year		2,449,169	3,199,643
Cash and cash equivalents at the end of the year		**$ 2,750,465**	**$ 2,449,169**

The notes are an integral part of these consolidated financial statements.

1. Reporting entity:

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

These consolidated financial statements were approved by the Board of Directors and authorized for issue on December 12, 2014.

2. Basis of presentation:

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of these financial statements and reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates.

The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the application of policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from those estimates. Areas of significant accounting estimates and judgments include determination of fair value of financial instruments, impairment of financial instruments, impairment of goodwill and intangible assets, and taxes. We also use judgment when determining functional currencies, contingencies, restructuring, non-current assets and the determination of fair value of share-based payments. Details on the estimates and judgments are further described in the relevant accounting policies in these Notes.

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

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

3. Significant accounting policies:

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

(a) Basis of consolidation

(i) Business combinations

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

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

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

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

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

(ii) Subsidiaries

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

(iii) Transactions eliminated on consolidation

Intra-Company balances and transactions, and any realized or unrealized income and expenses arising from intra-Company transactions, are eliminated in preparing these consolidated financial statements.

(b) Financial instruments

(i) Non-derivative financial assets

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

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

The Company derecognizes a financial asset when the contractual rights to the cash and cash equivalents flows from the asset expire, or it transfers the rights to receive the contractual cash and cash equivalents flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

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

(ii) Loans and receivables

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

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

(iii) Non-derivative financial liabilities

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

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

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

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

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

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

(iv) Share capital

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

(c) Property and equipment

(i) Recognition and measurement

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

(ii) Depreciation

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

Asset	Basis	Rate
Furniture and fixtures	Diminishing balance	20%
Computer equipment	Diminishing balance	30%
Leasehold improvements	Straight-line	Shorter of useful life or term of the lease
Computer software	Straight-line	4 years
Software licenses	Straight-line	Shorter of useful life or term of the license

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

(d) Goodwill and intangible assets

(i) Goodwill

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

(ii) Intangible assets

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

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

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

(e) Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Imputed interest on the lease payments is charged against income. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Leases not meeting the criteria for finance leases are operating leases and the related assets are not recognized in the Company's consolidated statements of financial position.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(f) Impairment

(i) Financial assets

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

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

(ii) Non-financial assets

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

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

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

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

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

(g) Trade payables, accrued and other liabilities

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

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

(h) Deferred revenue

Deferred revenue represents the excess of retainer amounts billed over costs incurred and revenue earned on service contracts.

(i) Insurance premium liabilities and related cash and cash equivalents

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

(j) Employee benefits

(i) Short-term employee benefits

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

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

(ii) Share-based payment transactions

Share-based payments are comprised of equity-settled stock options and equity settled Share Ownership plan. Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The grant date fair value of share-based payment awards granted to employees as a personnel expense, with a corresponding increase in equity, over the period that the options vest. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no reconciliation for differences between expected and actual outcomes.

The Company's contributions under its employee Share Ownership plan are expensed as incurred.

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

(k) Revenue Recognition

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

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

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

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

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

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

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

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

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

(l) Finance income and finance costs

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

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

(m) Income tax

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

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

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

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

(n) Earnings per share

Basic earnings per share is calculated by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise convertible notes and share options granted to employees.

(o) 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* ("IFRS 9")

The IASB issued IFRS 9 as a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple rules in IAS 39. The approach in IFRS 9 focuses on how an entity manages its financial instruments in the context of its business model, as well as the contractual cash 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. The effective date is for annual periods beginning on or after January 1, 2018.

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.

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

The IASB issued IFRS 15, to establish principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard is effective for annual periods beginning on or after January 1, 2017 with earlier adoption permitted.

The Company does not anticipate that the application of IFRS 15 will materially impact on the amounts reported in respect of the Company's financial assets. However, it is not yet practicable to provide a reasonable estimate the extent of such effect.

Changes in accounting policies:

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

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.

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.

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.

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 17 new financial instrument fair value disclosures required by IFRS 13.

4. Business acquisitions:

The Company accounts 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 the transaction and the acquisition-date fair value of the total consideration transferred are as follows:

During the year ended August 31, 2014, 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 Ltd. ("BHL"), a company that provides group benefits consulting and administration services to a broad range of clients in the Manitoba region.
- Effective June 23, 2014 the Company acquired all of the issued shares of Fairles Benefit Services Inc ("FBS"), through its wholly owned subsidiary, Bencom Financial Services Group Inc. ("Bencom"). FBS provides group benefits and group retirement consulting to a broad range of clients in the Southwestern Ontario region.

Assets	
Cash	$ 154,124
Accounts receivable and other assets	49,836
Customer relationships intangible asset	1,065,000
Goodwill	585,423
Accounts payable and accrued liabilities	(175,481)
Other current liabilities	(8,321)
Deferred tax payable	(287,550)
	1,383,031
Consideration	
Cash payment	880,000
Promissory note payable	482,863
Working capital adjustment	20,168
	$ 1,383,031

During the year ended August 31, 2013, the Company acquired the following businesses:

- Effective September 1, 2012 the Company acquired all of the issued and outstanding shares of JSL Inc. ("JSL"), a company that provides employee benefit solutions, consulting services and practical health management programs to its clients.

- Effective November 1, 2012, the Company acquired all of the issued and outstanding shares of Prosure Group Administrators Ltd. and Prosure Insurance Agencies Ltd. (collectively “Prosure”). Prosure provides employee benefit solutions, consulting services and third party administration services to mid-market corporate clients.

- Effective December 3, 2012 the Company acquired all of the issued and outstanding common shares and special shares of Bencom, a company that provides employee benefit solutions, group retirement solutions and individual benefit solutions to its clients.

  In connection with the Bencom acquisition, the Company entered into various agreements whereby the vendors hold an economic interest in Bencom through the ongoing right to earn performance-based commission and fees. In addition, the vendors hold ongoing ownership through non-voting, non-dividend earning special shares of Bencom ("Bencom Special Shares"). The Company has the right to purchase the Bencom Special Shares ("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 Call Option or the Put Option, the vendor’s right to earn performance based commission and fees will be terminated.

- Effective July 9, 2013 the Company acquired all of the issued and outstanding common shares of H+P Consulting Corporation ("H+P") which wholly owns Employee Benefits Inc. ("EBI"), Disability Concepts Inc. ("DCI") and 6814409 Canada Incorporated ("681") which operate under the brand Hamilton + Partners. H+P provides group benefits and disability insurance consulting services to its clients.

  In connection with the H+P acquisition, the Company entered into various agreements whereby the vendors hold an economic interest in H+P through the ongoing right to earn performance based commission and fees. In addition, the vendors hold ongoing ownership through non voting, non dividend earning special shares of H+P ("H+P Special Shares"). The Company has the right to purchase the H+P Special Shares ("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 Call Option or the Put Option, the vendor’s right to earn performance based commission and fees will be terminated.

	Hamilton + Partners	Bencom	Other Acquisitions	Total
Assets				
Cash	$ 252,543	$ 128,012	$ 234,914	$ 615,469
Accounts receivable and other assets	160,878	196,890	50,155	407,923
Property and equipment	109,847	14,756	13,460	138,063
Other long-term assets	57,310	-	-	57,310
Customer relationships	10,814,000	1,660,000	1,170,000	13,644,000
Goodwill	11,603,671	3,588,548	786,304	15,978,523
Deferred tax liability	(2,880,850)	(439,900)	(310,050)	(3,630,800)
Accounts payable and accrued liabilities	(510,051)	(439,347)	(198,321)	(1,147,719)
	19,607,348	4,708,959	1,746,462	26,062,769

Consideration				
Cash payment on closing	10,311,068	3,435,907	860,334	14,607,309
Working capital adjustment due to vendors	(132,023)	75,000	-	(57,023)
Promissory note payable	3,186,686	498,637	886,128	4,571,451
Non-controlling interest put option (Note 10)	5,310,044	699,415	-	6,009,459
Contingent consideration	931,573	-	-	931,573
	$ 19,607,348	$ 4,708,959	$ 1,746,462	$ 26,062,769

For the year ended August 31, 2014, promissory notes payable were recognized representing the estimated fair value of the promissory notes using a weighted average discount rate of 5.77% (2013 - 6.43%). Total consideration paid is subject to final adjustments for working capital.

As at August 31, 2014, amounts recognized as contingent consideration represent the estimated present value of $1,064,229 (2013 - $950,204) for potential additional future consideration based on achieving financial targets for H+P (Note 8).

The Company's consolidated statements of comprehensive income include the result of operations for JSL, Prosure, Bencom, and H+P from their respective dates of acquisition to August 31, 2013.

	August 31, 2014		**August 31, 2013**	
	As reported	Pro forma	As reported	Pro forma
Operating revenues				
H+P	$ -	$ -	$ 525,473	$ 6,200,328
Bencom	$ -	$ -	$ 1,750,241	$ 2,386,358
Other acquisitions	$ 87,186	$ 928,622	$ 1,377,399	$ 1,457,250
Net income and comprehensive income (loss)				
H+P	$ -	$ -	$ 67,843	$ 1,334,785
Bencom	$ -	$ -	$ 484,016	$ 475,950
Other acquisitions	$ 31,152	$ 424,558	$ 281,569	$ 303,585

Pro forma balances represent management's estimates of consolidated revenue and consolidated net income as if the acquisitions had been completed on September 1, 2013 and September 1, 2012, respectively. For the purposes of these pro forma balances, comprehensive income is equal to net income. Acquisition-related costs amounting to $95,799 (2013 - $966,018 are not included as part of the consideration transferred and have been recognized as acquisition costs in the consolidated statements of comprehensive income.

5. Trade and other receivables:

The Company has the following trade and other receivables:

	August 31, 2014	August 31, 2013
Trade receivables	$ 3,264,492	$ 2,896,632
Commission advances	158,724	-
	$ 3,423,216	$ 2,896,632

Retainer amounts for which the related performance conditions have not yet been met are presented as deferred revenue (Note 9). The Company's exposure to credit and currency risks, and impairment losses related to trade and other receivables is disclosed in note 20.

6. Property and equipment:

The Company has the following property and equipment:

	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	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	461,004	115,635	165,332	377,008	**1,118,979**
Write down of property and equipment	-	-	-	(22,320)	**(22,320)**
Acquisition through business combination	44,681	-	46,641	2,535	**93,857**
Balance, August 31, 2014	$ 1,046,227	$ 897,852	$ 1,430,891	$ 964,675	**$ 4,339,645**

	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 year	(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 year	(163,500)	(66,682)	(125,488)	(105,301)	**(460,971)**
Acquisition through business combination	(44,681)	-	(46,641)	(2,535)	**(93,857)**
Balance, August 31, 2014	$ (602,301)	$ (604,424)	$ (994,997)	$ (511,341)	**$ (2,713,063)**
Carrying amounts					
Balance, August 31, 2013	$ 146,422	$ 244,475	$ 396,050	$ 203,947	**$ 990,894**
Balance, August 31, 2014	$ 443,926	$ 293,428	$ 435,894	$ 453,333	**$ 1,626,581**

7. Goodwill and intangible assets:

The Company has the following 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	278,157	**1,178,157**
Acquisition through business combination	4	585,423	1,065,000	-	**1,650,423**
Balance, August 31, 2014		$ 30,137,981	$ 21,608,352	$ 3,412,165	**$ 55,158,498**
Amortization and impairment losses					
Balance, August 31, 2012		$ -	$ (2,661,052)	$ (1,550,000)	**$ (4,211,052)**
Amortization for the year		-	(938,759)	(303,372)	**(1,242,131)**
Balance, August 31, 2013		-	(3,599,811)	(1,853,372)	**(5,453,183)**
Amortization for the year		-	(2,110,533)	(308,093)	**(2,418,626)**
Balance, August 31, 2014		$ -	$ (5,710,344)	$ (2,161,465)	**$ (7,871,809)**
Carrying amounts					
Balance, August 31, 2013		$ 29,552,558	$ 16,043,541	$ 1,280,636	**$ 46,876,735**
Balance, August 31, 2014		$ 30,137,981	$ 15,898,008	$ 1,250,701	**$ 47,286,690**

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 $278,157 in direct costs related to the acquisition of customer contracts with fixed terms.

8. Trade payables, accrued and other liabilities:

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

		August 31, 2014	**August 31, 2013**
Trade payables and other liabilities		$ 3,687,611	$ 4,507,749
Contingent consideration	4	1,064,229	950,204
Deferred lease inducements		42,869	57,395
		$ 4,794,709	$ 5,515,348
Less current portion of trade payables, accrued and other liabilities		3,700,928	4,522,278
Long-term portion of accrued and other liabilities		1,093,781	993,070
Total long-term Trade payables		**$ 1,093,781**	**$ 993,070**

Amounts recognized as contingent consideration represent the estimated undiscounted fair value of $1,308,793 (2013 - $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 consolidated statements of comprehensive income. During the year, the Company recognized an adjustment to the fair value of the contingent consideration of $114,025 (2013 - nil).

9. 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 has the following deferred revenue.

	August 31, 2014	August 31, 2013
Fees received in advance	$ 4,128,280	$ 3,881,647
less: current portion of deferred revenue	4,059,744	3,792,348
Long-term portion of deferred revenue	$ 68,536	$ 89,299

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.

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 August 31, 2014 was $851,511 (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 August 31, 2014 was $5,809,840 (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 consolidated statements of comprehensive income. For the year ended August 31, 2014 the Company recorded an adjustment to the non-controlling interest put options amounting to $488,467 (2013 - 163,426) to the change in estimated fair value of the liability.

11. 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 has the following amounts held in accounts segregated from the Company's operating funds for insurance premium liabilities.

	August 31, 2014	August 31, 2013
Payable to carriers and insured individuals or groups	$ 16,640,790	$ 14,558,743
less: related cash and cash equivalents balances	16,640,790	14,558,743
	$ -	$ -

12. 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 note 20.

	August 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 was repaid in June 2014.	-	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.	6,057,143	9,400,000
Total term loans	6,057,143	14,592,143
Vendor-take-back loans		
(d) 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

(e)	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.	346,476	672,019
(f)	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.	358,619	520,386
(g)	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.	217,659	-
(h)	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.	2,213,392	3,220,838
(i)	A vendor-take-back loan bearing no interest per annum, secured by the assets of the Company, payable in three annual instalments of $100,000. The amortized cost of the loan has been discounted using a rate equal to 5.80%. The loan matures on May 1, 2017.	272,183	-
(j)	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.	170,564	200,109
Total vendor-take-back loans		3,578,893	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%.	9,520	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%.	14,893	24,687
Total finance lease liabilities		24,413	42,941
		9,660,449	19,249,335

Less: current portion		
Term loans	1,342,857	2,238,571
Vendor take-back loans	1,717,587	1,546,978
Finance lease liabilities	20,478	18,528
	$ 3,080,922	$ 3,804,077
	$ 6,579,527	$ 15,445,258

As at August 31, 2014, the Company had been party to a Credit Facility Agreement with the Canadian Imperial Bank of Commerce ("CIBC") which included the following components:

1. A $2 million operating line of credit. As at August 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. As at August 31, 2014, the balance owing on this facility was equal to $6,057,143 (August 31, 2013 - $12,882,143).
3. A $2.5 million installment loan which was used to refinance certain long-term debt facilities and vendor-take-back debt of the Company. As at August 31, 2014, the balance owing on this facility had been repaid (August 31, 2013 - $1,710,000).

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

Subsequent to the end of the year, the Company entered into a new Credit Facility Agreement with CIBC (Note 24).

Finance lease liabilities are payable as follows:

			August 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	$ 1,577	$ 20,478	$ 22,055	$ 3,528	$ 18,528
13-60 months	4,028	93	3,935	26,083	1,670	24,413
	$ 26,083	$ 1,670	$ 24,413	$ 48,138	$ 5,198	$ 42,941

13. Income Taxes:

	August 31, 2014	August 31, 2013
Net income and comprehensive net income	$ 2,726,485	$ 688,533
Statutory tax rate	26.62 %	26.59 %
Income taxes (recovery) at statutory tax rates	725,790	183,116
Adjustments to income taxes		
Non-deductible items	340,546	228,177
Prior period deferred tax expense	81,610	-
Prior period current tax expense (recovery), net	(14,270)	3,995
Change in rate at which temporary differences are recorded	729	(2,450)
Recognition of previously unrecognized tax loss	14,222	73,122

Other	36,997	(57,536)
	1,185,624	428,424
Current taxes	1,894,600	711,149
Deferred taxes	(708,976)	(282,725)
	$ 1,185,624	$ 428,424

The 2014 statutory tax rate differs from the 2013 statutory tax rate resulting from a change in the provincial allocation of gross revenue and wages.

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

	August 31, 2014	August 31, 2013
Deferred tax assets		
Equity issue and financing costs	$ 35,101	$ 15,442
Lease inducements	11,389	15,248
Other reserves	11,420	15,665
Non-capital loss carryforwards	421,563	66,037
Deferred financing costs	16,558	22,072
	496,031	134,464
Deferred tax liabilities		
Property and equipment	57,978	71,415
Intangible assets	4,498,215	4,556,786
	4,556,193	4,628,201
Net deferred tax liabilities	$ (4,060,162)	$ (4,493,737)

	August 31, 2014	August 31, 2013
Balance, August 31, 2013	$ (4,493,737)	$ (1,145,663)
Recognized in the statement of income and comprehensive income	708,975	282,725
Recognized in business acquisitions (Note 4)	(275,400)	(3,630,799)
Balance, August 31, 2014	$ (4,060,162)	$ (4,493,737)

The Company has non-capital loss carryforwards that expire as follows:

2032	$ 24,927
2033	1,561,874
	$ 1,586,801

14. 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	15(b)	1,709,213		867,155
Balance, August 31, 2014		39,551,486	$	22,465,334

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.

The following details the earnings per share, basic and diluted, calculations for the years ended August 31, 2014 and August 31, 2013:

		August 31, 2014		August 31, 2013
Net income attributable to common shares (basic and diluted)	$	1,540,861	$	260,109
Weighted average number of common shares (basic)		35,540,710		33,000,604
add: Dilutive effect of stock options		1,891,772		382,229
Weighted average number of common shares (diluted)		37,432,482		33,382,833
Earnings per share (basic)	$	0.043	$	0.008
Earnings per share (diluted)	$	0.041	$	0.008

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.

15. 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 5,932,723 (2013 – 4,954,079), 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 August 31, 2014, there were 177 participants (August 31, 2013 – 116) in the plan. The total number of shares purchased during the and year ended August 31, 2014 on behalf of participants, including the Company contribution, was 335,633 shares (August 31, 2013 – 662,591 shares). During the year ended August 31, 2014, the Company's matching contributions totalled 66,907 shares (August 31, 2013 – 139,282 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.

Changes in the number of options outstanding during the year ended August 31, 2014 and August 31, 2013, are as follows:

	August 31, 2014		August 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	475,000	0.56
Exercised	(1,709,213)	0.32	(56,666)	0.36
Forfeited and expired	(3,929)	0.28	(51,667)	0.55
Balance, end of year	1,566,667	$ 0.57	3,129,809	$ 0.37
Options exercisable, end of year	883,328		2,166,472	

For the year ended August 31, 2014, the Company received proceeds from exercise of stock options equal to $555,267 (2013 - $20,266) from the exercise of 1,709,213 options. Related to these transactions, the Company transferred $311,888 (2013 - $13,510) from contributed surplus to share capital.

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

Range of exercise prices	Outstanding number	Weighted average remaining contractual life	Weighted average exercise price	Exercisable number
\$ 0.25 - \$ 0.40	566,667	1.81 years	\$0.31	433,331
\$ 0.41 - \$ 0.50	500,000	2.48 years	\$0.43	333,332
\$ 0.51 - \$ 0.64	350,000	3.67 years	\$0.63	116,665
\$ 0.65 - \$ 2.84	150,000	4.50 years	\$1.90	-
\$ 0.25 - \$ 2.84	1,566,667	2.70 years	\$0.57	883,328

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 (Note 18) with the following weighted average assumptions:

	August 31, 2014	**August 31, 2013**
Expected option life	5.00 years	5.00 years
Risk-free interest rate	1.61%	1.37%
Dividend yield	nil	nil
Forfeiture rate	6.38%	6.37%
Volatility factor of expected market price of the Company's shares	76.72%	88.26%

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

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. Volatility is determined based on the five-year share price history. 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.

16. Finance expenses:

The Company's Interest and other finance costs for the years ended August 31, 2014 and August 31, 2013 were comprised of the following:

	Note	August 31, 2014	August 31, 2013
Interest on long-term debt	12	$ 705,246	$ 558,422
Interest income		(2,571)	(3,585)
Other finance costs		51,052	89,300
Non-cash finance costs			
Accretion expense on vendor-take-back loans	12	286,419	104,589
Accretion on contingent consideration	8	114,024	18,631
Non-controlling interest put option adjustment		488,467	163,426
		888,910	286,646
Finance expenses, net		$ 1,642,637	$ 930,783

17. 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 August 31, 2014:

	Note	(Quoted prices in an active market for identical assets) **Level 1**	(Significant other observable inputs) **Level2**	(Significant other unobservable inputs) **Level 3**
August 31, 2014				
Cash and cash equivalents		$ 3,069,287	-	-
Contingent consideration	8	-	1,064,229	-
Non-controlling interest put options	10	-	6,661,351	-
August 31, 2013:				
Cash and cash equivalents		$ 2,449,169	-	-
Contingent consideration	8	-	950,204	-
Non-controlling interest put options	10	-	6,172,884	-

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.

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset of liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

18. Determination of fair values:

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

(a) Property and equipment

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

(b) Intangible assets

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

(c) Share-based payment transactions

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

(d) Non-controlling interest put option

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

19. Commitments and contingencies:

(a) Contractual obligations

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

Next 12 months	$	893,617
13 - 24 months		649,101
25 - 36 months		621,800
37 - 48 months		294,612
49 - 60 months		37,518
	$	2,496,648

(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.

20. Financial risk management:

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

- interest risk
- credit risk
- liquidity risk

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

(a) Interest Rate Risk

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

The Company has identified an exposure to fair value variation in relation to variable interest term loans. The Company does not use financial derivatives to decrease its exposure to interest risk. For the year ended August 31, 2014, a change in interest rate relating to loans and borrowings of 1% would have increased or decreased interest expense by approximately $145,000 (2013 - $108,000).

(b) Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk from customers. In order to reduce its credit risk, the Company reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Company has experienced few bad debt write offs and accordingly its allowance at August 31, 2014 is nil (2013 - nil).

Pursuant to their respective payment terms, consolidated trade receivable are aged as follows as at August 31, 2014:

Current	$ 2,848,428
31 - 60 days past due	233,310
61 - 90 days past due	322,201
Over 91 days past due	19,277
	3,423,216
Allowance for doubtful accounts	-
	3,423,216

(c) Liquidity Risk

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

The maturity dates of the Company’s financial liabilities as at August 31, 2014 are as follows:

	Carrying amount	Contractual cash flows	Maturing in the next 12 months	Maturing in 13 to 36 months	Maturing in 37 to 60 months	Maturing in more than 60 months
Trade payables	$ 3,687,611	$ 3,687,611	$ 3,687,611	$ -	$ -	$ -
Loans and borrowings	9,660,449	9,938,945	3,265,723	4,644,651	2,028,572	-
	$13,348,060	$13,626,556	$ 6,953,334	$ 4,644,651	$ 2,028,572	$ -

21. Capital Management:

The Company views its capital as the combination of its cash and cash equivalents, long-term debt, and shareholders' equity, which as at August 31, 2014 was equal to $32,931,914. The Company's primary objective when managing capital is to safeguard the entity's ability to continue as a going concern while supporting the growth of the Company's business through organic growth and new acquisitions.

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

The credit facilities require the Company to maintain certain financial covenants. Management also uses these ratios as key indicators in managing the Company's capital. The Company complied with all the required financial covenants at August 31, 2014.

22. 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 15(a)) and Stock Option Plan (Note 15(b)).

The following table details the compensation paid to key management personnel during the year ended August 31, 2014 and 2013:

	August 31, 2014	August 31, 2013
Salaries, fees and short-term employee benefits	$ 1,546,677	$ 1,600,152
Short-term benefits and insurance premiums	23,018	21,894
Share-based payments	122,977	83,115
	$ 1,692,672	$ 1,705,161

(b) Key management personnel and director transactions

As at August 31, 2014, directors and key management personnel owned 24.50% (August 31, 2013 - 30.66%) percent of the voting shares of the Company.

As at August 31, 2014, the Company engages in transactions with Directors and key management personnel of the Company. All the transactions are in the normal course of operations and are measured at the exchanged amount, which is the consideration agreed to by the parties.

23. Expenses by nature:

The Company's operating expenses for the year ended August 31, 2014 and August 31, 2013 were comprised of the following:

	August 31, 2014	August 31, 2013
Personnel		
Wages, salaries and commissions	$ 22,339,309	$ 17,450,791
Bonuses	1,880,107	1,755,832
Short-term benefits and insurance premiums	2,106,838	1,712,753
Share-based payments	175,733	136,877
	26,501,987	21,056,253
Advertising and sponsorships	610,507	512,186
Automobile	275,587	292,473
Administration fees	1,812,337	1,697,491
Depreciation of property and equipment	460,481	379,967
Occupancy	2,156,215	1,718,214
Office supplies and communication	1,574,919	1,176,216
Other	471,827	381,809
Professional fees	620,338	886,439
Public company costs	269,960	246,569
Travel	882,853	717,077
	$ 35,637,011	$ 29,064,694

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 $27,292 for the year ended August 31, 2014 (2013 – $26,822). The amount is included in the salaries, wages and benefits expense in these condensed consolidated interim financial statements.

24. Subsequent events:

On October 31, 2014, the Company entered into an agreement with its senior lender, Canadian Imperial Bank of Commerce ("CIBC"), as lead lender of a syndicated loan facility, which included the following components:

1. $5 million revolving credit facility.
2. $23 million term acquisition credit facility to fund future acquisitions.
3. $7 million term credit facility installment loan which was used to refinance the acquisition facility balance outstanding under the previous agreement.

The agreement provides for an option (the "Accordion Feature"), subject to the satisfaction of certain terms and conditions, to increase the Acquisition Revolver by an additional $15 million of capacity, which would result in the size of the Acquisition Revolver being increased to $38 million, and overall credit capacity being increased to $50 million.

The new facility is secured by a general security agreement over the assets of the Company and its subsidiaries and is subject to covenants. The new facility replaces the Company's previously existing credit facility originally entered into 2011 and subsequently amended (Note 12).