Management's Discussion & Analysis
(Expressed in Canadian Dollars)

people CORPORATION

Experience the Benefits of People

For the Quarter and Year ended August 31, 2019

PEOPLE CORPORATION

Management's Discussion & Analysis
For the Quarter and Year ended August 31, 2019

This Management's Discussion and Analysis ("**MD&A**") has been prepared with an effective date of December 6, 2019 and provides an update on matters discussed in, and should be read in conjunction with the audited annual consolidated financial statements of People Corporation (the "**Company**"), including the notes thereto, as at and for the year ended August 31, 2019, which were prepared in accordance with International Financial Reporting Standards ("**IFRS**"), unless otherwise specified. All amounts contained within this MD&A are in Canadian dollars unless otherwise specified. Amounts set forth in this MD&A are stated in thousands of dollars except for per share, issued and outstanding share data, and unless otherwise noted.

ADDITIONAL INFORMATION

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

FORWARD-LOOKING STATEMENTS

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

Readers are cautioned that the following terms used herein and other similar terms do not have standardized meanings as prescribed by IFRS and may not be comparable to similar measures presented by other companies. In this MD&A: ("**Standardized EBITDA**") means Net income or loss before finance expense, income tax expense, depreciation and amortization; ("**REI**") means retained economic interest, which represents the earnings attributable to vendors and/or principals of acquired companies based on prescribed formulas; ("**Adjusted EBITDA before REI**") means Standardized EBITDA before acquisition, integration and reorganization costs, share-based compensation expense, compensation-based REI and equity-based REI; ("**Adjusted EBITDA**") means Standardized EBITDA net of REI before acquisition, integration and reorganization costs and share based compensation expense; ("**Adjusted Net Earnings**") means Net income (loss) before estimated changes in 1) the fair value of non-controlling interest and contingent consideration obligations, 2) acquisition, integration and reorganization costs (net of tax) and 3) equity-based REI, ("**Operating Income before Corporate Costs**"), means Adjusted EBITDA before corporate costs; and ("**Corporate Costs**") and ("**Operating Working Capital**"), have the meanings hereinafter set out. Further, readers are cautioned that Standardized EBITDA, Adjusted EBITDA before REI, Adjusted EBITDA, Operating Income before Corporate Costs, and Adjusted Net Earnings should not replace Net income or loss or cash flows from operating, investing and financing activities (as determined in accordance with IFRS), as an indicator of the Company's performance. See the "Non-IFRS Financial Measures" section for further commentary.

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

FINANCIAL HIGHLIGHTS

The Company's financial results for the three and twelve months ended August 31, 2019, fully reflect the effect of last year's acquisitions of Assurances Dalbec ("**Dalbec**"), Rockwater Benefits Company Ltd. ("**Rockwater**"), Lane Quinn Benefit Consultants Ltd. ("**Lane Quinn**"), and Silverberg & Associates Inc. ("**Silverberg**"). In addition, the effect of the current year acquisitions of Benefit Partners Inc. ("**BPI**"), Life Benefit Solutions Inc. ("**Life**") and ACL Student Benefits Ltd. ("**ACL**") are reflected in the current period.

	for the three months ended		for the year ended	
	Aug 31, 2019	**Aug 31, 2018**	**Aug 31, 2019**	**Aug 31, 2018**
Revenue	$ 43,192	$ 36,279	$ 162,494	$ 130,518
Adjusted EBITDA	$ 9,927	$ 7,745	$ 36,072	$ 27,542
Adjusted net earnings	$ 1,733	$ 1,131	$ 6,221	$ 7,400
Net income (loss)	$ 2,931	$ (9,479)	$ (2,609)	$ (6,921)
Net income (loss) per share (basic)	$ 0.05	$ (0.17)	$ (0.04)	$ (0.13)
Adjusted net earnings per share (basic)	$ 0.03	$ 0.02	$ 0.10	$ 0.14

The Company realized strong revenue growth for the three months ended August 31, 2019, of $6,913 (19.1%). Organic growth of $3,312 (9.1%) was recognized primarily from gaining new clients, increasing product and service penetration with existing clients and natural inflationary factors. The Company recognized acquired growth of $3,601 (10.0%) resulting from the acquired operations of Silverberg, BPI, Life and ACL.

Adjusted EBITDA for the three months ended August 31, 2019, was $9,927, representing an increase of $2,182 (28.2%), as compared to the same period in fiscal 2018. Growth in Adjusted EBITDA for the three month period was primarily driven by contribution from acquired operations along with organic revenue growth in the fourth quarter, which was partially offset by increases in variable compensation expenses tied directly to the higher revenue and expanded leadership primarily in Ontario and Western Canada to accommodate integration and current growth. The Company continued its investment in sales and support staff, along with marginal growth within the Corporate support functions.

The Company reported Net income for the three months ended August 31, 2019, of $2,931. Net income realized in the current quarter improved by $12,410 due to higher Adjusted EBITDA of $2,182, as described above, a reduction in fair value adjustments relating to the non-controlling interest put options and contingent consideration obligations of $11,247 and partially offset by an increase in depreciation and income taxes.

The Company realized strong revenue growth for the year ended August 31, 2019, of $31,976 or (24.5%). Organic growth of $11,638 (8.9%) was recognized primarily from gaining new clients, increasing product and service penetration with existing clients and natural inflationary factors. The Company recognized acquired growth of $20,338 (15.6%) resulting from the acquired operations of Dalbec, Rockwater, Lane Quinn, Silverberg, BPI, Life, and ACL.

Adjusted EBITDA for the year ended August 31, 2019, was $36,072, representing an increase of $8,530 or (31.0%), as compared to the same period in fiscal 2018. Growth in Adjusted EBITDA during the year was primarily driven by contributions from acquired operations, along with organic revenue growth, which was partially offset by increases in variable compensation expenses tied directly to the higher revenue and investments made in personnel & compensation throughout the Company in order to expand the leadership team to advance integration efforts and drive organic growth.

The Company reported Net loss for the year ended August 31, 2019, of $2,609. The Net loss improved by $4,312 as a result of 1) higher Adjusted EBITDA of $8,530, as described above; offset by, 2) a reduction in fair value adjustments relating to the non-controlling interest put options and contingent consideration obligations; 3) increased amortization of intangible assets related to customer relationships; and 4) continued investment in acquisition, integration, and reorganization activities in order to support acquisitions completed during the year and to drive future growth.

BUSINESS OVERVIEW

The Company delivers employee group benefits consulting, third-party benefits administration services (including claims processing, disability management and administration services), group retirement services (including consulting and advisory services), health solutions (including disease management and mental health solutions) and human resource consulting services to help companies recruit, retain and reward employees. The Company achieves this through approximately 925 professionals and support staff with 33 offices located across Canada where the Company is registered to do business in 10 provinces and 2 territories. The Company earns revenues from a diverse base of clients in various industries. The Company maintains a corporate strategic plan, a financial plan and an ongoing annual planning process that enables the continued growth and execution of the strategy aligned with its vision. The Company's priority is the continued profitable expansion of existing operations through a focus on organic growth and the acquisition of synergistic companies with a view to maximize value for its stakeholders: i) shareholders, ii) clients, iii) acquisition partners, and iv) employees. The Company has financial and management resources in place to execute these priorities.

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

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

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

People Corporation helps businesses:

Attract — The Company's employee group benefits, group retirement and human resource practices are led by experts who understand a client's business and can help a client attract the best people for their industry, helping position them as top employers.

Reward — Proprietary solutions offered by the Company's employee group benefits consulting, third party benefits administration, group retirement consulting, group retirement advisory

	services, claims processing, disability management and administration services ensures that a client's staff has access to health, wellness, dental, and retirement plans that make financial sense for their families, as well as for the client's business.
Retain	The Company can help make a client's organization a place where the best people will want to build their careers while also ensuring cost containment for the client's group benefits, group retirement and HR solutions.

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

Expertise	The Company's consultants are recognized industry leaders who can create value for a client’s organization. Through the experience of working with hundreds of clients, the Company's consultants have developed broad, as well as specialized, product, insurance and industry expertise.
Custom Solutions	The Company's broad range of innovative and proprietary group benefit solutions, group retirement, health and disability solutions can be tailored to suit organizations of any size, in any sector. This is achieved through the Company’s partner relationships, its ability to leverage its various systems and platforms and through the expertise of its consultants and staff.
Industry Leading Pricing	As a national provider, the Company's buying power allows it to offer clients the best products on the best terms, including industry leading pricing within our preferred provider network.
Independent Guidance	The Company's expert advice is unbiased and independent. The Company works with all major insurers to provide clients with the best customized solution for its clients' businesses and people.
National Servicing	With offices across the country, the Company can provide national clients with service at a local level.

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

Consulting Solutions

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

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

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

ACL Student Benefits Ltd.

ACL Student Benefits Ltd. ("**ACL**"), established in 1998, provides consulting services related to health and dental benefits to student associations at Canadian post-secondary education institutions, and to international students attending Canadian universities and colleges, primarily in Ontario, Alberta and New Brunswick.

Bencom Financial Group Services Inc.

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

Benefit Partners Inc. ("BPI")

Benefit Partners Inc. ("**BPI**"), established in 1995, provides employee benefits, group retirement and HR consulting services to companies of all sizes from a variety of industries. BPI's offices are located in Sudbury, Port Colborne and Barrie.

Buffett Taylor & Associates

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

Gallivan Student Health & Wellness

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

Group Retirement Solutions

Group Retirement Solutions ("**GRS**") focuses on enhancing and expanding upon the Company's existing group retirement products and client service model. The mandate of the division is to provide support services to the Company's benefit consultants to facilitate and help them expand their service offering to clients by adding Group Retirement Solutions.

Hamilton + Partners Inc.

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

Integrated Solutions

Integrated Solutions ("**IS**") provides group benefit advisory services with a focus on unique strategic and tax effective compensation solutions designed to realign the competing needs of the business and the people in it. IS provides its specific expertise through a network of third party insurance brokers who do not traditionally serve group benefit needs.

JSL

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

Lane Quinn Benefit Consultants

Lane Quinn Benefit Consultants (“**Lane Quinn**”), established in 2001, a leading group benefits consulting firm in the Alberta market, services mid-market companies and municipalities. Lane Quinn provides group benefit and group retirement advisory services, with a strong focus on value-added consulting advice. Lane Quinn has offices located in Calgary, Edmonton and Vancouver.

Life Benefit Solutions Inc. ("Life")

Life Benefit Solutions ("**Life**"), established in 2005, provides a highly differentiated employee benefits and retirement solution offering focused on First Nation communities and organizations.

Prosure Group

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

Silverberg & Associates Inc.

Silverberg & Associates (“**Silverberg**”), established in 1996, provides specialized employee benefits consulting and group retirement solutions to companies of all sizes from a variety of industries through its broad product portfolio and sophisticated plan design. Silverberg has offices located in Calgary, Edmonton and Lethbridge.

The Investment Guild

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

White Willow Benefit Consultants

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

Benefit Solutions

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

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

BPA Financial Group Ltd.

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

Coughlin & Associates Ltd.

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

HealthSource Plus

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

Prosure Group

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

Skipwith & Associates Insurance Agency Inc.

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

Sirius Benefit Plans Inc.

Sirius Benefit Plans Inc. ("**Sirius**"), established in 1996, administers and provides proprietary employee benefit programs for small to medium-sized employers through a network of independent associate brokers located across Canada. Sirius' office is located in Winnipeg.

Assurances Dalbec

Assurances Dalbec ("**Dalbec**"), established in 1975, administers and provides employee benefit plans for small to medium-sized companies in the Quebec market. Dalbec's office is located in Montreal.

Human Resource Solutions

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

The Company works with its subsidiaries and divisions by providing shared services that consists of subject matter experts and proprietary products. These shared services have been created to ensure that the Company's subsidiaries and divisions have access to an internal product and service offering not normally available to mid-size employee benefit firms, thereby ensuring clients are receiving the best possible consulting advice. This results in the Company's subsidiaries and divisions having a unique value proposition and thereby providing them with a competitive edge.

People First HR Services Ltd.

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

Health Solutions

Health Solutions focuses on providing the Company's corporate clients with a suite of products, including People Connect, and service offerings that will help manage the increasing costs of absenteeism, presenteeism, and loss of productivity. People Connect is an end-to-end proprietary virtual therapy solution designed to address the mental health needs of our clients and their employees.

Marketing & Communications

The Marketing & Communications division is responsible for both brand awareness and transition across the organization to facilitate the acquisition of new clients, businesses and recruitment prospects. It is further responsible for the Company's online presence, the production of field marketing materials that support our benefit consultants, as well as both internal and external communications.

Business Development Representatives

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

Talent Acquisition

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

BUSINESS ENVIRONMENT AND STRATEGY

Industry

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

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

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

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

OVERVIEW OF OPERATING PERFORMANCE

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

Notable milestones include:

Completed the following strategic acquisitions and capital initiatives :

- Completed the acquisition of ACL Student Benefits Ltd., a post-secondary student benefits consulting firm based in Ontario;
- Completed the acquisition of Life Benefit Solutions Inc., a leading group benefits and retirement solutions consulting firm primarily focused on the First Nation market segment based in Winnipeg;
- Completed the acquisition of Benefit Partners Inc., a group benefits, group retirement and insurance advisory practice based in Ontario; and
- Amended and increased the bank credit facility to $125,000 in committed credit availability, with an option to increase the facility by an additional $50,000, to a total of $175,000 to fund future growth initiatives; and
- Executed on the buy-back of selected retained economic interests in Coughlin and Bencom.

Continued to invest in talent to support a growing client base and enhance our strategic capabilities:

- Appointed Sue Tardi to the position of Chief Human Resources Officer responsible for developing and executing People Corporation's human resource strategy in support of the strategic direction of the Company, specifically in the areas of culture, talent management, change management, employee development, employee relations and total rewards;
- Hired and promoted senior leadership in Western Canada and Ontario and established regional office support to support the client base in these regions; and
- Hired a new senior leader in Ontario to oversee our group benefit consulting businesses in that region; and
- Hired a new senior leader in Group Retirement Solutions with extensive enterprise market experience and several new professionals to support clients with expertise in product development, underwriting, sales and services, and group retirement and two senior corporate development resources to deepen and expand our ability to execute acquisitions.

Continued to execute integration initiatives to leverage the benefits of the platform:

- Completed the build-out of the new corporate office in Laval, Quebec and integrated the Quebec based businesses;

- Initiated the first phase of integration related to shared service functions for the recently acquired firms, including Lane Quinn, Silverberg, BPI and Life Benefit Solutions Inc; and

- Launched a managing general agent solution to provide back office support to our third party consultants.

Continued to invest in client-focused products and solutions and go to market strategies, including:

- Launched a new disability management and administration system solution;

- Completed and launched the pilot for People Connect, a new online Mental Health solution for clients;

- Added partners to the Company's market leading Preferred Provider Network, allowing our clients to access value added offerings and preferred pricing at some of Canada's most recognized national retailers;

- Added the "HR @ Your Service" product to our Sirius small group solution; and

- Enhanced our small group offerings by expanding our carrier partnerships.

Growth Through Acquisitions

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

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

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

With a flexible transaction model to address the objectives of vendors, and an operating model to support the ongoing success and growth of the underlying businesses, the Company continues to attract partners who want to join the People Corporation group of companies. In the past three fiscal years, nine transactions have been completed, and there continues to be significant momentum in this component of the Company's overall growth strategy. The following acquisitions were completed during the year ended August 31, 2019:

On November 27, 2018, the Company acquired Benefits Partners Inc. ("BPI"), a leading independent privately-owned employee group benefits and group retirement consulting firm in the Ontario market. The addition of BPI to the People Corporation group of companies enhances the Company's position in the Ontario market, including establishing a presence in regions in which the Company did not formerly have a physical location.

On February 11, 2019, the Company acquired Life Benefit Solutions Inc. ("Life"), a company providing group benefit consulting and group retirement solutions primarily focused on the First Nation market segment based in Winnipeg, Manitoba. The addition of Life establishes a meaningful entry point into the large, growing and important First Nation market segment, and provides a platform from which to continue to build.

On July 30, 2019, the Company acquired ACL Student Benefits Ltd. ("ACL"), one of the largest privately-owned post-secondary student benefits consulting firms in Canada. The addition of ACL to the People Corporation group of companies enhances the Company's market position in the post-secondary student benefits sector and broadens the Company's reach into the international student segment under the Morcare brand.

The following acquisitions were completed subsequent to the year ended August 31, 2019:

On October 31, 2019, the Company acquired Collage Technologies Inc. ("Collage"), a leading cloud-based digital human resource, employee benefits administration and payroll solution provider focused on the small and medium-sized business segment in Canada. The addition of Collage to the People Corporation group of companies brings deep expertise building digital solutions, which will further enable the Company to enhance technology-enabled product and service delivery and integration across its business.

On November 28, 2019, the Company acquired the Apri Group of Companies ("Apri"), a national group benefits consulting firm, group benefits managing general agency ("MGA"), and third-party administrator ("TPA") headquartered in Richmond Hill, Ontario.

OUTLOOK

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

NON-IFRS FINANCIAL MEASURES

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

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

OVERVIEW OF FINANCIAL PERFORMANCE

Adjusted Net Earnings

The adjusted results are intended to highlight the core operating business of the Company by removing non-recurring items and consolidated earnings (loss) that are not attributable to the Company. These items include i) non-recurring acquisition, integration and restructuring charges, ii) changes to the fair value of non-controlling interest put options and other financing instruments, and iii) equity-based REI, all net of applicable taxes. The reconciliation of Net income (loss) to Adjusted net earnings, and the resulting adjusted earnings per share, are presented below.

The following is a reconciliation of the Company's Net income (loss) to Adjusted net earnings and Adjusted net earnings per share:

	for the three months ended		for the year ended	
	Aug 31, 2019	**Aug 31, 2018**	**Aug 31, 2019**	**Aug 31, 2018**
Net income (loss)	**$ 2,931**	**$ (9,479)**	**$ (2,609)**	**$ (6,921)**
Add (deduct):				
Change in estimated fair value of non-controlling interest put option (non-taxable)	41	7,681	8,518	11,737
Change in estimated fair value of other financing instruments (non-taxable)	(2,111)	2,013	(2,111)	2,013
Acquisition, integration and reorganization costs (net of tax)	2,038	1,928	7,512	4,631
Equity-based REI (non-taxable)	(1,166)	(1,012)	(5,089)	(4,060)
Adjusted net earnings	**$ 1,733**	**$ 1,131**	**$ 6,221**	**$ 7,400**
Weighted average number of common shares (basic)	60,918,514	55,978,442	60,767,364	54,353,322
Adjusted net earnings per share (basic)	$ 0.03	$ 0.02	$ 0.10	$ 0.14

For the three months ended August 31, 2019, Adjusted net earnings increased by $602. The increase is primarily due to growth in Adjusted EBITDA, which was partially offset by an increase income taxes (net), interest on long-term debt, share-based compensation and depreciation and amortization expenses.

For the year ended August 31, 2019, Adjusted net earnings decreased by $1,179. The decrease is primarily due to an increase in depreciation and amortization expense, share-based compensation, income taxes (net) and interest on long-term debt, partially offset by the increase in Adjusted EBITDA.

Adjusted EBITDA

The following is a reconciliation of the Company’s Net income (loss) to Standardized EBITDA and Adjusted EBITDA:

	for the three months ended		for the year ended	
	Aug 31, 2019	**Aug 31, 2018**	**Aug 31, 2019**	**Aug 31, 2018**
Net income (loss)	**$ 2,931**	**$ (9,479)**	**$ (2,609)**	**$ (6,921)**
Add:				
Depreciation, amortization and impairment losses	3,815	3,606	14,585	10,659
Finance expenses, net	(783)	10,464	10,165	15,926
Income taxes, net	1,381	968	4,629	4,298
Standardized EBITDA	**7,344**	**5,559**	**26,770**	**23,962**
Add:				
Acquisition, integration and reorganization costs	2,784	2,634	10,263	6,327
Compensation-based REI	672	951	2,864	2,854
Share-based compensation	965	564	4,128	1,313
Adjusted EBITDA before REI	**11,765**	**9,708**	**44,025**	**34,456**
Deduct:				
Compensation-based REI	(672)	(951)	(2,864)	(2,854)
Equity-based REI	(1,166)	(1,012)	(5,089)	(4,060)
Adjusted EBITDA	**9,927**	**7,745**	**36,072**	**27,542**
Adjusted EBITDA before REI as a % of Revenue	27.2 %	26.8 %	27.1 %	26.4 %
Adjusted EBITDA as a % of Revenue	23.0 %	21.3 %	22.2 %	21.1 %

Adjusted EBITDA before REI for the three months ended August 31, 2019, was $11,765, an increase of $2,057, or 21.2% from $9,708 reported for the same period in the prior year. Factors influencing the increase in Adjusted EBITDA before REI include:

- Revenue growth of $6,913 representing increased contribution of run rates from acquisitions as well as organic growth resulting from the addition of new clients and inflation; offset by,
- Increased personnel and compensation expenses of $3,368, primarily attributable to the increased employee count resulting from the acquired operations representing $1,821 of the change, increases in variable compensation expenses tied directly to the higher revenue and an expanded staff complement to accommodate current growth in operations with marginal growth within the Corporate support functions; and
- An increase of other operating costs of $1,488, primarily as a result of acquired operations, higher general and administration expenses and to a lessor extent higher administration fees.

For the three months ended August 31, 2019, Adjusted EBITDA before REI as a percentage of Revenue was 27.2%, which has increased from 26.8% reported for the same period in the prior year. The increase in the Adjusted EBITDA, before REI, as a percentage of Revenue is primarily due to the favorable impact of higher Adjusted EBITDA margins from recent acquisitions. As the Company continues to grow, it is expected that it will also be able to leverage its corporate resources, which would result in a favorable impact on Adjusted EBITDA margin.

Adjusted EBITDA for the three months ended August 31, 2019, was $9,927, an increase of $2,182, or 28.2% from $7,745 reported for the same period in the prior year. The increase in Adjusted EBITDA is due to the factors affecting Adjusted EBITDA before REI, net of the vendors' interest in Coughlin, BPA, Silverberg, BPI, H+P and Bencom of $1,838, which decreased by $125 (6.4%) as compared to the same period in the prior year.

Adjusted EBITDA before REI for the year ended August 31, 2019, was $44,025, an increase of $9,569, or 27.8% from $34,456 reported for the same period in the prior year. Factors influencing the increase in Adjusted EBITDA before REI include:

- Revenue growth of $31,976 representing increased contribution of run rates from acquisitions as well as organic growth resulting from the addition of new clients and natural inflationary factors; offset by,
- An increase in personnel and compensation expenses of $18,237 primarily attributable to the increased employee count resulting from acquired operations representing $9,353 of the change, increases in variable compensation expenses tied directly to the higher revenue and an expanded staff complement to accommodate current growth in operations with marginal growth within the Corporate support functions; and
- An increase of other operating costs of $4,170, partially as a result of acquired operations, and other general and administrative expenses inclusive of professional fees, office supplies, business development and travel.

For the year ended August 31, 2019, Adjusted EBITDA before REI as a percentage of Revenue was 27.1%, which has increased from 26.4% reported for the same period in the prior year. The increase in the Adjusted EBITDA before REI, as a percentage of Revenue is primarily due to the favorable impact of higher Adjusted EBITDA margins from recent acquisitions and organic revenue growth. As the Company continues to grow, it is expected that it will also be able to leverage its corporate resources, which would result in a favorable impact on Adjusted EBITDA margin.

Adjusted EBITDA for the year ended August 31, 2019, was $36,072, an increase of $8,530, or 31.0% from $27,542 reported for the same period in the prior year. The increase in Adjusted EBITDA is due to the factors affecting Adjusted EBITDA before REI, net of the vendors' interest in Coughlin, BPA, Silverberg, BPI, H+P and Bencom of $7,953, which increased by $1,039 (15.0%) as compared to the same period in the prior year.

Operating Income Before Corporate Costs

Corporate costs represent expenses incurred to support the executive management of the Company, such as executive remuneration, public company compliance costs, certain insurance premiums and corporate development activities.

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

	for the three months ended		for the year ended	
	Aug 31, 2019	**Aug 31, 2018**	**Aug 31, 2019**	**Aug 31, 2018**
Adjusted EBITDA	**$ 9,927**	**$ 7,745**	**$ 36,072**	**$ 27,542**
Add:				
Corporate costs	1,284	1,183	4,986	4,835
Operating income before corporate costs	**$ 11,211**	**$ 8,928**	**$ 41,058**	**$ 32,377**

Corporate costs for the three months ended August 31, 2019, were $1,284 versus $1,183 for the same period in the prior year. The increase of $101 is primarily related to an increase in professional fees and business development costs.

Operating income before corporate costs for the three months ended August 31, 2019, was $11,211 versus $8,928 for the same period in the prior year. The increase of $2,283 is primarily due to contributions from acquired operations in Adjusted EBITDA.

Corporate costs for the year ended August 31, 2019, were $4,986 versus $4,835 incurred in the prior comparative period. The increase of $151 is primarily due to an increase in public company costs.

Operating income before corporate costs for the year ended August 31, 2019 was $41,058 versus $32,377 for the same period in the prior year. The increase of $8,681 is primarily due to organic growth in Adjusted EBITDA and contributions from acquired operations.

SELECTED ANNUAL INFORMATION

	Aug 31, 2019	Aug 31, 2018	Aug 31, 2017
Revenue	$ 162,494	$ 130,518	$ 105,840
Net income (loss)	$ (2,609)	$ (6,921)	$ 3,479
Net income (loss) per share (basic)	$ (0.04)	$ (0.13)	$ 0.07
Total assets	$ 327,477	$ 262,555	$ 169,953
Total non-current financial liabilties	$ 148,775	$ 102,426	$ 79,037

The Company's revenue compounded annual growth rate (CAGR) over the past three years was 26.7%. Revenue growth year over year is the result of both organic and acquisitive growth. Organic growth during fiscal 2019 (8.9%), 2018 (10.1%), and 2017 (11.1%) has remained fairly consistent while acquired growth has fluctuated based on the number, size, and timing of acquisitions completed during fiscal 2019 (15.6%), 2018 (13.2%), and 2017 (21.5%).

The Net income (loss) reported over the past three fiscal years, has been significantly impacted by fair value adjustments related to management's estimate of future cash outflows related to non-controlling interest put options and contingent acquisition consideration obligations; increased amortization of intangible assets related to acquired customer relationships; and continued investment in acquisition, integration, and reorganization activities in order to support completed acquisitions and to drive future growth. Excluding these adjustments, Net income (loss) would have increased each year due to higher EBITDA resulting from increased revenue and profit margin.

The change in total assets and total non-current financial liabilities has been significantly impacted by acquisitions. The increase in total assets is primarily attributable to acquired customer relationships and goodwill. Non-current financial liabilities have primarily increased as a result of financing of acquisitions through non-controlling interest put options, vendor-take-back debt, contingent consideration obligations and deferred tax liabilities.

Revenue

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

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

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

The calculation of 'organic growth' includes: i) year-over-year increases or decreases in revenue from operating units the Company has owned longer than one year; and ii) increases or decreases in revenue recognized from operating units the Company has owned for less than one year above or below baseline acquired revenue. The calculation of the 'acquired revenue' includes a baseline representing estimated revenue of the acquired operations at the time of acquisition.

Revenue is as follows:

	for the three months ended				for the year ended			
	Aug 31, 2019	**Aug 31, 2018**	**$ Variance**	**% Variance**	**Aug 31, 2019**	**Aug 31, 2018**	**$ Variance**	**% Variance**
	$ 43,192	$ 36,279	$ 6,913	19.1 %	$ 162,494	$ 130,518	$ 31,976	24.5 %

For the three months ended August 31, 2019, the Company experienced revenue growth of $6,913 (19.1%). The Company recognized acquired growth of $3,601 (10.0%) resulting from the acquired operations of Silverberg, Life, BPI and ACL. Organic growth of $3,312 (9.1%) is primarily from the addition of new clients, increasing product and service penetration with existing clients and natural inflationary factors.

For the year ended August 31, 2019, the Company experienced revenue growth of $31,976 (24.5%) due primarily to revenues from acquired operations of Dalbec, Rockwater, Lane Quinn, Silverberg, BPI, Life and ACL, as well as organic growth. The Company recognized acquired growth of $20,338 (15.6%) and organic growth of $11,638 (8.9%). Organic growth is primarily due to the factors similar to those affecting the three month period.

Personnel and Compensation Expenses

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

Personnel and compensation expenses are as follows:

	for the three months ended				for the year ended			
	Aug 31, 2019	**Aug 31, 2018**	**$ Variance**	**% Variance**	**Aug 31, 2019**	**Aug 31, 2018**	**$ Variance**	**% Variance**
	$ 26,733	$ 23,011	$ 3,722	16.2 %	$ 102,913	$ 79,739	$ 23,174	29.1 %

The Company believes that investment in its employees and associate consultant networks are key to ensuring successful execution of its strategic plans.

The increase in personnel and compensation for the three months ended August 31, 2019, of $3,722 is attributable to the increased employee count resulting from the acquisition of Silverberg, BPI, Life and ACL representing $1,821 of the increase, variable compensation tied directly to higher revenue, and an expanded staff complement to accommodate current growth of operations. Acquisition, integration, and reorganization compensation costs and share-based compensation have increased by $231 and $401, respectively during the period.

For the three months ended August 31, 2019, personnel and compensation costs represent 61.9% of revenues (2018 - 63.4%). Adjusting for acquisition, integration and reorganization compensation costs and share-based compensation, personnel and compensation costs as a percentage of revenue for the three months ended August 31, 2019 would have been 56.1% (2018 - 58.3%).

The increase in personnel and compensation costs for the year ended August 31, 2019, of $23,174 is primarily due to factors similar to those affecting the three month period with the increased employee count resulting from the acquisitions representing $9,353. Acquisition, integration, and reorganization compensation costs and share-based compensation have increased by $2,111 and $2,815, respectively during the period.

For the year ended August 31, 2019, personnel and compensation costs represent 63.3% of revenues (2018 - 61.1%). Adjusting for acquisition, integration and reorganization compensation costs and share-based compensation, personnel and compensation costs as a percentage of revenue for the twelve months ended August 31, 2019 would have been 57.1% (2018 - 57.1%).

General and Administrative Expenses

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

General and administrative expenses are as follows:

	for the three months ended				for the year ended			
	Aug 31, 2019	**Aug 31, 2018**	**$ Variance**	**% Variance**	**Aug 31, 2019**	**Aug 31, 2018**	**$ Variance**	**% Variance**
	$ 6,134	$ 4,818	$ 1,316	27.3 %	$ 21,785	$ 16,297	$ 5,488	33.7 %

For the three months ended August 31, 2019, general and administrative expenses have increased by $1,316 (27.3%) compared to the three months ended August 31, 2018 primarily due to the following:
- An increase of $200 resulting from a higher general and administrative run rate from the acquisitions;
- An increase of $463 pertaining to acquisition, integration and reorganization costs; and
- An increase of $653 in general and administrative expenses, resulting from an increase in business development costs and office and computer supplies partially offset by a decrease in professional fees.

For the year ended August 31, 2019, general and administrative expenses have increased by $5,488 (33.7%) primarily due to the following:
- An increase of $1,006 resulting from a higher general and administrative run rate from recent acquisitions;
- An increase of $2,495 pertaining to acquisition, integration and reorganization costs;
- An increase of $1,987 in general and administrative expenses, resulting from an increase in business development costs and office and computer supplies partially offset by a decrease in professional fees.

Depreciation and Amortization Expense

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

Depreciation and amortization expense is as follows:

	for the three months ended				for the year ended			
	Aug 31, 2019	**Aug 31, 2018**	**$ Variance**	**% Variance**	**Aug 31, 2019**	**Aug 31, 2018**	**$ Variance**	**% Variance**
	$ 3,815	$ 3,606	$ 209	5.8 %	$ 14,585	$ 10,659	$ 3,926	36.8 %

Depreciation and amortization expense increased by $209 (5.8%) for the three months ended August 31, 2019, as compared to the same period in the prior year. The increase in depreciation pertains primarily to the Company's new head office and increased amortization on customer relationships.

For the year ended August 31, 2019, depreciation and amortization expense increased by $3,926 (36.8%) compared to the prior year. The increase in amortization expense of $3,376 is primarily driven by higher amortization on customer relationships of $3,902 combined with a decrease in the amortization on computer software, customer contracts and software license of $526. The increase in depreciation of $550 pertains to the Company's new head office.

Occupancy Costs

Occupancy costs are as follows:

	for the three months ended				for the year ended			
	Aug 31, 2019	Aug 31, 2018	$ Variance	% Variance	Aug 31, 2019	Aug 31, 2018	$ Variance	% Variance
	$ 1,752	$ 1,947	$ (195)	(10.0)%	$ 6,304	$ 6,125	$ 179	2.9 %

Occupancy costs for the three months ended August 31, 2019, of $1,752 have decreased by $195 (10.0%), due to an office lease contract written-off during the fourth quarter of fiscal year 2018 as a result of the consolidation of practices into the Company's new head office and partly offset by incremental lease costs associated with the acquisitions of Silverberg, BPI, Life and ACL.

Occupancy costs for the year ended August 31, 2019, of $6,304 have increased by $179 (2.9%), due primarily to incremental lease costs associated with the acquisitions of Dalbec, Rockwater, Lane Quinn, Silverberg, BPI, Life and ACL and partly offset by reduced occupancy costs relating to the Company's new head office.

Administration Fees

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

Administration fees are as follows:

	for the three months ended				for the year ended			
	Aug 31, 2019	Aug 31, 2018	$ Variance	% Variance	Aug 31, 2019	Aug 31, 2018	$ Variance	% Variance
	$ 1,130	$ 861	$ 269	31.2 %	$ 4,188	$ 4,026	$ 162	4.0 %

Administration fees increased by $269 (31.2%) for the three months ended August 31, 2019, primarily as a result of a new product launched during the second half of fiscal year 2019 by one of the Company's TPA practices and an increase in the volume of claims processed, which is a direct result from the increase in TPA revenue.

The increase in administration fees of $162 (4.0%) for the year ended August 31, 2019, is due to the factors similar to those affecting the three month period; partially offset by the Company's ability to leverage its scale to reduce its costs incurred per claim.

Finance Expenses

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

	for the three months ended				for the year ended			
	Aug 31, 2019	**Aug 31, 2018**	**$ Variance**	**% Variance**	**Aug 31, 2019**	**Aug 31, 2018**	**$ Variance**	**% Variance**
Interest and other finance costs	$ 1,109	$ 569	$ 540	94.9 %	$ 3,043	$ 1,908	$ 1,135	59.5 %
Accretion on financing instruments	178	201	(23)	(11.4)	715	268	447	166.8
Change in fair value estimates	(2,070)	9,694	(11,764)	(121.4)	6,407	13,750	(7,343)	(53.4)
	$ (783)	$ 10,464	$ (11,247)	(107.5)%	$ 10,165	$ 15,926	$ (5,761)	(36.2)%

Finance expenses decreased by $11,247 (107.5%) for the three months ended August 31, 2019. The change is primarily due to a decrease in fair value adjustment related to non-controlling interest put options and contingent considerations; partially offset by an increase in interest on long-term debt.

Finance expenses decreased by $5,761 (36.2%) for the year ended August 31, 2019. The change is primarily due to the factors similar to those affecting the three month period.

Public Company Costs

Public Company costs are as follows:

for the three months ended				for the year ended			
Aug 31, 2019	**Aug 31, 2018**	**$ Variance**	**% Variance**	**Aug 31, 2019**	**Aug 31, 2018**	**$ Variance**	**% Variance**
$ 99	$ 83	$ 16	19.3 %	$ 535	$ 369	$ 166	45.0 %

Public company costs have increased by $16 (19.3%) for the three months ended August 31, 2019. The increase is primarily due to the Company engaging an investor relations firm.

Public company costs have increased by $166 (45.0%) for the year ended August 31, 2019. The increase is primarily due to the Company engaging an investor relations firm and higher costs related to its annual general meeting.

SELECTED QUARTERLY INFORMATION

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

	Q4 - 2019	Q3 - 2019	Q2 - 2019	Q1 - 2019	Q4 - 2018	Q3 - 2018	Q2 - 2018	Q1 - 2018
Revenue	$ 43,192	$ 42,427	$ 40,533	$ 36,342	$ 36,280	$ 33,254	$ 32,515	$ 28,470
Operating & corporate expenses	(32,099)	(31,530)	(29,914)	(27,791)	(27,522)	(24,910)	(24,332)	(22,151)
Adjusted EBITDA	9,927	9,509	9,210	7,426	7,745	7,374	7,029	5,394
Finance expenses	783	(3,143)	(5,024)	(2,782)	(10,464)	(1,619)	(2,214)	(1,628)
Depreciation and amortization	(3,815)	(3,940)	(3,495)	(3,334)	(3,606)	(2,516)	(2,331)	(2,207)
Stock-based compensation	(965)	(919)	(1,178)	(1,066)	(564)	(236)	(284)	(230)
Equity-based REI	(1,166)	(1,389)	(1,410)	(1,124)	(1,012)	(970)	(1,153)	(925)
Income tax expense, net	(1,381)	(652)	(1,879)	(717)	(968)	(1,070)	(1,359)	(902)
Acquisition, integration and reorganization costs	(2,784)	(2,889)	(2,418)	(2,173)	(2,634)	(1,419)	(1,385)	(889)
Net income (loss)	2,931	(644)	(3,374)	(1,522)	(9,479)	1,484	610	464
Adjusted net earnings	1,733	2,203	1,165	1,120	1,132	2,872	1,950	1,447
Total assets	327,477	292,113	284,236	265,631	262,555	221,022	194,756	189,691
Total loans and borrowings	86,740	67,157	63,321	44,435	38,274	54,944	38,999	35,893
Total other liabilities	110,875	98,990	95,748	93,535	96,166	67,897	61,209	60,222
Shareholders' equity	129,862	125,965	125,168	127,660	128,116	98,180	94,548	93,577
Net income (loss) per share (basic)	0.05	(0.01)	(0.06)	(0.03)	(0.17)	0.03	0.01	0.01
Net income (loss) per share (diluted)	0.05	(0.01)	(0.06)	(0.03)	(0.17)	0.03	0.01	0.01
Adjusted net earnings per share (basic)	$ 0.03	$ 0.04	$ 0.02	$ 0.02	$ 0.02	$ 0.05	$ 0.04	$ 0.03

LIQUIDITY AND CAPITAL RESOURCES

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

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

Contractual Obligations

The following table summarizes, as at August 31, 2019, the Company's contractual obligation for the periods specified.

	Payments due by period				
	Total	**Less than 1 Year**	**1 - 3 Years**	**4 - 5 Years**	**Thereafter**
Trade and other liabilities	$ 28,256	$ 25,536	$ 1,381	$ 996	$ 343
Loans and borrowings	88,325	3,440	83,685	1,200	-
Lease obligations	14,868	3,846	5,899	3,152	1,971
Non-controlling interest put options	77,198	15,449	45,163	5,740	10,846
	$ 208,647	**$ 48,271**	**$ 136,128**	**$ 11,088**	**$ 13,160**

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

Cash Flows

The following table summarizes the Company's cash flows for the three months ended August 31, 2019:

For the three months ended	Aug 31, 2019	Aug 31, 2018	$ Variance	% Variance
Net income (loss) for the period	$ 2,931	$ (9,479)	$ 12,410	(130.9)%
Add non-cash items, net	2,706	13,807	(11,101)	(80.4)
Changes in non-cash working capital	(438)	4,247	(4,685)	(110.3)
Net cash from operating activities	5,199	8,575	(3,376)	(39.4)
Net cash used by investing activities	(31,887)	(29,025)	(2,862)	9.9
Net cash from financing activities	13,263	20,932	(7,669)	(36.6)
Net increase (decrease) in cash	**$ (13,425)**	**$ 482**	**$ (13,907)**	**(2,885.3)%**

Cash generated from operating activities for the three months ended August 31, 2019, decreased by $3,376 as compared to the prior year. Changes in working capital accounts reflect the inclusion of BPI, Life, and ACL operations.

Significant influences of cash inflows and outflows related to operating activities for the three month period versus the same period in the prior year include the following:

- Cash generated from increased Adjusted EBITDA before REI, was $2,057 higher than was generated in the prior year. Management believes Adjusted EBITDA is a valuable indicator of the Company's ability to generate liquidity by producing operating cash flow to fund working capital needs, service debt obligations, and fund capital expenditures;

- Cash used to fund acquisitions, integration and reorganization costs increased $151;

- Finance costs and income taxes used $876 more cash than as compared to the prior year. The increase in the use of cash in the current quarter was due to the higher outstanding loan balances resulting in higher cash interest costs of $539, partially offset by a reduction in income taxes paid during the quarter of $329, and cash from changes in other non-cash working capital accounts increased by $9;

- Cash used to pay compensation-based REI decreased by $279 as compared to the same period in the previous fiscal year due primarily to the Company acquiring the remaining economic interest in Bencom; and

- Decrease in cash from changes in working capital accounts of $4,685 due to current period acquisitions and timing of cash receipts and payments from normal operating processes.

Cash used by investing activities for the three months ended August 31, 2019, increased by $2,862 as compared to the same period in the prior year. The change is primarily due to $3,096 more cash used to fund current year acquisitions, partially offset by $234 less cash used to acquire property, equipment and intangible assets.

Cash generated by financing activities for the three months ended August 31, 2019, decreased by $7,669 as compared to the same period in the prior year. The change is primarily due to the Company receiving $38,078 of cash in the fourth quarter of the prior year from the private placement of shares. Other significant changes in financing activities include an increase in proceeds from loans and borrowings of $57,196 and an increase in the repayment of loans and borrowings of $24,346 as a result of the Company amending and restating its credit agreement.

The following table summarizes the Company's cash flows for the fiscal year ended August 31, 2019:

For the year ended	Aug 31, 2019	Aug 31, 2018	$ Variance	% Variance
Net loss for the period	$ (2,609)	$ (6,921)	$ 4,312	(62.3)%
Add non-cash items, net	22,058	24,717	(2,659)	(10.8)
Changes in non-cash working capital	(3,063)	(559)	(2,504)	447.9
Net cash from operating activities	16,386	17,237	(851)	(4.9)
Net cash used by investing activities	(56,442)	(65,265)	8,823	(13.5)
Net cash from financing activities	31,426	51,213	(19,787)	(38.6)
Net increase (decrease) in cash	**$ (8,630)**	**$ 3,185**	**$ (11,815)**	**(371.0)%**

Cash generated from operating activities for the year ended August 31, 2019, decreased by $851 as compared to the same period in the prior year. Changes in working capital accounts reflect the inclusion of BPI, Life, and ACL operations.

Significant influences of cash inflows and outflows related to operating activities for the year include:

- Cash generated from increased Adjusted EBITDA before REI, was $9,569 higher than was generated in the prior year. Management believes Adjusted EBITDA is a valuable indicator of the Company’s ability to generate liquidity by producing operating cash flow to fund working capital needs, service debt obligations, and fund capital expenditures;

- Cash used to fund acquisitions, integration and reorganization costs increased $3,936;

- Finance costs and income taxes used $3,980 more cash than as compared to the prior year, which was the result of an increase in cash used to fund 2019 income tax obligations and 2019 income tax installments $2,634, an increase in finance costs $1,135 and cash from changes in other non-cash working capital accounts increased by $211; and

- Decrease in cash from changes in working capital accounts of $2,504 due to current period acquisitions and timing of cash receipts and payments from normal operating processes.

Cash used by investing activities for the year ended August 31, 2019, decreased by $8,823 as compared to the prior year. The change is primarily due to $5,924 less cash used to acquire property, equipment and intangible assets and $2,899 less cash used to fund current year acquisitions.

Cash generated from financing activities is primarily dependent on the timing of the Company completing acquisitions and Management's decision to fund these transactions from either its credit facility or raise proceeds from the private placement of shares. In the year ended August 31, 2019, $40,667 of cash was provided from its credit facilities, while in the prior year, $54,246 of cash was provided from the private placement of shares, net of changes in loans and borrowings.

Capital Management

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

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

Working Capital

The Company's working capital (defined as current assets less current liabilities) as at August 31, 2019, is set forth in the table below. The Company defines "Operating Working Capital" as current assets less current liabilities excluding contract liabilities.

Contract liabilities represents payment received in advance for services which have not yet been performed. Contract liabilities are recognized into income as services are rendered, in accordance with the revenue recognition policies described in the Company's financial statements. Contract liabilities is a non-cash liability and therefore Management believes that adding back contract liabilities provides a more accurate reflection of the liquidity and working capital position of the Company.

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

	Aug 31, 2019	Aug 31, 2018
Current Assets	$ 35,798	$ 36,798
Less:		
Current Liabilities	48,840	32,013
Working capital	(13,042)	4,785
Add back:		
Contract liabilities	5,207	-
Deferred revenue	-	3,289
Operating Working Capital	**$ (7,835)**	**$ 8,074**

The Company manages its working capital balance in conjunction with its overall capital structure. Due to the acquisitive nature of the Company and the Company's continual use of cash to complete acquisitions, the Company will generally carry sufficient cash balances, at any point in time, in order to meet its short term obligations. The Company has access to a credit facility and therefore the cash balances are minimized, with any excess cash used to pay down loans and borrowings in order to reduce financing costs.

The Company's working capital position is negative at year end, due to the current portion of non-controlling interest put options. The Company intends to draw funds on its credit facility in order to settle non-controlling interest put options as they come due in the next fiscal year.

The Company maintains a swingline commitment of $5,000 to facilitate management of short-term working capital requirements. As at August 31, 2019, the Company had not utilized this facility.

Credit Facilities

On June 25, 2019, the Company amended and restated its existing credit agreement with a syndicate of Canadian banks which includes the following commitments:

1. $5,000 swingline commitment to fund operating cash flow needs. As at Aug 31, 2019, the Company had not utilized this facility (Aug 31, 2018 - nil).

2. $125,000 revolving commitment which has been used to refinance the acquisition facility under the previous agreement and to fund future acquisitions. As at Aug 31, 2019, the balance owing on this facility was equal to $71,241 (Aug 31, 2018 - nil).

In addition, the facility agreement provides for an option, from time to time, to request an increase in the amount of the revolving commitment by an amount of not less than $5,000 and not more than $50,000, subject to the satisfaction of certain terms and conditions. The exercise of the option would result in the size of the revolving commitment increasing from $125,000 to a maximum of $175,000 and overall credit capacity being increased to a maximum of $180,000. The loan matures on June 1, 2022, unless extended pursuant to the terms of the agreement. The facility is secured by a general security agreement over the assets of the Company and its subsidiaries and is subject to covenants. As at Aug 31, 2019, the Company was in compliance with all of its financial and non-financial covenants.

Prior to the amendment described above the Company was a party to an agreement with a syndicate of Canadian banks. On June 28, 2019, all components described below were fully extinguished:

1. $5,000 revolving credit facility to fund operating cash flow needs. As at August 31, 2018, the Company had not utilized this facility.

2. Term 1 - $19,500 term credit facility installment loan which was used to refinance the acquisition facility balance outstanding under the previous agreement and to fund acquisitions. As at August 31, 2018, the balance owing on this facility was 17,998.

3. Term 2 - $9,500 term credit facility to fund leasehold improvements at the Company's head office. As at August 31, 2018, the balance owing on this facility was $8,786.

4. Revolver - $63,800 revolving credit facility to fund future acquisitions. As at August 31, 2018, the balance owing on this facility was nil.

Share Capital

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

	Aug 31, 2019	Aug 31, 2018
Common shares, issued and outstanding	60,918,514	60,640,511
Stock options outstanding	3,498,872	3,681,861
Restricted stock units outstanding	454,340	442,279
Deferred stock units outstanding	109,385	69,278

In connection with the acquisition of Life, the Company issued 9,842 common shares as part of the total consideration for the transaction. The remainder of the change in share capital during the year ended August 31, 2019, can be attributed to stock options granted or exercised and the settlement of Restricted Stock Units under the Company's Security Based Compensation Plan.

Subsequent to the completion of the fiscal year 2019, on October 16, 2019, the Company closed a bought deal private placement financing (the "Offering") with a syndicate of underwriters led by Cormark Securities Inc. (collectively, the "Underwriters"). Pursuant to the Offering, the Company issued 6,983,500 common shares (the "Shares") of the Company at a purchase price of $9.10 per Share, including 389,500 Shares issued pursuant to the partial exercise of the Underwriters' over-allotment option, for gross proceeds to the Company of $63,549,850. The Underwriters received a cash commission equal to 5.0% of the gross proceeds raised in the Offering.

Contingencies

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

RISK FACTORS

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

Key Personnel

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

Recruitment of high performing consultants in our industry is becoming more competitive, especially as the labour pool is shrinking with aging advisors leaving the market at a rate that is outpacing the entry of new talent. Other firms may offer more attractive compensation packages, work arrangements or geographic preferences than we can offer.

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

Client Relationships

Group insurance contracts are generally renegotiated on an annual basis with clients, often resulting in insurance premium pricing increases or decreases. Accordingly, there can be no guarantee that insurance contracts sold through the Company in the past will be renewed on a go forward basis or at the same pricing level. While the Company has several benefit and insurance clients with contracts that extend for one to seven years, the majority of the Company's benefit and pension revenue is derived from contracts that can be cancelled upon thirty days' notice. The Company's experience is that most clients terminate during the renewal process rather than during the policy year. While the Company’s clients are diversified both in size and industry, if a number of the Company’s largest clients were to terminate their contracts with the Company at the same time, this could result in a significant reduction in revenue, which could have a material adverse effect on the Company’s revenues, financial condition and operating results.

Insurance Company Relationships

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

Regulation, Policies and Certification

The Company's group benefits and group retirement consulting and administration services are subject to laws and regulations that are constantly evolving. Changes in such laws or regulations could make some of our products or services less attractive to clients. In addition, the laws and regulations differ from province to province and the Company is required to keep up-to-date with the laws and regulations of each province.

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

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

Technology and Information Security

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

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

Access to Capital

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

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

Future Growth via Acquisitions

The Company's growth and expansion plans contain a three-pronged approach of generating growth: 1. gaining new clients organically; 2. increasing product and service penetration with existing clients; and, 3. through transactions in which the Company acquires new operating entities or subsidiaries. There can be no assurance that an adequate number of suitable new client and acquisition candidates will be available to the Company to meet this area of focus of its expansion plans, or in the event that such businesses are available for acquisition that they will be available at a price which would allow the Company to operate on a profitable basis. The Company competes for acquisition and expansion opportunities with entities that have substantially greater resources than the Company and these entities may be able to outbid the Company for acquisition targets.

Integration of Future Acquisitions

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

Potential Undisclosed Liabilities Associated with Acquisition - Limited Indemnification

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

Interest Rate

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

Insurance

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

Canadian Economy and Competitive Conditions

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

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

Brand and Reputation

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

Internal Control

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

Revenue recognition

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

1. Identify the contract with a customer.

2. Identify the performance obligations in the contract.

3. Determine the transaction price, which is the total consideration provided by the customer.

4. Allocate the transaction price among the performance obligations in the contract based on their relative fair values; and

5. Recognize revenue when the relevant criteria are met for each performance obligation.

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

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

Services and Performance Obligations

Benefit solutions

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

Group benefit commission revenue from clients where advisory services and plan administration services are provided by the Company is generally received in advance and recorded as a contract liability on the consolidated statement of financial position. Commission advances are recognized in revenue over time based on the number of months for which the commission revenue was advanced. The transaction price and consideration received is reduced for expected return commissions due to policy cancellation and adjustments. The transaction price reduction is determined based on historical data.

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

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

Consulting solutions

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

Human Resource solutions

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

Other

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

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

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

Business combinations

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

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

Intangible Assets

(i) Goodwill

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

(ii) Other intangible assets

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

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

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

Contingent consideration obligations

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IFRS 9 Financial Instruments or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in Net income (loss).

Non-controlling interest put options

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

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

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

Deferred Tax

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

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

CHANGES IN ACCOUNTING POLICIES

As described in note 3(a) of the accompanying consolidated financial statements, the Company adopted the following new and revised accounting standards:

IFRS 15, Revenue from Contracts with Customers (“IFRS 15”)

The Company has adopted IFRS 15 effective September 1, 2018 using the modified retrospective approach, which recognizes the cumulative effect of initial application (if any) as an adjustment to opening retained earnings (deficit) at September 1, 2018 without restatement of comparatives. There was no impact on retained earnings as a result of adoption.

IFRS 9, Financial Instruments (“IFRS 9”)

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. There was no impact on retained earnings as a result of the date of adoption of IFRS 9 as at September 1, 2018.

NEW STANDARDS NOT YET ADOPTED

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

IFRS 16, Leases ("IFRS 16")

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

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

The Company is currently completing its transition plan and its evaluation of the impact of adopting IFRS 16 on its financial statements.

The Company intends to adopt IFRS 16 using the modified retrospective method. Under the modified retrospective method, comparative financial information is not restated and continues to be reported under the accounting standards in effect for those periods. Under the principles of the new standard, lease liabilities will be measured at the present value of the remaining lease payments, discounted using the Company’s incremental borrowing rate as at September 1, 2019. The associated ROU assets will be measured at the lease liability amount on September 1, 2019, resulting in no adjustment to the opening balance of retained earnings.

The Company intends to use the following practical expedients permitted under the new standard:

- applying a single discount rate to a portfolio of leases with similar characteristics;
- accounting for leases with a remaining lease term of less than twelve months as at the date of adoption as short-term leases;
- continuing to expense low dollar value leases as incurred;
- using the Company’s previous assessment of impairment under IAS 37 for onerous contracts instead of re-assessing the ROU asset for impairment on September 1, 2019; and
- using hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Furthermore, the Company intends to apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and related interpretations will not be reassessed. Therefore, the definition of a lease under IFRS 16 will be applied only to contracts entered into or changed on or after September 1, 2019.

The estimated impact of the adoption of the standard is a lease liability of approximately $13.1 million and a ROU asset of approximately $12.4 million with no impact on retained earnings. The ROU asset will be net of the provision for onerous leases of $0.7 million relating to the leases recognized in the consolidated statement of financial position immediately before the date of initial application. The additional ROU asset and lease liability is expected to result in an increase in depreciation and amortization expense and increase in non-cash finance expenses on lease liabilities, with a corresponding decrease in operating lease expenses.

SEASONALITY

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

OFF-BALANCE SHEET ARRANGEMENTS

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

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

FINANCIAL INSTRUMENTS

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