

Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian Dollars)



Experience the Benefits of People

Three and six months ended February 28, 2014 and February 28, 2013  
(Unaudited)

# PEOPLE CORPORATION

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

	Note	February 28, 2014	August 31, 2013
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 1,909,591	\$ 2,449,169
Trade and other receivables		2,960,804	2,896,632
Other current assets		361,706	388,383
<b>Total current assets</b>		<b>5,232,101</b>	<b>5,734,184</b>
Non-current assets:			
Property and equipment	4	1,031,705	990,894
Goodwill and intangible assets	5	45,874,227	46,876,735
Deferred tax asset		699,981	134,464
<b>Total non-current assets</b>		<b>47,605,913</b>	<b>48,002,093</b>
<b>Total assets</b>		<b>\$ 52,838,014</b>	<b>\$ 53,736,277</b>
<b>Liabilities and shareholders' equity</b>			
Current liabilities:			
Trade payables, accrued and other liabilities	6	\$ 2,591,014	\$ 4,522,278
Deferred revenue	7	3,747,701	3,792,348
Income taxes payable		717,865	112,240
Current portion of loans and borrowings	10	3,853,508	3,804,077
<b>Total current liabilities</b>		<b>10,910,088</b>	<b>12,230,943</b>
Accrued and other liabilities	6	1,040,534	993,070
Deferred revenue	7	216,598	89,299
Non-controlling interest put options	9	6,297,514	6,172,884
Loans and borrowings	10	13,834,659	15,445,258
Deferred tax liability		4,326,201	4,628,201
<b>Total liabilities</b>		<b>36,625,594</b>	<b>39,559,655</b>
Shareholders' equity:			
Share capital	11	12,228,316	12,024,732
Contributed surplus		783,288	774,245
Retained earnings		3,200,816	1,377,645
<b>Total shareholders' equity</b>		<b>16,212,420</b>	<b>14,176,622</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 52,838,014</b>	<b>\$ 53,736,277</b>

## Commitments and contingencies (Note 15)

The notes on pages 5 to 18 are an integral part of these condensed consolidated interim financial statements.

# PEOPLE CORPORATION

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

	Note	February 28, 2014		February 28, 2013	
		Three months ended	Six months ended	Three months ended	Six months ended
<b>Revenue</b>					
Commissions		\$ 6,899,860	\$ 12,148,026	\$ 4,285,444	\$ 7,816,764
Fees and other revenues		4,308,947	8,829,534	3,852,881	7,335,143
		11,208,807	20,977,560	8,138,325	15,151,907
<b>Expenses</b>					
Personnel and compensation	17	6,820,259	12,699,045	5,216,660	9,710,653
General and administrative	17	1,863,798	3,608,294	1,543,509	2,992,004
Advertising and promotion	17	328,323	714,693	297,924	600,897
		9,012,380	17,022,032	7,058,093	13,303,554
<b>Income before undernoted</b>		<b>2,196,427</b>	<b>3,955,528</b>	<b>1,080,232</b>	<b>1,848,353</b>
<b>Finance and other costs:</b>					
Amortization of intangible assets		(568,407)	(1,136,814)	(353,799)	(579,083)
Finance expenses	13	(283,264)	(738,582)	(174,487)	(255,934)
Acquisition costs		-	(35,540)	(236,846)	(341,292)
		(851,671)	(1,910,936)	(765,132)	(1,176,309)
<b>Income before income taxes</b>		<b>1,344,756</b>	<b>2,044,592</b>	<b>315,100</b>	<b>672,044</b>
<b>Income tax expense (recovery):</b>					
Current		554,407	1,088,939	290,583	566,477
Future		(634,600)	(867,518)	(153,497)	(317,063)
		(80,193)	221,421	137,086	249,414
<b>Net income and comprehensive income</b>		<b>\$ 1,424,949</b>	<b>\$ 1,823,171</b>	<b>\$ 178,014</b>	<b>\$ 422,630</b>
<b>Earnings per share</b>					
Basic	11(c)	\$ 0.043	0.055	\$ 0.005	0.013
Diluted		\$ 0.040	0.052	\$ 0.005	0.013

The notes on pages 5 to 18 are an integral part of these condensed consolidated interim financial statements.

## PEOPLE CORPORATION

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

	Share Capital	Contributed Surplus	Retained Earnings	Total
Balance, August 31, 2012	\$ 11,990,956	\$ 650,878	\$ 1,117,536	\$ 13,759,370
Net Income and comprehensive income for the period	-	-	422,630	422,630
Transactions with shareholders, recorded directly in shareholders' equity				
Share-based payments	-	75,728	-	75,728
Total transactions with shareholders	\$ -	\$ 75,728	\$ 422,630	\$ 498,358
<b>Balance, February 28, 2013</b>	<b>\$ 11,990,956</b>	<b>\$ 726,606</b>	<b>\$ 1,540,166</b>	<b>\$ 14,257,728</b>
	Share Capital	Contributed Surplus	Retained Earnings	Total
Balance, August 31, 2013	\$ 12,024,732	\$ 774,245	\$ 1,377,645	\$ 14,176,622
Net Income and comprehensive income for the period	-	-	1,823,171	1,823,171
Transactions with shareholders, recorded directly in shareholders' equity				
Exercise of stock options	203,584	(71,453)	-	132,131
Share-based payments	-	80,496	-	80,496
Total transactions with shareholders	203,584	9,043	1,823,171	2,035,798
<b>Balance, February 28, 2014</b>	<b>\$ 12,228,316</b>	<b>\$ 783,288</b>	<b>\$ 3,200,816</b>	<b>\$ 16,212,420</b>

The notes on pages 5 to 18 are an integral part of these condensed consolidated interim financial statements.

# PEOPLE CORPORATION

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

	February 28, 2014		February 28, 2013	
Note	Three months ended	Six months ended	Three months ended	Six months ended
<b>Operating activities</b>				
Net income for the period	\$ 1,424,949	\$ 1,823,171	\$ 178,014	\$ 422,630
Adjustments for:				
Depreciation	95,714	146,552	89,994	176,413
Amortization of intangible assets	568,407	1,136,814	353,799	579,083
Share-based compensation	40,202	80,496	37,939	75,728
Change in non-controlling put liability	(57,537)	124,630	-	-
Accretive interest expense	93,928	193,318	25,932	25,932
Deferred tax expense (recovery)	(634,600)	(867,518)	(153,497)	(317,063)
Net cash from operating activities	1,531,063	2,637,463	532,181	962,723
Change in the following:				
Trade and other receivables	(524,775)	(64,173)	(688,962)	129,993
Other current assets	(8,562)	26,677	80,362	136,568
Trade payable, accrued and other liabilities	(958,584)	(1,939,692)	373,976	(193,578)
Deferred revenue	(83,924)	82,652	(471,083)	(300,684)
Income tax payable	228,498	605,625	77,961	38,955
Net cash used by working capital items	(1,347,347)	(1,288,911)	(627,746)	(188,746)
<b>Net cash from (used by) operating activities</b>	<b>183,716</b>	<b>1,348,552</b>	<b>(95,565)</b>	<b>773,977</b>
<b>Investing activities</b>				
Acquisition of intangible assets	(67,120)	(134,306)	(22,811)	(46,595)
Acquisition of subsidiaries, net of cash acquired	-	-	(3,299,360)	(3,933,317)
Acquisition of property and equipment	(109,340)	(187,363)	(156,297)	(229,869)
<b>Net cash used by investing activities</b>	<b>(176,460)</b>	<b>(321,669)</b>	<b>(3,478,468)</b>	<b>(4,209,781)</b>
<b>Financing activities</b>				
Proceeds from exercise of stock options	96,900	132,131	-	-
Proceeds from loans and borrowings	-	-	3,750,000	3,750,000
Repayment of loans and borrowings	(1,117,918)	(1,698,592)	(39,880)	(300,076)
<b>Net cash from (used by) financing activities</b>	<b>(1,021,018)</b>	<b>(1,566,461)</b>	<b>3,710,120</b>	<b>3,449,924</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,013,762)</b>	<b>(539,578)</b>	<b>136,087</b>	<b>14,120</b>
Cash and cash equivalents at beginning of the period	2,923,353	2,449,169	3,077,676	3,199,643
<b>Cash and cash equivalents at the end of the period</b>	<b>\$ 1,909,591</b>	<b>\$ 1,909,591</b>	<b>\$ 3,213,763</b>	<b>\$ 3,213,763</b>

The notes on pages 5 to 18 are an integral part of these condensed consolidated interim financial statements.

## PEOPLE CORPORATION

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

For the three and six months ended February 28, 2014 and February 28, 2013

---

### 1. Reporting entity:

People Corporation, (the "Company") was incorporated under the Ontario Business Corporations Act on July 5, 2006. The Company is a public company listed on the TSX Venture Exchange (the "TSX-V"), trading under the "PEO" symbol and is domiciled in Canada. The address of the Company's head office is 360 Main Street, Suite 1800, Winnipeg, Manitoba, Canada and the Company's registered office is 180 Bay Street, Suite 4400, Toronto, Ontario, Canada. These condensed consolidated interim financial statements of the Company comprise accounts of the Company and its subsidiaries. The Company is primarily involved in the delivery of employee group benefit consulting, pension consulting and third-party benefits administration services, as well as, recruiting services, strategic human resources consulting and career management services to help companies recruit, retain and reward employees.

### 2. Basis of presentation:

These condensed consolidated interim financial statements for the three and six months ended February 28, 2014 and February 28, 2013 have been prepared in accordance with International Accounting Standards 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board.

These condensed consolidated interim financial statements do not include all the disclosures required by International Financial Reporting Standards ("IFRS") for annual consolidated financial statements and accordingly should be read in conjunction with the Company's audited consolidated financial statements for the year ended August 31, 2013 prepared in accordance with IFRS.

These condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on March 31, 2014.

### 3. Significant accounting policies:

Except as described below, the accounting policies applied by the Company in these condensed consolidated interim financial statements are consistent with those applied by the Company in its consolidated financial statements as at and for the year ended August 31, 2013.

Changes in accounting policies:

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

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

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

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

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

## PEOPLE CORPORATION

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

For the three and six months ended February 28, 2014 and February 28, 2013

---

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

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

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

IFRS 13 is a comprehensive standard that defines fair value, sets out a single IFRS framework for measuring fair value, and requires disclosures about fair value measurements. This new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. The Company adopted IFRS 13 on September 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at September 1, 2013. The standard also establishes disclosures about fair value measurement. The Company has included in Note 14 new financial instrument fair value disclosures required by IFRS 13.

Any subsequent changes to IFRSs that become effective and are adopted for the August 31, 2014 consolidated annual financial statements could result in revisions to accounting policies applied in these condensed consolidated interim financial statements and, if applicable, the opening statement of financial position and reconciliations

**New Standards and interpretations not yet adopted**

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

**IFRS 9, "Financial Instruments"**

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

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

## PEOPLE CORPORATION

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

For the three and six months ended February 28, 2014 and February 28, 2013

#### 4. Property and equipment:

	Note	Leasehold improvements	Furniture and fixtures	Computer equipment	Computer software	Total
<b>Cost</b>						
Balance, August 31, 2012		463,312	725,323	1,016,047	419,290	<b>2,623,972</b>
Additions		70,703	11,257	179,552	133,958	<b>395,470</b>
Disposals		-	(8,376)	-	-	<b>(8,376)</b>
Acquisition through business combination		6,527	54,013	23,319	54,204	<b>138,063</b>
Balance, August 31, 2013		\$ 540,542	\$ 782,217	\$ 1,218,918	\$ 607,452	<b>\$ 3,149,129</b>
Additions		32,204	5,097	69,800	80,262	<b>187,363</b>
Balance, February 28, 2014		\$ 572,746	\$ 787,314	\$ 1,288,718	\$ 687,714	<b>\$ 3,336,492</b>
<b>Depreciation and impairment losses</b>						
Balance, August 31, 2012		(305,647)	(489,678)	(695,343)	(292,631)	<b>(1,783,299)</b>
Depreciation for the period		(88,473)	(53,095)	(127,525)	(110,874)	<b>(379,967)</b>
Disposals		-	(5,031)	-	-	<b>(5,031)</b>
Balance, August 31, 2013		\$ (394,120)	\$ (537,742)	\$ (822,868)	\$ (403,505)	<b>\$ (2,158,235)</b>
Depreciation for the period		(33,966)	(21,391)	(51,275)	(39,920)	<b>(146,552)</b>
Balance, February 28, 2014		\$ (428,086)	\$ (559,133)	\$ (874,143)	\$ (443,425)	<b>\$ (2,304,787)</b>
<b>Carrying amounts</b>						
Balance, August 31, 2013		\$ 146,422	\$ 244,475	\$ 396,050	\$ 203,947	<b>\$ 990,894</b>
Balance, February 28, 2014		\$ 144,660	\$ 228,181	\$ 414,575	\$ 244,289	<b>\$ 1,031,705</b>



## PEOPLE CORPORATION

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

For the three and six months ended February 28, 2014 and February 28, 2013

### 5. Goodwill and intangible assets:

	Note	Goodwill	Customer relationships	Customer contracts	Total
<b>Cost</b>					
Balance, August 31, 2012		\$ 13,547,835	\$ 5,961,351	\$ 3,000,000	\$ 22,509,186
Additions		26,200	38,001	134,008	198,209
Acquisition through business combination		15,978,523	13,644,000	-	29,622,523
Balance, August 31, 2013		29,552,558	19,643,352	3,134,008	52,329,918
Additions		-	-	134,306	134,306
Balance, February 28, 2014		\$ 29,552,558	\$ 19,643,352	\$ 3,268,314	\$ 52,464,224
<b>Amortization and impairment losses</b>					
Balance, August 31, 2012	\$	-	\$ (2,661,052)	\$ (1,550,000)	\$ (4,211,052)
Amortization for the period		-	(938,759)	(303,372)	(1,242,131)
Balance, August 31, 2013		-	(3,599,811)	(1,853,372)	(5,453,183)
Amortization for the period		-	(982,767)	(154,047)	(1,136,814)
Balance, February 28, 2014	\$	-	\$ (4,582,578)	\$ (2,007,419)	\$ (6,589,997)
<b>Carrying amounts</b>					
Balance, August 31, 2013		\$ 29,552,558	\$ 16,043,541	\$ 1,280,636	\$ 46,876,735
Balance, February 28, 2014		\$ 29,552,558	\$ 15,060,774	\$ 1,260,895	\$ 45,874,227

### 6. Trade payables, accrued and other liabilities:

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

	February 28, 2014	August 31, 2013
Trade payables and other liabilities	\$ 2,574,145	\$ 4,507,749
Contingent consideration	1,006,098	950,204
Deferred lease inducements	51,305	57,395
Less current portion of trade payables, accrued and other liabilities	\$ 3,631,548	\$ 5,515,348
	2,591,014	4,522,278
Long-term portion of accrued and other liabilities	1,040,534	993,070
Total long-term Trade payables	\$ 1,040,534	\$ 993,070

## PEOPLE CORPORATION

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

For the three and six months ended February 28, 2014 and February 28, 2013

Amounts recognized as contingent consideration represent the estimated present value of \$1,308,793 for potential additional future consideration based on achieving financial targets for H+P. The liability recognized in connection with the contingent consideration has been determined based on a pre-determined formula defined in an agreement which is based on a multiple of estimated future earnings of H+P and other factors. The fair value of the liability in connection with the contingent consideration is determined by discounting the estimated future payment obligation at each reporting date, and changes in fair value of the estimated liability in future periods will be recorded in finance costs in subsequent condensed consolidated interim statements of comprehensive income.

### 7. Deferred revenue:

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

	February 28, 2014	August 31, 2013
Fees received in advance	\$ 3,964,299	\$ 3,881,647
less: current portion of deferred revenue	3,747,701	3,792,348
Long-term portion of deferred revenue	\$ 216,598	\$ 89,299

### 8. Insurance premium liabilities and related cash and cash equivalents:

In its capacity as third-party benefits administrator, the Company collects premiums from insurers and remits premiums, net of agreed deductions, such as taxes, administrative fees and commissions, to insurance underwriters. These are considered flow-through items for the Company and, as such, the cash and cash equivalents and investment balances relating to these liabilities are deducted from the related liability in the consolidated balance sheets. The Company had the following amounts held in accounts segregated from the Company's operating funds for insurance premium liabilities.

	February 28, 2014	August 31, 2013
Payable to carriers and insured individuals or groups	\$ 14,652,632	\$ 14,558,743
less: related cash and cash equivalents balances	14,652,632	14,558,743
	\$ -	\$ -

### 9. Non-controlling interest Put Options:

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

## PEOPLE CORPORATION

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

For the three and six months ended February 28, 2014 and February 28, 2013

The liability recognized in connection with the Bencom Put Option has been determined based on a pre-determined formula defined in an agreement which is based on a multiple of estimated future earnings of Bencom, the estimated future exercise dates and other factors. The fair value of the liability associated with the Bencom Put Options as at February 28, 2014 was \$802,287 (August 31, 2013 - 756,640). The Bencom Put Option is restricted during the first three years of the agreement but then may be exercisable at any time by the non-controlling shareholder(s).

The liability recognized in connection with the H+P Put Option has been determined based on a pre-determined formula defined in an agreement which is based on a multiple of estimated future earnings of H+P, the estimated future exercise dates and other factors. The fair value of the liability associated with the H+P Put Option as at February 28, 2014 was \$5,495,227 (August 31, 2013 - 5,416,245). The H+P Put Option is restricted during the first three years of the agreement but then may be exercisable at any time by the non-controlling shareholder(s).

The fair value of the liability associated with the non-controlling put options is determined by discounting the estimated future payment obligation at each reporting date, and changes in fair value of the estimated liability in future periods will be recorded in finance costs in subsequent condensed consolidated interim statements of comprehensive income. For the six months ended February 28, 2014 the Company recorded an adjustment to the non-controlling interest put options amounting to \$124,630 (2013 – nil) to the change in estimated fair value of the liability.

### 10. Loans and borrowings:

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

	February 28, 2014	August 31, 2013
<b>Term loans</b>		
(a) A bank loan bearing interest of prime plus 1.5% per annum, secured by the assets of the Company, repayable in quarterly installments of \$90,000 plus accrued interest. The loan matures May 31, 2018	1,530,000	1,710,000
(b) A bank loan bearing interest of prime plus 1.5% per annum, secured by the assets of the Company, repayable in quarterly installments of principal of \$133,929 plus accrued interest. The loan matures December 31, 2019.	3,214,285	3,482,143
(c) A bank loan bearing interest of prime plus 1.5% per annum, secured by the assets of the Company, repayable in quarterly installments of principle of \$335,714 plus accrued interest. The loan matures July 8, 2020.	8,728,572	9,400,000
<b>Total term loans</b>	<b>13,472,857</b>	<b>14,592,143</b>
<b>Vendor-take-back loans</b>		
(d) A vendor-take-back loan bearing no interest per annum, unsecured, repayable in monthly installments of \$1,933. The loan matured on September 1, 2013.	-	899

## PEOPLE CORPORATION

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

For the three and six months ended February 28, 2014 and February 28, 2013

(e) A vendor-take-back loan bearing no interest per annum, secured by the assets of the Company, payable in two annual instalments of \$350,000. The amortized cost of the loan has been discounted using a rate equal to 6.43%. The loan matures on October 1, 2014.	335,903	672,019
(f) A vendor-take-back loan bearing no interest per annum, secured by the assets of the Company, payable in three annual instalments of \$188,031. The amortized cost of the loan has been discounted using a rate equal to 6.43%. The loan matures on December 1, 2015.	347,394	520,386
(g) A vendor-take-back loan bearing no interest per annum, unsecured, payable in monthly instalments of \$5,224. The amortized cost of the loan has been discounted using a rate equal to 6.43%. The loan matures on August 1, 2017.	174,815	200,109
(h) A vendor-take-back loan bearing no interest per annum, secured by the assets of the Company, payable in three annual instalments of \$1,201,667. The amortized cost of the loan has been discounted using a rate equal to 6.43%. The loan matures on July 9, 2016.	3,323,289	3,220,838
<b>Total vendor-take-back loans</b>	<b>4,181,401</b>	<b>4,614,251</b>
<b>Finance lease liabilities</b>		
(i) A finance lease repayable in monthly installments of \$939 and secured by the assets to which the obligation relates. The lease expires August 1, 2015 and includes implicit interest rates ranging from 8.65%.	13,981	18,254
(j) A finance lease repayable in monthly installments of \$1,074 and secured by the assets to which the obligation relates. The lease expires December 1, 2015 and includes implicit interest rates ranging from 11.28%.	19,928	24,687
<b>Total finance lease liabilities</b>	<b>33,909</b>	<b>42,941</b>
	<b>17,688,167</b>	<b>19,249,335</b>
Less: current portion		
Term loans	2,238,572	2,238,571
Vendor take-back loans	1,595,458	1,546,978
Finance lease liabilities	19,478	18,528
	<b>\$ 3,853,508</b>	<b>\$ 3,804,077</b>
	<b>\$ 13,834,659</b>	<b>\$ 15,445,258</b>

# PEOPLE CORPORATION

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

For the three and six months ended February 28, 2014 and February 28, 2013

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

1. A \$2 million operating line of credit. As at February 28, 2014, the Company had not utilized this facility (August 31, 2013 - nil).
2. A \$20 million term revolving acquisition credit facility to fund future acquisitions. The acquisition credit facility is available via loans bearing interest at prime plus 1.5% or via bankers' acceptances bearing periodically fixed interest plus a stamping fee of 2.5% annually. Each draw on the facility will be treated as a separate loan repayable over a period of up to seven years. As at February 28, 2014, the balance owing on this facility was equal to \$11,942,857 (August 31, 2013 - \$12,882,143)

Subsequent to the end of the period, the Company was advanced \$900,000 in new loan proceeds against the acquisition credit facility; and

1. A \$2.5 million installment loan which was utilized to refinance certain long-term debt facilities and vendor-take-back debt of the Company. The installment loan is being repaid in quarterly installments over a seven year period and bears interest at prime plus 1.5%. As at February 28, 2014, the balance owing on this facility was equal to \$1,530,000 (August 31, 2013 - \$1,710,000).

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

Finance lease liabilities are payable as follows:

	February 28, 2014				August 31, 2013				
	Future minimum lease payments	Interest	PV of minimum lease payments	Future minimum lease payments	Interest	PV of minimum lease payments	Future minimum lease payments	Interest	PV of minimum lease payments
1-12 months	\$ 22,055	\$ 2,577	\$ 19,478	\$ 22,055	\$ 3,528	\$ 18,528	\$ 22,055	\$ 3,528	\$ 18,528
13-60 months	15,056	625	14,431	26,083	1,670	24,412	48,138	5,198	42,940
	\$ 37,111	\$ 3,202	\$ 33,909	\$ 48,138	\$ 5,198	\$ 42,940			

## PEOPLE CORPORATION

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

For the three and six months ended February 28, 2014 and February 28, 2013

### 11. Share capital

#### (a) Authorized

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

#### (b) Shares issued and outstanding

Shares issued and outstanding are as follows:

	Number of Common voting shares	Amount
Balance, August 31, 2012	32,970,527	\$ 11,990,956
Exercise of stock options	56,666	33,776
Balance, August 31, 2013	33,027,193	\$ 12,024,732
Exercise of stock options	389,943	203,584
Balance, February 28, 2014	33,417,136	\$ 12,228,316

Subsequent to the end of the period, the Company issued 176,906 common shares related to the exercise of stock options.

#### (c) Earnings per share

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

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

The following details the earnings per share, basic and diluted, calculations for the six months ended February 28, 2014 and February 28, 2013:

	February 28, 2014		February 28, 2013	
	Three months ended	Six months ended	Three months ended	Six months ended
Net income attributable to common shares (basic and diluted)	\$ 1,424,949	\$ 1,823,171	\$ 178,014	\$ 422,630
Weighted average number of common shares (basic)	33,252,914	33,175,847	32,970,527	32,970,527
add: Dilutive effect of stock options	2,205,999	2,206,179	727,913	401,625
Weighted average number of common shares (diluted)	35,458,913	35,382,026	33,698,440	33,372,152
Earnings per share (basic)	\$ 0.043	\$ 0.055	\$ 0.005	\$ 0.013
Earnings per share (diluted)	\$ 0.040	\$ 0.052	\$ 0.005	\$ 0.013

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

# PEOPLE CORPORATION

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

For the three and six months ended February 28, 2014 and February 28, 2013

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

## 12. Share-based payments

On February 23, 2011, at the Annual General Meeting of the Shareholders, the Shareholders re-approved and amended the Stock Option Plan and approved the Company's Employee Share Ownership Plan. Under the terms of the plans, the number of shares issued under the Stock Option Plan and the Employee Share Ownership Plan, as well as all other security based compensation agreements combined cannot exceed 15%, or 5,012,570, of the Company's issued and outstanding shares.

### (a) Employee share ownership plan

The Company has an employee share ownership plan ("ESOP") whereby both employee and Company contributions are used to purchase shares on the open market for employees. The Company's contributions are expensed as incurred as there is no vesting period. Under the plan, the Company matches \$1 for every \$4 contributed by employee contributions of between 2% and 5% of annual base remuneration. Contribution under ESOP began effective November 1, 2011.

At February 28, 2014, there were 151 participants (February 28, 2013 – 88) in the plan. The total number of shares purchased during the six months ended February 28, 2014 on behalf of participants, including the Company contribution, was 60,574 and 195,886 shares (February 28, 2013 – 94,412 and 279,099 shares). During the six months ended February 28, 2014, the Company's matching contributions totalled 12,117 and 39,172 shares (February 28, 2013 – 13,306 and 59,474 shares).

### (b) Stock option plan

Options may be granted to directors, officers, employees and service providers of the Company on terms that the directors of the Company may determine within the limitations set forth in the Stock Option Plan or by security regulators. Options shall not be granted for a term exceeding five years.

Changes in the number of options outstanding during the six months ended February 28, 2014 and February 28, 2013, are as follows:

	February 28, 2014		February 28, 2013	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance, beginning of year	3,129,809	\$ 0.37	2,763,142	\$ 0.34
Granted	75,000	1.75	175,000	0.44
Exercised	(389,943)	0.34	-	-
Forfeited and expired	(3,929)	0.28	-	-
Balance, end of year	2,810,937	\$ 0.42	2,938,142	\$ 0.34
Options exercisable, end of period	2,052,598		2,058,138	

## PEOPLE CORPORATION

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

For the three and six months ended February 28, 2014 and February 28, 2013

Options outstanding at February 28, 2014 consist of the following:

Range of exercise prices	Weighted average Outstanding number	remaining contractual life	Weighted average exercise price	Exercisable number
\$ 0.25 - \$ 0.40	1,885,937	0.95 years	\$0.32	1,702,600
\$ 0.41 - \$ 0.50	500,000	2.98 years	\$0.43	333,332
\$ 0.51 - \$ 0.64	350,000	4.18 years	\$0.63	16,666
\$ 0.65 - \$ 1.75	75,000	4.96 years	\$-	-
<b>\$ 0.25 - \$ 0.64</b>	<b>2,810,937</b>	<b>1.82 years</b>	<b>\$0.42</b>	<b>2,052,598</b>

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

	February 28, 2014	February 28, 2013
Expected option life	5.00 years	5.00 years
Risk-free interest rate	1.61%	1.33%
Dividend yield	nil	nil
Forfeiture rate	6.41%	6.55%
Volatility factor of expected market price of the Company's shares	76.30%	88.65%

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

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. Volatility is determined based on the five-year share price history. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.



## PEOPLE CORPORATION

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

For the three and six months ended February 28, 2014 and February 28, 2013

### 13. Finance expenses:

The Company's Interest and other finance costs for the three and six months ended February 28, 2014 and February 28, 2013 were comprised of the following:

	February 28, 2014		February 28, 2013	
	Three months ended	Six months ended	Three months ended	Six months ended
Interest on long-term debt	\$ 206,836	\$ 376,344	\$ 110,784	\$ 192,046
Interest income	(642)	(1,399)	(757)	(1,864)
Other finance costs	40,681	45,689	38,528	39,820
Non-cash finance costs				
Accretion expense on vendor-take-back loans	65,979	137,424	25,932	25,932
Accretion on contingent consideration	27,947	55,894	-	-
Non-controlling interest put option adjustment	(57,537)	124,630	-	-
	36,389	317,948	25,932	25,932
Total finance expenses	\$ 283,264	\$ 738,582	\$ 174,487	\$ 255,934

Accretion expense on vendor-take-back loans represents the implied interest cost related to non-interest bearing vendor take-back-loans initially recognized on a discounted basis (Note 10). Accretion on contingent consideration is a charge to the Company's net income in the period to recognize the change in discounted fair value of the contingent consideration liability (Note 6).

### 14. Financial instruments:

#### Fair Value Measurement

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

The following presents the Company's assets and liabilities measured at fair value on a recurring basis and categorized by hierarchy level at February 28, 2014:

	Note	(Quoted prices in an active market for identical assets) Level 1	(Significant other observable inputs) Level 2	(Significant other unobservable inputs) Level 3
Cash and cash equivalents		\$ 1,909,591	-	-
Contingent consideration	6	-	1,006,098	-
Non-controlling interest put options	9	-	6,297,514	-

# PEOPLE CORPORATION

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

For the three and six months ended February 28, 2014 and February 28, 2013

The carrying value of the Company's trade and other receivables, trade payables, accrued and other liabilities approximate their fair values due to the immediate or short term maturity of these instruments. The carrying value of the long term debt approximates its fair value as the interest rates are consistent with the current rates offered to the Company for debt with similar terms.

## 15. Commitments and contingencies:

### (a) Contractual obligations

The Company leases premises and various office equipment under agreements which expire on various dates up to February 2018. Future minimum lease payments as at February 28, 2014 are as follows:

Next 12 months	\$	893,557
13 - 24 months		742,681
25 - 36 months		578,494
37 - 48 months		496,023
49 - 60 months		110,565
	\$	2,821,320

### (b) Contingencies

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

## 16. Related parties:

### (a) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors and Officers are key management personnel. In addition to their salaries, the Company also provides non-cash and cash equivalents benefits and participation in the Employee Share Ownership Plan (Note 12(a)) and Stock Option Plan (Note 12(b)).

The following table details the compensation paid to key management personnel during the three and six months ended February 28, 2014 and 2013:

# PEOPLE CORPORATION

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

For the three and six months ended February 28, 2014 and February 28, 2013

	February 28, 2014		February 28, 2013	
	Three months ended	Six months ended	Three months ended	Six months ended
Salaries, fees and short-term employee benefits	\$ 567,492	\$ 899,177	\$ 356,548	\$ 688,791
Short-term benefits and insurance premiums	5,709	10,974	8,666	13,278
Share-based payments	31,929	67,051	29,902	61,137
	\$ 605,130	\$ 977,202	\$ 395,116	\$ 763,206

**(b) Key management personnel and director transactions**

As at February 28, 2014, directors and key management personnel owned 30.71% (August 31, 2013 - 30.66%) percent of the voting shares of the Company.

**17. Expenses by nature:**

The Company's operating expenses for the three and six months ended February 28, 2014 and February 28, 2013 were comprised of the following:

	February 28, 2014		February 28, 2013	
	Three months ended	Six months ended	Three months ended	Six months ended
Personnel and compensation				
Compensation and benefits	\$ 5,678,748	\$ 10,675,611	\$ 4,175,404	\$ 7,989,938
Bonuses	498,647	931,541	509,919	831,912
Short-term benefits and insurance premiums	602,662	1,011,397	493,398	813,075
Share-based payments	40,202	80,496	37,939	75,728
	6,820,259	12,699,045	5,216,660	9,710,653
Advertising and sponsorships	161,003	302,716	113,333	242,486
Automobile	51,733	129,844	72,945	133,145
Administration fees	429,121	881,212	367,718	696,191
Depreciation of property and equipment	95,714	146,552	89,994	176,413
Occupancy	529,616	1,050,253	388,721	737,378
Office supplies and communication	389,836	744,217	289,004	576,134
Other	46,459	229,790	162,264	205,498
Professional fees	226,038	275,717	76,824	280,311
Public company costs	75,619	126,729	76,184	152,051
Travel	186,982	435,957	204,503	393,294
	\$ 9,012,380	\$ 17,022,032	\$ 7,058,093	\$ 13,303,554

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

Certain employees of the Company participate in a defined contribution pension plan. Contributions to the plan by the Company totaled \$12,997 for the six months ended February 28, 2014 (2013 – \$13,481). The amount is included in the salaries, wages and benefits expense in these condensed consolidated interim financial statements.