

Condensed Consolidated interim Financial Statements
(Expressed in Canadian Dollars)



Experience the Benefits of People

Three months ended November 30, 2014 and November 30, 2013
(Unaudited)

In accordance with National Instruments 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim condensed consolidated financial statements for the three months ended November 30, 2014.

PEOPLE CORPORATION

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

	Note	November 30, 2014	August 31, 2014
Assets			
Current assets:			
Cash and cash equivalents		\$ 5,016,269	\$ 2,750,465
Trade and other receivables		3,493,752	3,423,216
Other current assets		653,878	526,444
Total current assets		9,163,899	6,700,125
Non-current assets:			
Property and equipment	4	1,450,840	1,626,581
Goodwill and intangible assets	5	46,704,866	47,286,690
Deferred tax asset		518,937	496,031
Total non-current assets		48,674,643	49,409,302
Total assets		\$ 57,838,542	\$ 56,109,427
Liabilities and shareholders' equity			
Current liabilities:			
Trade payables, accrued and other liabilities	6	\$ 3,773,546	\$ 3,700,928
Deferred revenue	7	4,082,414	4,059,744
Income taxes payable		344,427	276,275
Current portion of loans and borrowings	10	2,427,113	3,080,922
Total current liabilities		10,627,500	11,117,869
Accrued and other liabilities	6	1,123,529	1,093,781
Deferred revenue	7	40,738	68,536
Non-controlling interest put options	9	6,892,584	6,661,351
Loans and borrowings	10	8,209,873	6,579,527
Deferred tax liability		4,431,860	4,566,433
Total liabilities		31,326,084	30,087,497
Shareholders' equity:			
Share capital	11	22,698,181	22,465,334
Contributed surplus		587,611	638,090
Retained earnings		3,226,666	2,918,506
Total shareholders' equity		26,512,458	26,021,930
Total liabilities and shareholders' equity		\$ 57,838,542	\$ 56,109,427

Commitments and contingencies (Note 15)

The notes 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	Three months November 30, 2014	Three months November 30, 2013
Revenue			
Commissions		\$ 6,762,600	\$ 5,248,166
Fees and other revenues		4,292,188	4,520,587
		11,054,788	9,768,753
Operating expenses			
Personnel and compensation	17	6,433,917	5,878,786
General and administrative		2,160,642	1,744,496
Advertising and promotion		533,083	386,370
	17	9,127,642	8,009,652
Income before undernoted		1,927,146	1,759,101
Finance and other income (costs):			
Amortization of intangible assets		(618,484)	(568,407)
Interest and other finance costs	13	(673,213)	(455,318)
Acquisition costs		(60,000)	(35,540)
		(1,351,697)	(1,059,265)
Net income before income taxes		575,449	699,836
Income tax expense:			
Current		424,769	534,532
Deferred		(157,480)	(232,918)
		267,289	301,614
Net income and comprehensive income		\$ 308,160	\$ 398,222
Earnings per share			
Basic	11(c)	\$ 0.008	0.012
Diluted		\$ 0.008	0.011

The notes 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)

	Note	Share Capital	Contributed Surplus	Retained Earnings	Total
Balance, August 31, 2013		\$ 12,024,732	\$ 774,245	\$ 1,377,645	\$ 14,176,622
Net Income and comprehensive income for the period		-	-	398,221	398,221
Exercise of stock options	11(b)	54,932	(19,701)	-	35,231
Share-based payments	12(b)	-	40,294	-	40,294
Total transactions with shareholders		\$ 54,932	\$ 20,593	\$ 398,221	\$ 473,746
Balance, November 30, 2013		\$ 12,079,664	\$ 794,838	\$ 1,775,866	\$ 14,650,368

	Note	Share Capital	Contributed Surplus	Retained Earnings	Total
Balance, August 31, 2014		\$ 22,465,334	\$ 638,090	\$ 2,918,506	\$ 26,021,930
Net Income and comprehensive income for the period		-	-	308,160	308,160
Issuance of common shares	11(b)	-	-	-	-
Exercise of stock options	11(b)	232,847	(96,165)	-	136,682
Share-based payments	12(b)	-	45,686	-	45,686
Total transactions with shareholders		232,847	(50,479)	308,160	490,528
Balance, November 30, 2014		\$ 22,698,181	\$ 587,611	\$ 3,226,666	\$ 26,512,458

The notes 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)

	Note	Three months November 30, 2014	Three months November 30, 2013
Operating activities			
Net income for the period		\$ 308,160	\$ 398,221
Adjustments for:			
Depreciation	4	226,617	50,838
Amortization of intangible assets	5	618,484	568,407
Share-based compensation		45,686	40,294
Non-controlling interest put option fair value adjustment		231,233	182,167
Accretive interest expense		85,582	99,391
Deferred tax expense (recovery)		(157,479)	(232,918)
Net cash from operations		1,358,283	1,106,400
Change in the following:			
Trade and other receivables		(70,535)	460,602
Other current assets		(127,434)	35,239
Trade payables, accrued and other liabilities		71,063	(981,109)
Deferred revenue		(5,128)	166,576
Income tax payable		68,152	377,127
Net cash from (used by) working capital items		(63,882)	58,435
Net cash from operating activities		1,294,401	1,164,835
Investing activities			
Acquisition of property and equipment		(50,875)	(78,023)
Acquisition of intangible assets		(36,660)	(67,186)
Net cash used in investing activities		(87,535)	(145,209)
Financing activities			
Proceeds from exercise of stock options		136,682	35,231
Proceeds from loans and borrowings		7,000,000	-
Repayment of loans and borrowings		(6,077,744)	(580,674)
Net cash from (used) in financing activities		1,058,938	(545,443)
Net increase (decrease) in cash and cash equivalents		2,265,804	474,183
Cash and cash equivalents at beginning of the period		2,750,465	2,449,169
Cash and cash equivalents at the end of the period		\$ 5,016,269	\$ 2,923,352

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

PEOPLE CORPORATION

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

For the three months ended November 30, 2014 and November 30, 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 months ended November 30, 2014 and November 30, 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") as issued by the International Accounting Standards Board ("IASB") for annual consolidated financial statements and accordingly should be read in conjunction with the Company's audited consolidated financial statements for the year ended August 31, 2014 prepared in accordance with IFRS.

These condensed consolidated interim financial statements were approved by the Board of Directors and authorized for issue on January 21, 2015.

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, 2014.

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 by IASB but are not yet effective.

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

The IASB issued IFRS 9 as a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple rules in IAS 39. The approach in IFRS 9 focuses on how an entity manages its financial instruments in the context of its business model, as well as the contractual cash and cash equivalents flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods currently provided in IAS 39. The effective date is for annual periods beginning on or after January 1, 2018.

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

PEOPLE CORPORATION

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

For the three months ended November 30, 2014 and November 30, 2013

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

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

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

4. Property and equipment:

The Company has the following property and equipment:

	Leasehold improvements	Furniture and fixtures	Computer equipment	Computer software	Total
Cost					
Balance, August 31, 2013	592,682	948,462	1,321,366	666,391	3,528,901
Additions	408,864	(104,622)	62,885	244,079	611,206
Acquisition through business combination	44,681	54,013	46,641	54,204	199,539
Balance, August 31, 2014	\$ 1,046,227	\$ 897,853	\$ 1,430,892	\$ 964,674	\$ 4,339,646
Additions	26,904	5,705	6,974	11,291	50,874
Balance, November 30, 2014	\$ 1,073,131	\$ 903,558	\$ 1,437,866	\$ 975,965	\$ 4,390,520
Depreciation and impairment losses					
Balance, August 31, 2013	(446,259)	(703,986)	(925,316)	(462,445)	(2,538,006)
Depreciation for the period	(156,042)	99,563	(69,681)	(48,897)	(175,057)
Balance, August 31, 2014	\$ (602,301)	\$ (604,423)	\$ (994,997)	\$ (511,342)	\$ (2,713,063)
Depreciation for the period	(50,790)	(54,423)	(85,153)	(36,252)	(226,618)
Balance, November 30, 2014	\$ (653,091)	\$ (658,846)	\$ (1,080,150)	\$ (547,594)	\$ (2,939,681)
Carrying amounts					
Balance, August 31, 2014	\$ 443,926	\$ 293,428	\$ 435,894	\$ 453,333	\$ 1,626,581
Balance, November 30, 2014	\$ 420,041	\$ 244,712	\$ 357,716	\$ 428,371	\$ 1,450,840

PEOPLE CORPORATION

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

For the three months ended November 30, 2014 and November 30, 2013

5. Goodwill and intangible assets:

The Company has the following goodwill and intangible assets:

	Note	Goodwill	Customer relationships	Customer contracts	Total
Cost					
Balance, August 31, 2013		\$ 29,552,558	\$ 19,643,352	\$ 3,134,007	\$ 52,329,917
Additions		-	900,000	278,157	1,178,157
Acquisition through business combination		585,423	1,065,000	-	1,650,423
Balance, August 31, 2014		30,137,981	21,608,352	3,412,164	55,158,497
Additions		-	-	36,661	36,661
Balance, November 30, 2014		\$ 30,137,981	\$ 21,608,352	\$ 3,448,825	\$ 55,195,158
Amortization and impairment losses					
Balance, August 31, 2013	\$	-	\$ (3,599,811)	\$ (1,853,372)	\$ (5,453,183)
Amortization for the period		-	(2,110,533)	(308,092)	(2,418,625)
Balance, August 31, 2014		-	(5,710,344)	(2,161,464)	(7,871,808)
Amortization for the period		-	(538,584)	(79,900)	(618,484)
Balance, November 30, 2014	\$	-	\$ (6,248,928)	\$ (2,241,364)	\$ (8,490,292)
Carrying amounts					
Balance, August 31, 2014		\$ 30,137,981	\$ 15,898,008	\$ 1,250,701	\$ 47,286,690
Balance, November 30, 2014		\$ 30,137,981	\$ 15,359,424	\$ 1,207,461	\$ 46,704,866

6. Trade payables, accrued and other liabilities:

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

	November 30, 2014	August 31, 2014
Trade payables and other liabilities	\$ 3,761,117	\$ 3,687,611
Contingent consideration	1,095,530	1,064,229
Deferred lease inducements	40,428	42,869
	\$ 4,897,075	\$ 4,794,709
Less current portion of trade payables, accrued and other liabilities	3,773,546	3,700,928
Total long-term Accrued and other liabilities	\$ 1,123,529	\$ 1,093,781

PEOPLE CORPORATION

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

For the three months ended November 30, 2014 and November 30, 2013

Amounts recognized as contingent consideration represent the estimated undiscounted fair value of \$1,308,793 (2014 - \$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. During the period, the Company recognized an adjustment to the fair value of the contingent consideration of \$31,301 (2014 - \$27,947).

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 has the following deferred revenue.

	November 30, 2014	August 31, 2014
Fees received in advance	\$ 4,123,152	\$ 4,128,280
less: current portion of deferred revenue	4,082,414	4,059,744
Long-term portion of deferred revenue	\$ 40,738	\$ 68,536

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

	November 30, 2014	August 31, 2014
Payable to carriers and insured individuals or groups	\$ 13,797,249	\$ 16,640,790
less: related cash and cash equivalents balances	13,797,249	16,640,790
	\$ -	\$ -

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 months ended November 30, 2014 and November 30, 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 November 30, 2014 was \$945,623 (August 31, 2014 - 851,511). The Bencom Put Option is restricted until December 2015, which is three years from the effective date 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 November 30, 2014 was \$5,946,961 (August 31, 2014 - 5,809,840). The H+P Put Option is restricted until July 2016, which is three years from the effective date of the agreement, but then may be exercisable at any time by the non-controlling shareholder(s).

The fair value of the liability associated with the non-controlling put options is determined by discounting the estimated future payment obligation at each reporting date, and changes in fair value of the estimated liability in future periods will be recorded in finance costs in subsequent condensed consolidated interim statements of comprehensive income. For the three months ended November 30, 2014 the Company recorded an adjustment to the non-controlling interest put options amounting to \$231,233 (2013 - 182,167) 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.

	November 30, 2014	August 31, 2014
Term loans		
(a) A bank loan bearing interest of prime plus 1.50% per annum, secured by the assets of the Company, repayable in quarterly installments of principle of \$335,714 plus accrued interest. The loan was repaid in October 2014.	-	6,057,143
(b) A bank loan bearing interest of prime plus an amount equal to 1.75% to 3.50% per annum subject to certain terms, secured by the assets of the Company, repayable in quarterly installments equal to 2.00% to 3.00% of the opening principal balance throughout the term of the agreement. The loan matures October 31, 2017 unless extended pursuant to the agreement.	7,000,000	-
Total term loans	7,000,000	6,057,143

PEOPLE CORPORATION

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

For the three months ended November 30, 2014 and November 30, 2013

Vendor-take-back loans

(c) 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 will be paid in the second quarter of 2015.	350,000	346,476
(d) 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.	364,463	358,619
(e) A vendor-take-back loan bearing no interest per annum, secured by the assets of the Company, payable in two payments of \$105,000 and \$135,000, respectively. The amortized cost of the loan has been discounted using a rate equal to 5.76%. The loan matures May 1, 2016.	220,749	217,659
(f) A vendor-take-back loan bearing no interest per annum, secured by the assets of the Company, payable in three annual instalments of \$1,201,667. The amortized cost of the loan has been discounted using a rate equal to 6.43%. The loan matures on July 9, 2016.	2,248,595	2,213,392
(g) A vendor-take-back loan bearing no interest per annum, secured by the assets of the Company, payable in three annual instalments of \$100,000. The amortized cost of the loan has been discounted using a rate equal to 5.80%. The loan matures on May 1, 2017.	276,138	272,183
(h) 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.	157,557	170,564
Total vendor-take-back loans	3,617,502	3,578,893

Finance lease liabilities

(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%.	7,216	9,520
(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%.	12,268	14,893
Total finance lease liabilities	19,484	24,413

PEOPLE CORPORATION

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

For the three months ended November 30, 2014 and November 30, 2013

	10,636,986	9,660,449
Less: current portion		
Term loans	560,000	1,342,857
Vendor take-back loans	1,848,626	1,717,587
Finance lease liabilities	18,487	20,478
	\$ 2,427,113	\$ 3,080,922
	\$ 8,209,873	\$ 6,579,527

As at November 30, 2014, the Company was party to an agreement with its senior lender, Canadian Imperial Bank of Commerce ("CIBC"), as lead lender of a syndicated loan facility, which included the following components:

1. \$5 million revolving credit facility. As at November 30, 2014, the Company had not utilized this facility (August 31, 2014 - *nil*).
2. \$23 million term acquisition credit facility to fund future acquisitions. As at November 30, 2014, the Company had not utilized this facility (August 31, 2014 - *nil*).
3. \$7 million term credit facility installment loan which was used to refinance the acquisition facility balance outstanding under the previous agreement. As at November 30, 2014, the balance owing on this facility was equal to \$7,000,000 (August 31, 2014 - *nil*).

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

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

Finance lease liabilities are payable as follows:

	November 30, 2014				August 31, 2014			
	Future minimum lease payments	Interest	PV of minimum lease payments	Future minimum lease payments	Interest	PV of minimum lease payments		
1-12 months	\$ 19,565	\$ 1,078	\$ 18,487	\$ 22,055	\$ 1,577	\$ 20,478		
13-60 months	1,006	9	997	4,028	93	3,935		
	\$ 20,571	\$ 1,087	\$ 19,484	\$ 26,083	\$ 1,670	\$ 24,413		

PEOPLE CORPORATION

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

For the three months ended November 30, 2014 and November 30, 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:

	Note	Number of Common voting shares	Amount
Balance, August 31, 2013		33,027,193	\$ 12,024,732
Private placement of shares		4,815,080	9,573,447
Exercise of stock options		1,709,213	867,155
Balance, August 31, 2014		39,551,486	\$ 22,465,334
Exercise of stock options	12(b)	306,664	232,847
Balance, November 30, 2014		39,858,150	\$ 22,698,181

(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 three months ended November 30, 2014 and November 30, 2013:

	November 30, 2014	November 30, 2013
Net income attributable to common shares (basic and diluted)	\$ 308,160	\$ 398,221
Weighted average number of common shares (basic)	39,723,810	33,096,826
add: Dilutive effect of stock options	1,271,669	2,192,934
Weighted average number of common shares (diluted)	40,995,479	35,289,760
Earnings per share (basic)	\$ 0.008	\$ 0.012
Earnings per share (diluted)	\$ 0.008	\$ 0.011

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

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

PEOPLE CORPORATION

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

For the three months ended November 30, 2014 and November 30, 2013

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% of the Company's issued and outstanding shares at the time the plan was approved, or 4,954,579 (2013 – 4,954,579).

(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 November 30, 2014, there were 135 participants (November 30, 2013 – 115) in the plan. The total number of shares purchased during the and three months ended November 30, 2014 on behalf of participants, including the Company contribution, was 62,920 shares (November 30, 2013 – 104,740 shares). During the three months ended November 30, 2014, the Company's matching contributions totalled 12,597 shares (November 30, 2013 – 20,941 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 three months ended November 30, 2014 and November 30, 2013, are as follows:

	2014		2013	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance, beginning of period	1,566,667	\$ 0.57	3,129,809	\$ 0.37
Granted	20,000	2.85	-	-
Exercised	(306,664)	0.45	(104,943)	0.34
Forfeited and expired	(8,334)	0.34	(2,500)	0.25
Balance, end of period	1,271,669	\$ 0.64	3,022,366	\$ 0.37
Options exercisable, end of period	626,665		2,111,528	

For the three months ended November 30, 2014, the Company received proceeds from exercise of stock options equal to \$136,682 (2013 - \$35,231) from the exercise of 306,664 options. Related to these transactions, the Company transferred \$96,165 (2013 - \$19,701) from contributed surplus to share capital.

PEOPLE CORPORATION

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

For the three months ended November 30, 2014 and November 30, 2013

Options outstanding at November 30, 2014 consist of the following:

Range of exercise prices	Weighted average Outstanding number	remaining contractual life	Weighted average exercise price	Exercisable number
\$ 0.25 - \$ 0.41	458,335	1.28 years	\$0.30	383,334
\$ 0.42 - \$ 0.62	400,000	2.36 years	\$0.45	199,998
\$ 0.63 - \$ 2.85	413,334	3.81 years	\$1.20	43,333
\$ 0.25 - \$ 2.85	1,271,669	2.44 years	\$0.64	626,665

13. Interest and other finance costs

The Company's Interest and other finance costs for the three months ended November 30, 2014 and November 30, 2013 were comprised of the following:

	Note	2014	2013
Interest and finance costs on long-term debt	10	\$ 339,672	\$ 169,508
Interest income		(365)	(757)
Other finance costs		17,029	5,008
Non-cash finance costs			
Accretion expense on vendor-take-back loans	10	54,343	71,445
Accretion on contingent consideration	6	31,301	27,947
Non-controlling interest put option adjustment		231,233	182,167
		316,877	281,559
		\$ 673,213	\$ 455,318

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:

PEOPLE CORPORATION

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

For the three months ended November 30, 2014 and November 30, 2013

	Note	(Quoted prices in an active market for identical assets) Level 1	(Significant other observable inputs) Level2	(Significant other unobservable inputs) Level 3
November 30, 2014				
Cash and cash equivalents		\$ 5,016,269	-	-
Contingent consideration	6	-	1,095,530	-
Non-controlling interest put options	9	-	6,892,584	-
August 31, 2014:				
Cash and cash equivalents		\$ 2,750,465	-	-
Contingent consideration	6	-	1,064,229	-
Non-controlling interest put options	9	-	6,661,351	-

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

- Level 1** Unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

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 November 30, 2014 are as follows:

Next 12 months	\$ 842,637
13 - 24 months	631,745
25 - 36 months	612,827
37 - 48 months	186,207
	\$ 2,273,416

PEOPLE CORPORATION

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

For the three months ended November 30, 2014 and November 30, 2013

(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 months ended November 30, 2014 and 2013:

	November 30, 2014	November 30, 2013
Salaries, fees and short-term employee benefits	\$ 468,500	\$ 331,685
Short-term benefits and insurance premiums	3,923	5,265
Share-based payments	34,387	35,122
	\$ 506,810	\$ 372,072

(b) Key management personnel and director transactions

As at November 30, 2014, directors and key management personnel owned 23.12% (August 31, 2014 - 24.50%) percent of the voting shares of the Company.

As at November 30, 2014, the Company engages in transactions with Directors and key management personnel of the Company. All the transactions are in the normal course of operations and are measured at the exchanged amount, which is the consideration agreed to by the parties.

PEOPLE CORPORATION

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

For the three months ended November 30, 2014 and November 30, 2013

17. Expenses by nature:

The Company's operating expenses for the three months ended November 30, 2014 and November 30, 2013 were comprised of the following:

	November 30, 2014	November 30, 2013
Personnel		
Wages, salaries and commissions	\$ 5,401,622	\$ 4,996,863
Bonuses	532,157	432,894
Short-term benefits and insurance premiums	454,453	408,735
Share-based payments	45,686	40,294
	6,433,918	5,878,786
Advertising and sponsorships	228,456	141,713
Automobile	79,431	78,111
Administration fees	522,390	452,091
Depreciation of property and equipment	226,617	50,838
Occupancy	550,813	520,637
Office supplies and communication	383,582	354,381
Other	127,451	26,630
Professional fees	232,346	206,380
Public company costs	68,837	51,110
Travel	273,801	248,975
	\$ 9,127,642	\$ 8,009,652

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