Caldwell

ANNUAL REPORT 2019

Caldwell

Caldwell

Dear Shareholders, Clients, and Friends:

Fiscal 2019 was an important year in the growth and evolution of Caldwell, bringing new faces, new initiatives, new milestones and new heights.

After a sluggish start to the year, our team performed an incredible turn-around and delivered a strong second half and a phenomenal fourth quarter - our strongest to date. We closed out the year with over $72.1 million in annual revenue.

Our reported annual operating profit of $1.6 million was appreciably dampened by two fourth quarter expenses — a $1.5 million non-cash goodwill impairment charge in the UK and a $0.3 million New York municipal tax assessment related to prior years. In addition, we incurred UK operating losses (excluding the goodwill write down) of $1.7 million for the year, up from the operating losses of $0.5 million last year. These factors masked an otherwise strong performance from our Caldwell team.

This was a year of important milestones: we celebrated 30 years of being listed on the TSX. It also marked the 10-year anniversary of our US expansion plan – a hugely successful undertaking that has fundamentally repositioned our firm. In fiscal 2009, Caldwell brought in $12.7 million in revenue – $1.7 million from the United States. Fast forward 10 years and the region now represents 76% of our total revenue and is a major engine of our success.

We expanded our team in fiscal 2019 – adding a number of new partners and teams, opening new offices in Houston and Chicago, and expanding our global footprint significantly with our strategic alliance with Sydney-based Hattonneale. These team additions give further depth and breadth to our capabilities across functions, practices and geographies, adding greatly to our ability to serve our clients globally and seamlessly.

Our UK operation has had ongoing challenges in expanding revenue and earnings. We remain committed to the UK becoming a sustainable and profitable contributor to the Caldwell brand and are pleased to see improvement in new business booking and business development activity early in fiscal 2020 as individuals transition into the firm and non-solicitation periods run their course. We continue to consider the UK and Europe to be strategically important.

We expanded our portfolio of services, launching Caldwell Advance, our mid-level search offering for emerging leaders and advancing professionals that allows us have an increasingly meaningful impact on our clients' overall talent strategy. We continued to claim new space with the launch of our Diversity & Inclusion Advisory solutions, providing more flexible options for solving our clients' executive talent needs.

We also became a certified partner of The Predictive Index, whose talent optimization tools give us a scientific way to help our clients reach their goals by aligning their business strategy with their people strategy to deliver on their results.

We also saw some major changes at the board level, bidding a very fond farewell to our longtime Board Chairman Ed King, and welcoming new Board Chairman Elias Vamvakas and new Board Director John Young.

As we look ahead to Fiscal 2020, our biggest priority is to focus on sustainable growth by doing what we do best – making our clients better, more competitive and more successful by connecting them with transformational talent. We will continue to pursue targeted partner hires, explore initiatives and potential acquisitions that will enhance our value and differentiation in the market, and expand our portfolio of services to help our clients hire the right people, then manage and inspire them to achieve maximum business results as fast as possible.

It's an exciting time to be a member of the Caldwell team - we are all energized about our firm, our direction, our initiatives and the ways in which we will keep moving onward and upward. We are grateful to the entire team, for their tireless work on behalf of our clients, our candidates and each other. It is their energy, their enthusiasm, their love for what we do that drives us ever forward.

Yours sincerely,

Elias Vamvakas

Chair of the Board

John N. Wallace

President & Chief Executive Officer

THE CALDWELL PARTNERS INTERNATIONAL INC

MANAGEMENT DISCUSSION AND ANALYSIS

For the years ended August 31, 2019 and August 31, 2018

Management Discussion and Analysis

(Expressed in CAD $000s, except per share amounts)

COMPANY DESCRIPTION

The Caldwell Partners International Inc. (the “Company” or “we”) is an executive search firm specializing in recruiting executives for full-time and advisory roles on behalf of its clients. The Company contracts with its clients, on an assignment basis, to provide consulting advice on the identification, evaluation, assessment and recommendation of qualified candidates for specific positions. The Company concentrates its activities on locating executives to fill senior executive employment and executive advisory solutions. Our core service offerings have historically been the placement of executives in full-time employed roles or an advisory capacity within fiduciary governance boards.

During fiscal 2018 we began selling executive advisory solutions involving the placement of executives on an on-demand basis who provide operational advisory and executive knowledge services for our clients. During the second quarter of fiscal 2019, we launched Caldwell Advance--a service offering providing search services for emerging leaders and advancing professionals for roles at levels below our executive search business. Caldwell Advance services are provided by different teams and with a different staffing leverage model than our executive search services. Also during the second quarter of fiscal 2019, we announced our agreement with The Predictive Index, LLC (“PI”) naming us as a PI Certified Partner. As a PI Certified Partner, we may utilize The Predictive Index suite of talent strategy and assessment tools within our search services as well as sell and service the PI platform directly to our clients for their enterprise-wide use. We do not know the scale to which our new solutions may expand in the future or if we will maintain such service offerings if we are unable to scale related revenue.

We take pride in delivering an unmatched level of service and expertise to our clients through our owned and licensed client teams from 18 locations throughout the world including Atlanta, Calgary, Charleston, Chicago, Dallas, Houston, London, Los Angeles, Miami, Nashville, New York, Philadelphia, San Francisco, Stamford, Toronto and Vancouver, and through our licensee locations in Auckland, New Zealand and Sydney, Australia.

The Caldwell Partners’ common shares are listed on the Toronto Stock Exchange (TSX: CWL). Please visit our website at www.caldwellpartners.com for further information.

FORWARD-LOOKING STATEMENTS

Forward-looking statements in this document are based on current expectations that are subject to the significant risks and uncertainties cited. These forward-looking statements generally can be identified by use of statements that include phrases such as “believe,” “expect,” “anticipate,” “intend,” “plan,” “foresee,” “may,” “will,” “likely,” “estimates,” “potential,” “continue” or other similar words or phrases. Similarly, statements that describe our objectives, plans or goals also are forward-looking statements. The Company is subject to many factors that could cause our actual results to differ materially from those contemplated by the relevant forward looking statement including, but not limited to, our ability to attract and retain key personnel; exposure to our partners taking our clients with them to another firm; the performance of the US, Canadian and international economies; competition from other companies directly or indirectly engaged in executive search; liability risk in the services we perform; potential legal liability from clients, employees and candidates for employment; cybersecurity requirements, vulnerabilities, threats and attacks; damage to our brand reputation; our ability to align our cost structure to changes in our revenue; adverse tax law rulings; our ability to generate sufficient cash flow from operations to support our growth and maintain our dividend;

technological advances may significantly disrupt the labour market and weaken demand for human capital at a rapid rate; foreign currency exchange rate fluctuations; affiliation agreements may fail to renew or affiliates may be acquired; marketable securities valuation fluctuations; increasing dependence on third parties for the execution of critical functions; volatility of the market price and volume of our common shares; potential impairment of our acquired goodwill and intangible assets; and disruption as a result of actions of certain stockholders or potential acquirers of the Company. For more information on the factors that could affect the outcome of forward-looking statements, refer to the "Risk Factors" section of our Annual Information Form and other public filings (copies of which may be obtained at www.sedar.com). These factors should be considered carefully, and the reader should not place undue reliance on forward-looking statements. Although any forward-looking statements are based on what management currently believes to be reasonable assumptions, we cannot assure readers that actual results, performance or achievements will be consistent with these forward-looking statements, and management's assumptions may prove to be incorrect. Except as required by Canadian securities laws, we do not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by us or on our behalf; such statements speak only as of the date made. The forward-looking statements included herein are expressly qualified in their entirety by this cautionary language.

PRESENTATION

The following discussion and analysis, prepared on November 18, 2019, should be read in conjunction with the consolidated annual audited financial statements and related notes for the year ended August 31, 2019. Unless otherwise noted, all currency amounts are provided in thousands of Canadian dollars (except per share amounts). All references to quarters or years are for the fiscal periods unless otherwise noted. Unless otherwise noted as a non-GAAP financial measure or other operating measure, financial results are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

Our presentation currency is the Canadian dollar. We manage our business in three geographic segments: Canada, United States (US) and Europe whose functional currencies are the Canadian dollar, US dollar and British pound, respectively. Segment discussions within are in Canadian dollars, with references made to the impact of changes in exchange rates from period to period.

The Company's Canadian parent legal entity holds the right to the Company's brand and intellectual property. As discussed in note 22 to the consolidated financial statements, on November 8, 2015, the Company entered into a licensing agreement with Simon Monks and Partners Limited, a New Zealand corporation, which subsequently changed its name to The Caldwell Partners International New Zealand Limited ("Caldwell NZ"). The licensing agreement has an initial term of five years and provides for Caldwell NZ to pay the Company a licence fee based on a percentage of revenue. Caldwell NZ had three revenue producing employees plus related staff operating out of Auckland as of August 31, 2019. Effective February 7, 2019, the Company entered into a similar licensing agreement with Hattonneale Pty Ltd. ("Hattonneale"), an Australia-based firm. Hattonneale had four revenue-producing employees plus related staff operating out of Sydney, Australia as of August 31, 2019. In exchange for the licence fee payments, Caldwell NZ and Hattonneale each have the right to use the Caldwell Partners brand, search processes, methodologies and related intellectual property. The Company also maintained a licensing agreement which commenced on July 13, 2015 with CPGroup Latam Ltd. ("CPGroup") that was terminated by mutual agreement effective February 28, 2019, and discussed further in the Revenue section of this document under License Fees.

NON-GAAP FINANCIAL MEASURES AND OTHER OPERATING MEASURES

Certain non-GAAP financial measures and other operating measures are used by our management to manage the business and explain the results of its operations. Such measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Non-GAAP measures and other operating measures used herein have been calculated on a consistent basis for the periods presented and include the following defined terms:

- Average Number of Partners: Excluding affiliation partners, the number of partners at the beginning of a period plus the number of partners at the end of each month during a period, divided by the related number of months. The Average Number of Partners is indicative of our capacity to generate professional fees.

- Annualized Professional Fees per Partner: Professional fees divided by the Average Number of Partners; and if a quarterly period, multiplied by four to reflect an annualized number. The Annualized Revenue per Partner is indicative of how highly our Partners are performing taken as a whole. This performance is driven by the Number of Assignments performed and the Average Fee per Assignment.

- Number of Assignments: the number of new executive search assignments contracted for during a period. This metric shows the search volume and is one of the drivers of professional fees.

- Number of Assignments per Partner: the Number of Assignments divided by the Average Number of Partners. This metric analyzes our partner productivity and utilization and is a measure used to identify and track volume trends as one of the key drivers of our professional fees.

- Average Fee per Assignment: Professional fees for a given period divided by the related Number of Assignments. This metric is used to identify and track price trends as a key driver of our professional fees. It is impacted by both economic and competitive conditions as well as the seniority level of searches undertaken.

- Revenue, Net of Reimbursements: total revenue for a given period less direct expense reimbursements recovered from clients, which subsequent to the adoption of IFRS 15 effective September 1, 2018, is included as part of revenue. This metric is used in the denominator for the calculation of gross margin and operating margin and provides for meaningful comparability between pre-IFRS 15 and post-IFRS 15 reporting periods.

- Unencumbered Cash: a measure used to identify cash available beyond that required to fund short term obligations, calculated as the net of i) cash and cash equivalents, restricted cash, short-term marketable securities, accounts receivable and net deferred tax assets to be recovered within 12 months less ii) total current liabilities excluding deferred revenue and deferred compensation expense related specifically to the deferred revenue and unbilled revenue.

SELECTED FINANCIAL INFORMATION

The following table summarizes selected financial information for the three years ended August 31:

($000s except dividends and earnings per share)		2019		2018		2017
Total revenue	$	**72,138**	$	66,883	$	57,805
Revenue, Net of Reimbursements	$	**70,449**	$	66,883	$	57,805
Period end number of partners[1]		**40**		39		39
Average Number of Partners[1]		**39.5**		38.1		37.5
Annualized Professional Fees per Partner[1]	$	**1,766**	$	1,746	$	1,533
Number of Assignments[1]		**439**		453		432
Number of Assignments per Partner[1]		**11.1**		11.9		11.5
Average Fee per Assignment[1]	$	**159**	$	147	$	133
Operating profit	$	**1,640**	$	3,966	$	3,113
Net earnings for the year attributable to owners of the Company	$	**325**	$	2,015	$	1,957
Basic earnings per share	$	**0.016**	$	0.099	$	0.096
Diluted earnings per share	$	**0.016**	$	0.099	$	0.096
Total assets	$	**40,608**	$	39,781	$	34,302
Total non-current financial liabilities	$	**1,068**	$	1,615	$	958
Unencumbered Cash[1]	$	**7,326**	$	9,553	$	7,883
Cash dividends per share	$	**0.0875**	$	0.0800	$	0.0800

[1] Please refer to the section on Non-GAAP Financial Measures and Other Operating Measures on page 4 of this document

DISCUSSION OF FACTORS IMPACTING THE COMPANY'S RESULTS

As discussed in the Operating Results section, the adoption of a new accounting pronouncement in fiscal 2019 required us to reflect on a gross basis certain revenue and costs from direct expenses incurred in the performance of our search work and billed to our clients for reimbursement. Previously, these had been shown netted within cost of sales. This caused an increase in revenue and cost of sales in fiscal 2019 of $1,689 over the prior fiscal years' presentation. To provide consistency of presentation, results are discussed as Revenue, Net of Reimbursements defined in the above Non-GAAP Financial Measures.

Revenue, Net of Reimbursements of $70.4 million set a new annual record and was 5.3% over the prior year. Operating profit of $1.6 million included the goodwill impairment charge of $1.5 million. Excluding the impairment expense, operating profit for the year was $3.1 million, down from $4.0 million in the prior year. Many factors contributed to the operating profit results as discussed more fully in the Operating Results herein, but much can be derived from the geographies. Our North American operations generated operating profit of $4.8 million (2018: $4.5 million), while our European business, excluding the goodwill impairment, had an operating loss of $1.7 million (2018: operating loss of $0.5 million). The European business has had ongoing challenges in revenue generation from transitioning new hires. There is normally an assimilation and ramp-up period associated with new hires, and this has been compounded with a small overall partner base in the UK, client non-solicit periods for certain new hires and pressure in the markets from Brexit. We continue to consider Europe to be strategically important, but with a sustained period of operating losses, our goodwill balance could not be supported, resulting in the impairment charge.

The 5.3% increase in Revenue, Net of Reimbursements from 2018 to 2019 was the result of increases in our Average Fee of 8.2% (5.6% excluding the impact of foreign exchange rate fluctuations) and a slightly higher Average Number of Partners partially offset by a 6.6% decrease in the Number of Assignments per partner.

The 15.7% increase in revenue from 2017 to 2018 was the result of increases in our Average Fee of 10.5% (13.0% excluding the impact of foreign exchange rate fluctuations), the Number of Assignments per partner of 3.5% and a slight increase in the Average Number of Partners.

Our Average Fee is impacted by economic conditions and related competitive pricing pressures as well as the seniority level of searches undertaken. We attempt to protect our Average Fee by maintaining a strategic focus towards securing high level executive placements within our core business, which, in turn, have higher compensation levels upon which our fees are based. Yearly average foreign exchange rate movements have the potential to have a significant impact on our Average Fee. The average US dollar rate has been fairly consistent during the reported periods, declining 3.0% from 2017 to 2018 and then increasing 3.9% from 2018 to 2019 relative to the Canadian dollar. The average British Pound rate has also been fairly stable, increasing 3.0% from 2017 to 2018 relative to the Canadian Dollar, then declining 1.2% from 2018 to 2019.

The following table summarizes the approximate foreign exchange rates impacting the business during fiscal 2019, 2018 and fiscal 2017 according to geographic segment:

	Exchange Rates to the Canadian Dollar		
Functional Currency	**Fiscal 2019**	**Fiscal 2018**	**Fiscal 2017**
United States			
US dollar – average	1.33	1.28	1.32
US dollar – period end	1.33	1.31	1.25
Canada			
Canadian dollar – average	1.00	1.00	1.00
Canadian dollar – period end	1.00	1.00	1.00
Europe			
British pound – average	1.70	1.72	1.67
British pound – period end	1.62	1.69	1.62

The Number of Assignments per Partner was up 3.4% from 2017 to 2018 to 11.9 before falling back 6.6% from 2018 to 2019 to 11.1. The partner headcount metric was flat at 39 from 2017 to 2018, rising to 40 from 2018 to 2019 with 2 new partner hires in 2018 and 6 in 2019, being offset by 2 partner departures in 2018 and 5 in 2019. There is often a lag in revenue from the time of a new partner hire to the time they are considered at full capacity. This is caused by factors such as non-solicit or non-compete periods, new brand communication and the nature of staged billing once new searches are awarded.

In fiscal 2019, net earnings decreased $1,690 to $325 from $2,015 in the prior year. The net earnings decrease resulted from a $2,326 decrease in operating profit partially offset by an increase in investment income of $197 and a $439 decrease in income tax expense due to the lower overall profit.

Of the $2,326 decrease in operating profit from 2018 to 2019, $1,521 related to an impairment expense taken by the company to fully write down the goodwill from the European entity. Excluding the goodwill expense, operating profit decreased $805 driven by higher direct costs more than offsetting the corresponding increase in Revenue, Net of Reimbursements and a 2.1% increase in expenses. The increase in expenses was largely the result of $350 in municipal tax expenses arising from an assessment levied in the fourth quarter but related primarily to prior periods and $450 in legal fees related to the unsuccessful pursuit of a claim against a former client. These expense increases were partially offset by reductions in share-based compensation expense caused by a decrease in the share price in the current year and in the performance factor as a result of not meeting incentive compensation performance targets.

In fiscal 2018, net earnings increased $58 to $2,015 from $1,957 in the prior year. The net earnings increase resulted from an $853 increase in operating profit, partially offset by a decrease in investment income of $24 and a $771 increase in income tax expense due to the higher overall profit within the US at tax rates higher than other regions, not recording deferred tax assets on UK losses and a discrete charge in deferred tax expense of $654 as a result of new US tax legislation, as described more fully below under Earnings.

The $853 increase in operating profit from 2017 to 2018 was driven by higher revenues more than offsetting the corresponding increase in direct costs as well as the increase in expenses. The increase in expenses was in large part the result of increases in share-based compensation expense caused by a significant increase of 29.0% in the share price in the current year and an increase in the performance factor as a result of exceeding incentive compensation performance targets.

Unencumbered cash was $7,326 at the end of fiscal 2019 compared to $9,553 at the end of fiscal 2018. We use Unencumbered Cash, as defined in the Non-GAAP Financial Measures section of this document, to identify cash available beyond that required to fund short term obligations. The decrease in Unencumbered Cash from 2018 to 2019 of $2,227 was due to dividends and the sign-on costs from investments in new partner hires exceeding cash generated from operations during the year. As defined in the calculation, short-term liquid assets available decreased $2,558, offset by a decline in short-term liabilities needing funding of $331.

Unencumbered cash was $9,553 at the end of fiscal 2018 compared to $7,883 at the end of fiscal 2017. The increase in Unencumbered Cash from 2017 to 2018 of $1,670 came from cash generated from operations in excess of dividends and the sign-on costs from investments in new partner hires. There was an increase in short-term liquid assets available of $6,067, offset by an increase in short-term liabilities needing funding of $4,397.

A reconciliation of Unencumbered Cash and further discussion of the drivers from 2018 to 2019 and from 2017 to 2018 is included in the Liquidity and Capital Resources section of this Management Discussion and Analysis and the prior year's Management Discussion and Analysis, respectively.

Fiscal 2019 results are discussed more fully in this document, and 2018 results are more fully discussed under Operating Results within the 2018 Management Discussion and Analysis documents as filed on

SEDAR (www.sedar.com). Additionally, the Business Outlook section discusses our current views on future operating profit performance.

OPERATING RESULTS

ADOPTION OF IFRS 15

On September 1, 2018, we adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), using the modified retrospective method which involves recognizing the cumulative effect of applying the guidance at the date of initial application with no restatement of the comparative periods presented.

There were two significant revenue areas impacted by the adoption of IFRS 15:

Professional fees: We are paid a retainer for executive search services based on a percentage of the placed candidate's anticipated first-year cash compensation. If the candidate's actual compensation exceeds this estimate, an additional fee may be billed. These additional fees, known as upticks, were previously recognized in the period in which the placed candidate began working. Under IFRS 15, we are now required to estimate this additional fee revenue, if any, at the inception of the executive search contract and recognize it over the performance period of the search, truing-up to actual amounts when known. The impact of adopting IFRS 15 on our results related to uptick revenue for the three months ending August 31, 2019 was to increase: revenue by $456; compensation expense and resulting gross profit by $228; income taxes by $62; and net earnings by $166, or $0.008 per share. For the year ending August 31, 2019, the impact was to increase: revenue by $1,390; compensation expense and resulting gross profit by $695; income taxes by $188; and net earnings by $507, or $0.025 per share.

Direct expense reimbursements: We incur reimbursable direct out of pocket expenses in the performance of our services for items such as candidate and partner travel, meals, accommodation, background checks and other costs directly identifiable to a specific search assignment. Before adopting IFRS 15, these amounts were presented within cost of sales as the net amount of direct expenses incurred offset by amounts billed and recovered from clients. With the adoption of IFRS 15, we now show the gross amount of direct expenses billed and recovered from clients as revenue, with the corresponding gross amount incurred as a cost of sales. In the three month and one year periods ending August 31, 2019, direct expense reimbursements in revenues and reimbursed expenses within cost of sales of $398 and $1,689, respectively would have been shown as a net zero in cost of sales before adopting IFRS 15.

The table below sets forth our reported results, what our results would have been without the adoption of IFRS 15 and the resulting impact on our results for the three months ending August 31, 2019:

	For the three months ended August 31, 2019		
	As Reported	Balances Without Adoption of IFRS 15	Impact of Changes
Revenues			
Professional fees	20,502	20,046	456
Direct expense reimbursements	398	-	398
Total Revenue	20,971	20,117	854
Cost of sales	14,838	14,610	228
Reimbursed expenses	398	-	398
	15,236	14,610	626
Gross profit	5,735	5,507	228
Income taxes	670	608	62
Net earnings for the period attributable to owners of the Company	(954)	(1,120)	166
Earnings per share			
Basic and diluted	(0.047)	(0.055)	0.008

The table below sets forth our reported results, what our results would have been without the adoption of IFRS 15 and the resulting impact on our results for the year ending August 31, 2019:

	For the year ended August 31, 2019		
	As Reported	Balances Without Adoption of IFRS 15	Impact of Changes
Revenues			
Professional fees	69,749	68,359	1,390
Direct expense reimbursements	1,689	-	1,689
Total Revenue	72,138	69,059	3,079
Cost of sales	53,046	52,351	695
Reimbursed expenses	1,689	-	1,689
	54,735	52,351	2,384
Gross profit	17,403	16,708	695
Income taxes	1,526	1,338	188
Net earnings for the period attributable to owners of the Company	325	(182)	507
Earnings per share			
Basic and diluted	0.016	(0.009)	0.025

Please refer to the consolidated annual audited financial statements and note 3 for additional information on the adoption of IFRS 15.

OPERATING RESULTS BY SEGMENT

The following provides a reconciliation of the Company's consolidated statements of earnings by geographic segment to the consolidated results for the fourth quarter ended August 31, 2019:

	Three months ended August 31, 2019				
	Canada	United States	Europe	Elimination	Total
Professional fees	4,496	15,950	56	-	20,502
Licence fees	559	-	-	(488)	71
Direct expense reimbursements	89	308	1	-	398
Revenues	5,144	16,258	57	(488)	20,971
Cost of Sales	(3,612)	(10,761)	(465)	-	(14,838)
Reimbursed direct expenses	(89)	(308)	(1)	-	(398)
	(3,701)	(11,069)	(466)	-	(15,236)
Gross profit (loss)	1,443	5,189	(409)	(488)	5,735
General and administrative	(905)	(3,082)	-	-	(3,987)
Goodwill impairment	-	-	(1,521)	-	(1,521)
Sales and marketing	(55)	(393)	(25)	-	(473)
Licence fees	-	(488)	-	488	-
Foreign exchange loss	(8)	-	(97)	-	(105)
Total expenses	(968)	(3,963)	(1,643)	488	(6,086)
Operating profit (loss)	475	1,226	(2,052)	-	(351)
Investment income	67	-	-	-	67
Income taxes	(207)	(463)	-	-	(670)
Net earnings (loss) for the year	335	763	(2,052)	-	(954)

	Three months ended August 31, 2018				
	Canada	United States	Europe	Elimination	Total
Professional fees	3,836	14,244	663	-	18,743
Licence fees	461	-	-	(319)	142
Revenues	4,297	14,244	663	(319)	18,885
Cost of Sales	(2,686)	(10,308)	(558)	-	(13,552)
Gross profit (loss)	1,611	3,936	105	(319)	5,333
General and administrative	(974)	(2,514)	(217)	-	(3,705)
Sales and marketing	(60)	(467)	(15)	-	(542)
Licence fees	-	(319)	-	319	-
Foreign exchange gain (loss)	24	(4)	(32)	-	(12)
Total expenses	(1,010)	(3,304)	(264)	319	(4,259)
Operating profit (loss)	601	632	(159)	-	1,074
Investment income	8	-	-	-	8
Income taxes	(134)	(600)	-	-	(734)
Net earnings (loss) for the year	475	32	(159)	-	348

The following provides a reconciliation of the Company's consolidated statements of earnings by geographic segment to the consolidated results for the fiscal year ended August 31, 2019:

	Twelve months ended August 31, 2019				
	Canada	United States	Europe	Elimination	Total
Professional fees	15,497	53,282	970	-	69,749
Licence fees	2,030	-	-	(1,330)	700
Direct expense reimbursements	455	1,224	10		1,689
Revenues	17,982	54,506	980	(1,330)	72,138
Cost of Sales	(11,259)	(39,743)	(2,044)	-	(53,046)
Reimbursed direct expenses	(455)	(1,224)	(10)		(1,689)
	(11,714)	(40,967)	(2,054)	-	(54,735)
Gross profit (loss)	6,268	13,539	(1,074)	(1,330)	17,403
General and administrative	(3,204)	(9,101)	(313)	-	(12,618)
Goodwill impairment	-	-	(1,521)	-	(1,521)
Sales and marketing	(244)	(1,104)	(108)	-	(1,456)
Licence fees	-	(1,330)	-	1,330	-
Foreign exchange gain (loss)	27	2	(197)	-	(168)
Total expenses	(3,421)	(11,533)	(2,139)	1,330	(15,763)
Operating profit (loss)	2,847	2,006	(3,213)	-	1,640
Investment income	211	-	-	-	211
Income taxes	(824)	(702)	-	-	(1,526)
Net earnings (loss) for the year	2,234	1,304	(3,213)	-	325

	Twelve months ended August 31, 2018				
	Canada	United States	Europe	Elimination	Total
Professional fees	14,546	49,770	2,196	-	66,512
Licence fees	1,494	-	-	(1,123)	371
Revenues	16,040	49,770	2,196	(1,123)	66,883
Cost of Sales	(10,398)	(36,744)	(1,826)	-	(48,968)
Gross profit (loss)	5,642	13,026	370	(1,123)	17,915
General and administrative	(3,392)	(8,314)	(781)	-	(12,487)
Sales and marketing	(182)	(1,252)	(73)	-	(1,507)
Licence fees	-	(1,123)	-	1,123	-
Foreign exchange gain (loss)	99	4	(58)	-	45
Total expenses	(3,475)	(10,685)	(912)	1,123	(13,949)
Operating profit (loss)	2,167	2,341	(542)	-	3,966
Investment income	14	-	-	-	14
Income taxes	(602)	(1,363)	-	-	(1,965)
Net earnings (loss) for the year	1,579	978	(542)	-	2,015

REVENUE

		Q1	Q2	Q3	Q4	Annual
2019	Professional Fees	$ 15,169	$ 14,543	$ 19,535	$ 20,502	**$ 69,749**
	License fees	$ 217	$ 374	$ 38	$ 71	**$ 700**
	Revenue, Net of Reimbursements	$ 15,386	$ 14,917	$ 19,573	$ 20,573	**$ 70,449**
	Direct expense reimbursements	$ 506	$ 411	$ 374	$ 398	**$ 1,689**
	Revenue	$ 15,892	$ 15,328	$ 19,947	$ 20,971	**$ 72,138**
	Period end number of partners[1]	39	39	40	40	**40**
	Average Number of Partners[1]	39.3	39.3	39.3	40.0	**39.5**
	Annualized Professional Fees per Partner[1]	$ 1,544	$ 1,480	$ 1,988	$ 2,050	**1,766**
	Number of Assignments[1]	108	89	115	127	**439**
	Number of Assignments per Partner[1]	2.7	2.3	2.9	3.2	**11.1**
	Average Fee per Assignment[1]	$ 140	$ 163	$ 170	$ 161	**$ 159**
2018	Professional Fees	$ 14,973	$ 14,854	$ 17,942	$ 18,743	**$ 66,512**
	License fee revenue	$ 76	$ 67	$ 86	$ 142	**$ 371**
	Revenue	$ 15,049	$ 14,921	$ 18,028	$ 18,885	**$ 66,883**
	Period end number of partners[1]	38	38	38	39	**39**
	Average Number of Partners[1]	38.0	38.0	38.0	38.3	**38.1**
	Annualized Professional Fees per Partner[1]	$ 1,576	$ 1,564	$ 1,889	$ 1,957	**$ 1,746**
	Number of Assignments[1]	114	104	122	113	**453**
	Number of Assignments per Partner[1]	3.0	2.7	3.2	3.0	**11.9**
	Average Fee per Assignment[1]	$ 131	$ 143	$ 147	$ 166	**$ 147**

[1] Please refer to the section on Non-GAAP Financial Measures and Other Operating Measures on page 4 of this document.

Revenue and operating income are difficult to predict and have historically varied significantly from quarter to quarter. There is no specific seasonality in our business on a quarterly basis, although historically we have usually seen lower revenue in quarters one and two compared to quarters three and four. We track our revenue by professional fees, investment income and licence fee revenue.

Our capacity to generate revenue increases with the number of partners we employ and affiliate with, and is dependent on the fees we are able to charge and our partners' productivity that is, in turn influenced significantly by competition and general economic hiring conditions. Additionally, given our relatively small partner base, we have limited diversification, and consequently, results will fluctuate significantly from quarter to quarter. The preceding chart sets forth select revenue and operating measures. We believe these measures help explain our revenue and its variation from period to period.

PROFESSIONAL FEES

Fourth Quarter Consolidated Professional Fees

Professional fees for the fourth quarter of fiscal 2019 were $20,502, a new quarter-high result. The application of IFRS 15 resulted in a $456 increase in professional fees during the quarter. Excluding the IFRS 15 impact, professional fees increased 7.0% (6.1% excluding a favourable 0.9% variance from exchange rate fluctuations) from the comparable period last year to $20,046 (2018: $18,743).

Higher productivity per partner and a higher Average Number of Partners were partially offset by a lower Average Fee per Assignment during the quarter. The Number of Assignments per Partner increased to 3.2 (2018: 3.0) while the Average Number of Partners increased from 38.3 in the prior year to 40.0, resulting in an increase in the total Number of Assignments to 127 (2018: 113). The Average Fee per Assignment decreased to $161 ($157 excluding the impact of both IFRS 15 and exchange rate fluctuations) (2018: $166).

Year-to-Date Consolidated Professional Fees

Professional fees for 2019 were $69,749. The application of IFRS 15 resulted in a $1,390 increase in professional fees during the period. Excluding the IFRS 15 impact, professional fees increased 2.8% (0.1% excluding a favourable 2.7% variance from exchange rate fluctuations) over the comparable period last year to $68,359 (2018: $66,512).

The increase in full year professional fees was the result of increases in the Average Number of Partners and the Average Fee per Assignment partially offset by a lower Number of Assignments per Partner. A higher Average Number of Partners at 39.5 compared to 38.1 in the prior year and decrease in the Number of Assignments per Partner to 11.1 (2018: 11.9) resulted in a net decrease in the total Number of Assignments to 439 (2018: 453). The Average Fee per Assignment increased to $159 ($152 excluding the impact of both IFRS 15 and exchange rate fluctuations) (2018: $147).

Fourth Quarter and Year-to-Date Professional Fees by Geography

United States:

Fourth quarter professional fees in the US were $15,950. The adoption of IFRS 15 resulted in a $380 increase in professional fees for the US during the quarter. Excluding that adjustment, professional fees in the US increased 9.3% (8.1% excluding a favourable 1.2% variance from exchange rate fluctuations) to $15,570 (2018: $14,244). The increase excluding the IFRS 15 impact was the result of a decrease in the Average Fee per Assignment being more than offset by increases in the Average Number of Partners and the Number of Assignments per Partner during the period.

Professional fees in the US were $53,282 in 2019. The adoption of IFRS 15 resulted in a $1,267 increase in professional fees for the US during the period. Excluding that adjustment, professional fees in the US increased 4.5% (0.9% excluding a favourable 3.6% variance from exchange rate fluctuations) to $52,015 (2018: $49,770). The increase excluding the IFRS 15 impact was the result of increases in the Average Number of Partners and the Average Fee per Assignment partially offset by a lower Number of Assignments per Partner during the period.

Canada:
Fourth quarter professional fees in Canada were $4,496. The adoption of IFRS 15 resulted in a $102 increase in professional fees for Canada during the quarter. Excluding that adjustment, professional fees increased 14.6% to $4,394 (2018: $3,836). The increase in professional fees excluding the IFRS 15 impact resulted from a significantly higher Number of Assignments per Partner more than offsetting a lower Average Number of Partners and lower Average Fee per Assignment.

Year to date professional fees in Canada were $15,497. The adoption of IFRS 15 resulted in a $110 increase in professional fees for Canada during 2019. Excluding that adjustment, professional fees increased 5.8% to $15,387 (2018: $14,546). The increase in professional fees excluding the IFRS 15 impact resulted from a higher Average Fee per Assignment and higher Number of Assignments per Partner being partially offset by a lower Average Number of Partners.

Europe:
Fourth quarter professional fees in Europe were $56. The adoption of IFRS 15 resulted in a $25 decrease in professional fees for Europe during the quarter. Excluding that adjustment, professional fees decreased 87.7% (86.9% excluding a favourable 0.8% variance from exchange rate fluctuations) to $81 (2018: $663). Decreases in the Average Fee per Assignment and the Number of Assignments per Partner were only partially offset by an increase in the Average Number of Partners.

Professional fees in Europe for the year were $970. The adoption of IFRS 15 resulted in a $13 increase in professional fees for Europe during the year. Excluding that adjustment, professional fees decreased 55.2% (55.1% excluding an unfavourable 0.1% variance from exchange rate fluctuations) to $957 (2018: $2,196) A significantly lower Number of Assignments per Partner was only partially offset by a higher Average Fee per Assignment and higher Average Number of Partners. As previously described, results in Europe have been adversely affected by revenue generation challenges from new hire transitions and pressures in the market from Brexit.

LICENCE FEES

License fees from our licensees for the use of the Caldwell brand and intellectual property for the fourth quarter were $71 (2018: $142). For the year, licence fees were $700 (2018: $371).

Effective February 28, 2019, the Company and CPGroup Latam announced a mutual agreement to end the licensing relationship. As part of the agreement for early termination, the licensee made a one-time payment to the Company for $218. The total license fees from CPGroup Latam, including the termination payment, were $497 (2018: $245) for the year.

Additionally, intercompany licence fees which eliminate on consolidation are charged from our Canadian parent company to our US subsidiary. These intercompany fees totaled $488 for the fourth quarter (2018: $319) and $1,330 for the full year (2018: $1,123). Intercompany licence fees to the European subsidiary are waived during the buildout to profitability of the region.

DIRECT EXPENSE REIMBURSEMENTS

Direct expenses incurred and billed to clients during the fiscal 2019 fourth quarter were $398 (2018: $532, with the revenue billed and cost of sale amounts presented as net zero). Year to date direct expenses incurred and billed to clients were $1,689 (2018: $1,733, with the revenue billed and cost of sale amounts presented as net zero). See the Adoption of IFRS 15 discussion on page 8.

COST OF SALES

		Q1	Q2	Q3	Q4	Annual
2019	Cost of sales	$ 11,578	$ 11,926	$ 14,704	$ 14,838	**$ 53,046**
	Cost of sales as a % of professional fees	76.3%	82.0%	75.3%	72.4%	**76.1%**
2018	Cost of sales	$ 11,073	$ 11,244	$ 13,099	$ 13,552	**$ 48,968**
	Cost of sales as a % of professional fees	74.0%	75.7%	73.0%	72.3%	**73.6%**

Cost of sales pertains to professional fees and comprises partner compensation, related search delivery personnel compensation and the direct costs of providing our search services. Compensation costs include fixed salaries and draws, variable incentive compensation and related employee benefits and payroll taxes.

Our partners are paid draws--a set level of base compensation. Variable incentive compensation is based on a percentage of the amount of collected professional fees attributed to each respective partner, based on a tiered commission grid. The higher a partner's collected professional fees in a fiscal year, the higher the percentage the partner is eligible to earn. The partners' variable compensation incentives are credited first to draw amounts already paid as an advance, with any excess due as a commission payment. A deficit occurs when a partner's variable compensation earned is less than their draw. The full draw amount is expensed each period. Additionally, any excess variable compensation due is expensed and accrued for future payment. Deficit amounts within a fiscal year may be recouped in subsequent quarters if a partner earns enough variable compensation over the remainder of the year to credit against any deficit which has already been expensed. Deficits at the end of each fiscal year are forgiven and not brought forward into future fiscal years for recoupment. In periods of organic growth, as new partner hires transition, deficits may increase.

In aggregate and over time, cost of sales is largely variable to professional fees, with fluctuations arising from changes in incentive compensation based on Average Professional Fee per Partner and the leverage impact of certain fixed support costs during periods of rapid growth or decline. Significant fluctuations can be seen by geography from quarter to quarter based on the relatively small number of partners in each region and how those individuals' estimated compensation changes based on annualizing their quarterly results in recording compensation accruals. Costs associated with license fee revenue such as legal and professional fees are included in general and administrative expenses. Costs associated with direct expense reimbursements are recorded separately as reimbursed direct expenses.

Fourth Quarter Consolidated Cost of Sales

Fourth quarter cost of sales was $14,838. The adoption of IFRS 15 resulted in a $228 increase in cost of sales for the quarter from the related revenue increase. Excluding the IFRS 15 impact, cost of sales increased 7.8% (7.2% on a constant currency basis) to $14,610 (2018: $13,552).

As a percentage of professional fees, cost of sales increased 0.1% to 72.4%, up from 72.3% in the same period last year. Higher partner compensation (up 1.8% as a percentage of professional fees) was experienced as a result of higher partner commission tier attainments from the increased revenue and higher partner deficits in Europe from partners whose draws exceed commissions earned. This increase in expense was partially offset by lower partner support personnel compensation (down 0.9% as a percentage of professional fees) and search delivery materials (down 0.8% as a percentage of professional fees), both of which are variable over longer periods of time, but semi-fixed in nature from quarter to quarter. Excluding Europe, cost of sales for the rest of the business was 70.3% of professional fees (2018: 71.9%).

On a segment basis, the year-over-year cost of sales increase of $1,286 came from an increase in Canada ($926) and the US ($453) partially offset by a decrease in Europe ($93).

Year-to-Date Consolidated Cost of Sales

Cost of sales for the year was $53,046. The adoption of IFRS 15 resulted in a $695 increase in cost of sales for the period. Excluding the IFRS 15 impact, cost of sales increased 6.8% (4.0% on a constant currency basis) to $52,351 (2018: $48,968).

As a percentage of professional fees, cost of sales increased by 2.5% to 76.1%, up from 73.6% in the same period last year. The adoption of IFRS 15 did not have a material impact on cost of sales as a percent of professional fees as partner compensation expense is recognized at approximately the same percent on revenue with or without IFRS 15 adjustments. The increase was due to higher partner compensation (2.0% as a percentage of professional fees) and search delivery support compensation (up 0.8% as a percentage of professional fees) partially offset by a decrease in search delivery materials costs (0.3% as a percentage of professional fees). The increase in partner compensation for the year was driven by a combination of higher partner deficits from partners whose draws exceed commissions earned, concentrated largely in Europe, and higher partner commission tier attainments, from an increasing proportion of revenue coming from those in top tiers. The increase in search delivery support compensation came partially from hires made during the second half of fiscal 2018 to support the record search volumes seen that were not maintained through the first half of fiscal 2019 and partially from hires made during the current year to support recently recruited partners who are still integrating into the firm and requiring industry and geographical support not already resident with existing staff. Excluding Europe, cost of sales for the rest of the business was 74.2% of professional fees (2018: 73.3%).

On a segment basis, the $4,078 year-over-year cost of sales increase for the year came from increases in the US ($2,999), Canada ($861) and Europe ($218).

Fourth Quarter and Year-to-Date Cost of Sales by Geography

United States:

Fourth quarter

Relative to the professional fees increase of 12.0% (including the IFRS 15 impact), fourth quarter cost of sales in the US increased by 4.4% or $453 to $10,761 (2018: $10,308). The net increase included a $190 increase in cost of sales during the quarter from the application of IFRS 15. Excluding the impact of adopting IFRS 15, cost of sales increased 2.6% (1.6% on a constant currency basis) to $10,571 (2018: $10,308) compared to a professional fee increase of 9.3% (8.1% on a constant currency basis).

Cost of sales decreased 4.9% to 67.5% as a percentage of professional fees compared to 72.4% in the prior year as a result of decreases in partner compensation (down 2.0% as a percentage of professional fees). The compensation decrease was due to a relatively larger proportion of revenue being generated by partners in lower commission tiers during the quarter, the recoupment of deficits generated earlier in the year and relatively fixed cost partner support personnel compensation due to the higher revenue (down 1.9% as a percentage of professional fees) and search delivery materials (down 1.0% as a percentage of professional fees).

Year-to-date

Relative to the professional fees increase of 7.1% (including the IFRS 15 impact), cost of sales for 2019 in the US increased by 8.2% or $2,999 to $39,743 (2018: $36,744). The net increase included a $633 increase in cost of sales during the quarter from the application of IFRS 15. Excluding the impact of adopting IFRS 15, cost of sales increased 6.4% (2.6% on a constant currency basis) to $39,110 (2018: $36,744) compared to a professional fee increase of 4.5% (0.9% on a constant currency basis).

Cost of sales increased 0.8% to 74.6% as a percentage of professional fees compared to 73.8% in the prior year. This increase was the result of higher partner compensation (up 0.8% as a percentage of professional fees) due to revenue coming from partners in higher compensation tiers and, to a lesser extent, partners in compensation deficit positions. Relatively fixed cost partner support personnel compensation (up 0.3% as a percentage of professional fees) was offset by lower search delivery materials (0.3% as a percentage of professional fees).

Canada:

Fourth quarter

Relative to the professional fees increase of 17.2% (including the IFRS 15 impact), fourth quarter cost of sales in Canada increased 34.5% or $926 to $3,612 (2018: $2,686). The net increase included a $51 increase in cost of sales during the quarter from the application of IFRS 15. Excluding the impact of adopting IFRS 15, cost of sales increased 32.5% to $3,561 (2018: $2,686) compared to a professional fee increase of 14.6%.

As a percentage of professional fees, these costs increased 10.3% to 80.3% versus 70.0% in the prior year. An increase in partner compensation (up 10.0% of professional fees arising from higher average commission grid tier attainment on increased in revenue which applies across year-to-date compensation) and an increase in relatively fixed partner support personnel compensation (0.4% of professional fees) was partially offset by a decrease in search delivery materials (0.1% of professional fees).

Year-to-date

Relative to the professional fees increase of 6.5% (including the IFRS 15 impact), year to date cost of sales in Canada increased by 8.3% or $861 to $11,259 (2018: $10,398). The net increase included a $55 increase in cost of sales during the period from the application of IFRS 15. Excluding the impact of adopting IFRS 15, cost of sales increased 7.8% to $11,204 (2018: $10,398) compared to a professional fee increase of 5.8%.

As a percentage of professional fees, these costs increased 1.1% to 72.6% versus 71.5% in the prior year. The increase was the result of increases in partner compensation (0.9% of professional fees), the result of higher commission grid tiers related to the higher revenue, higher partner support personnel compensation (0.1% of professional fees) and higher search delivery materials (0.1% of professional fees).

Europe:

Fourth quarter

Europe continued to face revenue challenges during the quarter. A further discussion can be found in the Business Outlook section of this document. Relative to the professional fees decrease of 91.6% (including the IFRS 15 impact), fourth quarter cost of sales in Europe decreased by only 16.7% (12.4% on a constant currency basis) or $93 to $465 (2018: $558) given the fixed nature of partner draws. The net decrease included a $13 decrease in cost of sales during the quarter from the application of IFRS 15. Excluding the impact of adopting IFRS 15, cost of sales decreased 14.3% to $478 (2018: $558) compared to a professional fee decrease of 87.7%.

In dollars, revenue of $56 was far outweighed by cost of sales of $465k. As a percentage of professional fees, these costs represented 830.4% vs. 84.2% in the prior year. Cost of sales exceeded professional fees due to very low revenue levels produced in the current quarter against increases in the fixed portion of partner compensation (the result of net partner additions over last year) and partner support personnel compensation to support the hires.

Year-to-date

Cost of sales in Europe for 2019 increased 11.9% or $218 to $2,044 (2018: $1,826) relative to the professional fee decrease of 55.8% (including the IFRS 15 impact). The increase included a $7 increase in cost of sales during the period from the application of IFRS 15. Excluding the impact of adopting IFRS 15, cost of sales increased by 11.6% (13.7% on a constant currency basis) to $2,037 (2018: $1,826) compared to a professional fee decrease of 56.4% (55.1% on a constant currency basis).

As a percentage of professional fees, these costs represented 210.7% vs. 83.2% in the prior year. Year to date cost of sales exceed professional fees due to very low revenue levels produced during the year against increases in the fixed portion of partner compensation (the result of net partner additions over last year) with partners in compensation deficits, exacerbated by the cost of partner support personnel from hires made to support the increased number of partners.

At year-end, the region has four partners, including one hired in the first quarter and one hired in the second quarter. The Company expects ongoing profit suppression as newly hired partners ramp up their business. As discussed in Expenses, the protracted ramp-up of new hire revenue, coupled with the fixed costs has led to an impairment charge on the Company's goodwill related to Europe.

GROSS PROFIT AND MARGIN (as a percentage of Revenue, Net of Reimbursements)

	Q1	Q2	Q3	Q4	Annual
2019	$ 3,808	$ 2,991	$ 4,869	$ 5,735	**$ 17,403**
	24.7%	20.1%	24.9%	27.9%	**24.7%**
2018	$ 3,976	$ 3,677	$ 4,929	$ 5,333	**$ 17,915**
	26.4%	24.6%	27.3%	28.2%	**26.8%**

Fourth Quarter Gross Profit and Margin:

Gross profit in the fourth quarter was $5,735. The adoption of IFRS 15 resulted in a $228 increase in gross profit during the quarter resulting from an increases in the US ($190) and Canada ($51) partially offset by a decrease in Europe ($13). Excluding the IFRS 15 adoption, gross profit increased 3.3% (1.7% on a constant currency basis) to $5,507 or 27.4% as a percentage of Revenue, Net of Reimbursements (2018: $5,333 or 28.2%). On a constant currency basis, and excluding the impact of IFRS 15, gross profit was $5,422 (2018: $5,333), or 27.2% of Revenue, Net of Reimbursements (2018: 28.2%).

On a segment basis, gross profit was generated as follows:

	2019	**2018**
Canada[1]	$ 955	$ 1,292
United States	$ 5,189	$ 3,936
Europe	$ (409)	$ 105
Total	$ 5,735	$ 5,333

[1] *2019: $1,443 less $488 in intercompany licence fee revenue eliminated in consolidation*
2018: $1,611 less $319 in intercompany licence fee revenue eliminated in consolidation

Year-to-Date Gross Profit and Margin:

Gross profit for the year was $17,403. The adoption of IFRS 15 resulted in a $695 increase in gross profit year to date resulting from increases in the US ($634), Canada ($55) and Europe ($6). Excluding the IFRS 15 adoption, gross profit decreased 6.7% (9.0% on a constant currency basis) to $16,708 or 24.4% of Revenue, Net of Reimbursements (2018: $17,915 or 26.8%). On a constant currency basis, and excluding the impact of IFRS 15, gross profit was $16,294 (2018: $17,915), or 24.2% of Revenue, Net of Reimbursements (2018: 26.8%).

On a segment basis, gross profit was generated as follows:

	2019	2018
Canada[1]	$ 4,938	$ 4,519
United States	$ 13,539	$ 13,026
Europe	$ (1,074)	$ 370
Total	$ 17,403	$ 17,915

[1] *2019: $6,268 less $1,330 in intercompany licence fee revenue eliminated in consolidation*
2018: $5,642 less $1,123 in intercompany licence fee revenue eliminated in consolidation

The quarter and full year variances are discussed in detail under the Revenue and Cost of Sales sections of this document.

EXPENSES

	Q1	Q2	Q3	Q4	Annual
2019	$ 3,379	$ 2,968	$ 3,330	$ 6,086	**$ 15,763**
2018	$ 3,072	$ 2,970	$ 3,648	$ 4,259	**$ 13,949**

Fourth Quarter Expenses:

Fourth quarter expenses increased 42.9% or $1,827 from the prior year comparable period to $6,086 (2018: $4,259). The increase was primarily related to two factors: (i) an impairment expense of $1,521 taken by the Company to fully write down the carrying value of the goodwill on its European segment; and (ii) the result of a municipal tax assessment of $350 primarily related to prior years.

The goodwill that was impaired related to our UK acquisition of Hawksmoor Search Limited in 2014. Our European business has had ongoing challenges in revenue generation from new hires. There is normally an assimilation and ramp-up period associated with new hires, and this has been compounded with a small overall partner base in Europe, client non-solicit periods for certain new hires and pressure in the market from Brexit. While we continue to view Europe as strategically important, given the sustained period of operating losses, our goodwill balance could not be supported, resulting in the impairment charge. For additional information please see note 7 to our Consolidated Financial Statements and also the Business Outlook section herein.

The municipal tax assessment expense reflects taxes levied in the fourth quarter following an audit of New York City commercial rent tax. The $350 charge represents the expected total amount to be paid and relates primarily to prior fiscal periods.

Excluding the impairment charge, the tax assessment and exchange rate variances of $19, expenses on a constant currency basis decreased $63 or 1.5% versus the same period last year.

The constant currency decrease was the result of decreased share-based compensation expense caused by a decrease in the share price in the current year ($158), decreased marketing expenses due to a brand update initiative in the previous year ($140), lower legal fees ($136) and lower director expenses resulting from lower deferred stock unit valuations on the lower share price ($85) being partially offset by increases in management bonus accruals as a result of partial attainment of operational targets which had not been accrued for through the third quarter based on financial results ($322), higher foreign exchanges losses on intercompany loan balances and US dollar denominated bank account balances ($95) and general cost increases across other categories ($39).

On a segment basis, expenses were generated as follows:

	2019	2018
Canada	$ 968	$ 1,010
United States[1]	$ 3,475	$ 2,985
Europe[2]	$ 1,643	$ 264
Total	$ 6,086	$ 4,259

[1] *2019: $3,963 less $488 in intercompany licence fee revenue eliminated in consolidation*
2018: $3,304 less $319 in intercompany licence fee revenue eliminated in consolidation
[2] *Inclusive of $1,521 goodwill impairment expense*

Year-to-Date Expenses:

Full year expenses increased 13.0% or $1,814 over the prior year to $15,763 (2018: $13,949). Excluding the fourth quarter goodwill impairment expense ($1,521), municipal tax assessment ($350), legal fees related to the unsuccessful pursuit of a claim against a former client ($450), and exchange rate variances of $226, expenses on a constant currency basis decreased $733 or 17.2% over the same period last year.

The constant currency cost decrease of $733 resulted from decreased share-based compensation expense caused by a decrease in the share price in the current year versus a share price increase in the previous year ($453), decreases in management bonus accruals as a result of partial attainment of operational targets in the current year versus higher attainment in the prior year ($269), decreased office expenses primarily the result of savings realized on IT investments ($201), decreased marketing expenses as a result of last year’s brand update initiative ($189), lower director expenses resulting from lower deferred stock unit valuations on the lower share price ($134) and a decrease in other general legal fees ($126). These constant currency decreases were partially offset by foreign exchanges losses on intercompany loan balances and US dollar denominated bank account balances in the current year compared to gains in the prior year ($227) increased compensation on higher corporate staff headcount ($141), increased business development costs on higher revenue ($107), increased recruitment fees ($73), increased consulting expenses ($67), and general increases across other categories ($24).

The Company filed suit against a former client regarding a claim for additional fees. The case was heard and decided during the second quarter. The court determined no additional fees were due to the Company. Under the client agreement, no damage or claim amounts were due by either party; however, the prevailing party was entitled to a reimbursement of legal fees, which were fully accrued in the second quarter. Total expenses related to the matter amounted to $450.

On a segment basis, expenses were generated as follows:

	2019	2018
Canada	$ 3,421	$ 3,475
United States[1]	$ 10,203	$ 9,562
Europe[2]	$ 2,139	$ 912
Total	$ 15,763	$ 13,949

[1] *2019: $11,533 less $1,330 in intercompany licence fee revenue eliminated in consolidation*
2018: $10,685 less $1,123 in intercompany licence fee revenue eliminated in consolidation
[2] *Inclusive of $1,521 goodwill impairment expense*

OPERATING PROFIT

	Q1	Q2	Q3	Q4	Annual
2019	$ 429	$ 23	$ 1,539	$ (351)	**$ 1,640**
	2.8%	0.2%	7.9%	(1.7%)	2.3%
2018	$ 904	$ 707	$ 1,281	$ 1,074	**$ 3,966**
	6.0%	4.7%	7.1%	5.7%	**5.9%**

Fourth Quarter Operating Profit/(Loss):

The operating loss for the fourth quarter of 2019 was $351. Excluding the goodwill impairment expense discussed above, operating profit was $1,170. The adoption of IFRS 15 resulted in a $228 increase in operating profit in the quarter. Excluding the goodwill impairment and IFRS 15 impacts, operating profit decreased $132 to $942 (2018: $1,074). This $132 decrease came from higher net expenses ($306) from the municipal tax assessment ($350) less other favourable expense variances ($44). The expense increases were then partially offset by higher gross profit ($174) attributable to higher Revenue, Net of Reimbursements ($1,232) less associated cost of sales ($1,058) from the variances discussed above. Exchange rate variances had a net favourable impact of $109 to the operating profit results.

On a segment basis, fourth quarter operating profit was generated as follows:

	As Reported		Excluding Intercompany License Fee and Goodwill Impairment		Excluding Intercompany License Fee, Goodwill Impairment and IFRS 15 Impact	
	2019	2018	2019	2018	2019	2018
Canada	$ 475	$ 601	$ (13)	$ 282	$ (64)	$ 282
United States[1]	$ 1,226	$ 632	$ 1,714	$ 951	$ 1,524	$ 951
Europe[2]	$ (2,052)	$ (159)	$ (531)	$ (159)	$ (518)	$ (159)
Total	$ (351)	$ 1,074	$ 1,170	$ 1,074	$ 942	$ 1,074

[1] *Inclusive of United States municipal tax assessment of $350*

[2] *Inclusive of Europe goodwill impairment expense of $1,521 (in 'As Reported' in 2019)*

Year-to-Date Operating Profit:

Operating profit for the year was $1,640. Excluding the goodwill impairment expense discussed above, operating profit was $3,161. The adoption of IFRS 15 resulted in a year to date $695 increase in operating profit. Excluding the goodwill impairment and IFRS 15 impacts, operating profit decreased $1,500 to $2,466 (2018: $3,966). The $1,500 operating profit decrease was largely the result of lower gross profit ($1,207) caused by higher revenue ($2,176) being more than offset by higher cost of sales ($3,383). The cost of sales increase over revenue came from higher partner compensation from concentrations of business brought in by partners in higher grid levels and deficits from partners whose draws exceed commissions earned as well as higher search team staffing made during the second half of the prior year. The cost of sales impact was particularly pronounced in Europe which had low revenue levels on a relatively fixed compensation base as discussed in the Business Outlook section of this document. Higher expenses ($293) arising from the variances discussed above also contributed to the operating profit decline. Exchange rate variances had a net favourable impact of $245 to the operating profit results.

On a segment basis, year to date operating profit was generated as follows:

	As Reported		Excluding Intercompany License Fee and Goodwill Impairment		Excluding Intercompany License Fee, Goodwill Impairment and IFRS 15 Impact	
	2019	2018	2019	2018	2019	2018
Canada	$ 2,847	$ 2,167	$ 1,517	$ 1,044	$ 1,462	$ 1,044
United States[1 2]	$ 2,006	$ 2,341	$ 3,336	$ 3,464	$ 2,702	$ 3,464
Europe[3]	$ (3,213)	$ (542)	$ (1,692)	$ (542)	$ (1,698)	$ (542)
Total	$ 1,640	$ 3,966	$ 3,161	$ 3,966	$ 2,466	$ 3,966

[1] *Inclusive of United States municipal tax assessment of $350 in 2019*

[2] *Inclusive of United States legal expenses of $450 in 2019*

[2] *Inclusive of Europe goodwill impairment expense of $1,521 (in 'As Reported' in 2019)*

The quarter and year to date variances are discussed in detail under Revenue, Cost of Sales and Expenses.

INVESTMENT INCOME FROM MARKETABLE SECURITIES

	Q1	Q2	Q3	Q4	Annual
2019	$ (41)	$ 97	$ 88	$ 67	**$ 211**
2018	$ 2	$ 2	$ 2	$ 8	**$ 14**

We invest excess cash balances and manage market risk by using third party investment managers to follow the specific investment criteria established and approved by the Investment Committee of the Board of Directors designed to reduce exposure to market risk. As at August 31, 2019, managed funds were $5,832 (August 31, 2018: $5,654). Additionally, we have a portfolio of illiquid equity investments obtained through search fees that are classified as long-term with a balance of $85 at August 31, 2019 (August 31, 2018: $137).

Regarding investments generated from search services with clients, compensation equal to 65% of the investment is paid to the respective partners involved with the search upon monetization of the investment. All rights to the partners’ 65% (2018: 50%) of the equity instruments are transferred and assigned beneficially to the respective partners, and a partner’s entitlement to any amounts upon liquidation is not contingent upon being employed at the time of liquidation. As a result, the gross asset value and compensation payable are offset, with the investment recorded at the net amount to which the Company has economic rights.

We have designated the professionally managed fixed income funds within marketable securities at fair value through profit and loss, and as a result these marketable securities are recorded at fair value with gains and losses recorded in investment income.

We have designated the client equity investments within marketable securities at fair value through OCI, and as a result these marketable securities are recorded at fair value with gains and losses recorded in other comprehensive income. Our policy regarding client equity investments within marketable securities is to sell the investments as soon as we are reasonably able to do so.

For the fourth quarter of 2019, we reported investment income from marketable securities of $67, consisting of $59 in gains on managed investment funds (2018: unrealized gain of $35 reported as part of other comprehensive income prior to the adoption of IFRS 9) and interest income on term deposits of $8 (2018: $8). Also during the fourth quarter, the Company reported investment losses from marketable securities of $55 (2018: $42) from client equity investments through other comprehensive income.

For the year, we reported investment income from marketable securities of $211 (2018: $14) consisting of $177 in gains on managed investment funds (2018: unrealized gain of $107 reported as part of other comprehensive income prior to the adoption of IFRS 9) and interest income on term deposits of $34 (2018: $14). Also during the year, the Company reported investment losses from marketable securities of $55 (2018: $42) from client equity investments through other comprehensive income.

EARNINGS

EARNINGS BEFORE INCOME TAXES

	Q1	Q2	Q3	Q4	Annual
2019	$ 388	$ 120	$ 1,627	$ (284)	**$ 1,851**
2018	$ 906	$ 709	$ 1,283	$ 1,082	**$ 3,980**

NET EARNINGS

	Q1	Q2	Q3	Q4	Annual
2019	$ 211	$ 33	$ 1,035	$ (954)	**$ 325**
2018	$ 410	$ 270	$ 987	$ 348	**$ 2,015**

BASIC EARNINGS PER SHARE

	Q1	Q2	Q3	Q4	Annual
2019	$ 0.010	$ 0.002	$ 0.051	$ (0.047)	**$ 0.016**
2018	$ 0.020	$ 0.013	$ 0.048	$ 0.018	**$ 0.099**

Our effective tax rate on a consolidated basis is high relative to the statutory tax rates we experience in each of our geographies. This is primarily the result of earnings before tax generated in US and Canada where we are in a tax-paying situation, and losses before tax in the UK where, due to the uncertainty of using losses against future taxable income, we do not establish deferred tax assets on the net operating losses. So our income tax expense effectively represents the tax on our US and Canada operations, without the current ability to offset UK losses against.

Additionally on December 22, 2017, the US tax reform ("Tax Cuts and Jobs Act") was substantively enacted and reduced the maximum federal corporate income tax rate for the company's US entity from 35% to 21%. In fiscal 2018, a hybrid rate derived from the previous and new tax rates was applied to US taxable income. The Company's US entity deferred tax balances were adjusted to reflect the lower tax rate to be utilized in future periods resulting in a net deferred tax expense of $654 for year ending August 31, 2018, recognized $204 in the second quarter and $450 in the fourth quarter of fiscal 2018. In the current year, the new, lower tax rate has been applied.

Income tax expense in the fourth quarter of fiscal 2019 was $670 (2018: $734; $284 net of the fourth quarter deferred tax expense of $450 for the enacted rate adjustment) arising from a current income tax expense of $1,196 (2018: $1,131) offset by a deferred tax recovery of $526 (2018: $398 recovery).

Income tax expense for the year ending August 31, 2019 was $1,526 or 82.4% of earnings before tax (2018: $1,965 or 49.4%; $1,311 or 33.1% of earnings before tax, net of deferred tax expense from the enacted rate adjustment) reflecting current tax expense of $2,052 (2018: $2,148) and deferred tax recovery of $526 (2018: $183 recovery; $837 deferred tax recovery net of deferred tax expense from the enacted rate adjustment).

Income tax expense for Canada for the quarter ended August 31, 2019 was $207 (2018: $134). For the full year income tax expense for 2019 was $824 (2018: $602 or 27.6%) reflecting an effective tax rate of 28.9% compared to a statutory tax rate of approximately 26.5% in Canada.

Income tax expense for the US for the quarter ended August 31, 2019 was $463 (2018: $600; $150 net of deferred tax expense from the enacted rate adjustment). Full year income tax expense for 2019 was $702 or 35.0% (2018: $1,363 or 48.0%; $709 or 30.3% net of deferred tax expense from the enacted rate adjustment).

No income tax expense recovery was recognized during 2019 for the UK (2018: $nil). Deferred income tax assets of $599 (2018: $105) that can be carried forward against future taxable income have not been recognized.

Fourth quarter net loss was $954 ($0.047 per share) in 2019, as compared to earnings of $348 ($0.018 per share) in the comparable period a year earlier. The full year net earnings after tax were $325 ($0.016 per share) in 2019, versus $2,015 ($0.099 per share) in 2018.

DIVIDENDS

The Board of Directors continues to believe that the payment of regular dividends is in the best interests of the Company and its shareholders. In determining quarterly dividend payments, the Board of Directors considers many factors including current earnings results, future earnings projections, cash needs for operational growth and balances of Unencumbered Cash (as defined in Non – GAAP Financial Measures on page 4 and discussed below in Liquidity and Capital Resources) which can act as a buffer against short-term earnings volatility.

Subsequent to shareholder approval of the restatement of capital on May 1, 2012, we have now declared thirty quarterly dividends through August 31, 2019 with total dividends declared of 57.0 cents per share or $11,339 in total.

Effective November 18, 2019 the Board of Directors declared a dividend of 2.25 cents per share, payable to holders of Common Shares of record on November 27, 2019 and to be paid on December 19, 2019.

LIQUIDITY AND CAPITAL RESOURCES

We maintain cash balances at various financial institutions and in various geographies through our subsidiaries. While we have the ability to move funds between geographies and legal entities, there are certain dividend taxes applicable, including a five percent tax on dividends paid from the United States to Canada. Additionally, in order to lend or dividend funds between our legal entities, each entity must maintain certain statutory liquidity levels.

As at August 31, 2019, we had $5,832 of current marketable securities plus cash and cash equivalents including restricted cash of $10,668, for a total cash and current marketable securities balance of $16,500, down $4,177 from $20,677 at year-end 2018. The decrease is the result of the payment of dividends and advances to new partner hires as well as purchases of property and equipment partially offset by cash flow from operations.

Our cash and compensation payable balances fluctuate significantly from period to period based on the timing of commission payments per our compensation plans. Compensation payable is generally at its lowest after the largest deferred compensation payments are made at the end of each February, and generally grows during subsequent periods. The compensation payable is funded by the company's cash, marketable security balances and accounts receivable which build during the same cycle as the compensation liability and are similarly reduced as cash is used to satisfy the compensation liability. As a result, the cash balances and compensation payable typically move together taking into account non-operating sources and uses of cash. At August 31, 2019, current Compensation Payable was $21,222 (2018: $19,205), total cash and current marketable securities were $16,500 (2018: $20,677) and Accounts Receivable were $11,915 (2018: $10,858). As a result of these trends, the Company uses the non-GAAP measure of Unencumbered Cash as a more consistent measure for the cash the company has available beyond that needed for short-term obligations.

Unencumbered Cash is defined in the section on Non-GAAP Financial Measures and Other Operating Measures on page 4 of this document. The following chart sets forth the calculation of Unencumbered Cash and provides reconciliation to cash and cash-equivalents:

	as at		
	August 31 2019	August 31 2018	increase/ (decrease)
Cash and cash-equivalents	$10,623	$14,885	($4,262)
Restricted cash	45	138	(93)
Marketable securities - current	5,832	5,654	178
Accounts receivable	11,915	10,858	1,057
Net deferred tax assets on compensation payable	2,514	1,952	562
Total current assets within unencumbered cash	30,929	33,487	($2,558)
Current liabilities	(25,646)	(24,153)	(1,493)
Excluding			
Deferred revenue	-	438	(438)
Deferred compensation	-	(219)	219
Accrued compensation on unbilled revenue	2,043	-	2,043
Total net current liabilities within unencumbered cash	(23,603)	(23,934)	331
Total Unencumbered Cash	$7,326	$9,553	($2,227)

Accounts receivable were $11,915 at August 31, 2019, up $1,057 from $10,858 at the end of fiscal 2018. Days outstanding based on quarterly revenue were 52 days at August 31, 2019 versus 49 days at August 31, 2018. At August 31, 2019, a reserve of $501 or approximately 39% of accounts over 90 days old has been taken (2018: $718 or 38% of accounts over 90 days).

Total liabilities were $26,763 at August 31, 2019, up $902 from $25,861 at the end of 2018. Increases in compensation payable ($1,470), accounts payable ($696) and dividends payable ($51) were partially offset by decreases in income taxes payable ($833), deferred revenue ($438) and provisions ($44).

Our investment in property and equipment at August 31, 2019 was $1,379 up $1 from $1,378 at the end of 2018. This reflects additions of $564, depreciation expense of $520, disposals of $58 and exchange rate fluctuations over the year of $15. Capital expenditures included leasehold improvements, computer hardware and office furniture.

Shareholders' equity at August 31, 2019 was $13,845, down $75 from $13,920 at the end of 2018. This decrease reflects the opening balance adjustment of $1,291 as a result of the implementation of IFRS 15, the net earnings for the year of $325, dividends declared of $1,836, share based payment expense of $3, translation gains on consolidation of $197 and unrealized losses on marketable securities of $55.

CONTRACTUAL OBLIGATIONS

	Total	2020	2021	2022	2023	2024	Thereafter
Operating leases	$ 15,014	$ 3,259	$ 3,226	$ 2,295	$ 2,179	925	$ 3,130
Accounts payable	3,389	3,389	-	-	-	-	-
Compensation payable	22,290	21,222	580	138	-	-	350
Dividends payable	459	459	-	-	-	-	-
Total	$ 41,152	$ 28,329	$ 3,806	$ 2,433	$ 2,179	$ 925	$ 3,480

The operating lease commitments are in respect to the office space required to operate our business and do not reflect offsetting sublease payments from which the Company expects to recoup $1,949 through September 30, 2021. Cash outlays for our contractual obligations and commitments identified above are expected to be funded by cash on hand and cash generated by operating activities in the respective year of the outlay. The Company does not have any material commitments to purchase property and equipment.

OUTSTANDING SHARES

As at November 18, 2019 the authorized share capital of the Company consists of an unlimited number of Common Shares of which 20,404,555 are issued and outstanding (August 31, 2019: 20,404,555; August 31, 2018: 20,404,555). The holders of Common Shares are entitled to share equally, share for share, in all dividends declared by the Company and equally in the event of a liquidation, dissolution or winding-up of the Company or other distribution of the assets among shareholders.

On September 14, 2017, options to purchase 250,000 shares of the Company were issued to an employee of the Company. On April 11, 2018 options to purchase 100,000 shares of the Company expired unexercised. As of November 18, 2019 options to purchase 250,000 common shares of the Company were outstanding (August 31, 2019: 250,000; August 31, 2018: 250,000).

BUSINESS OUTLOOK

We experienced a significant softening in the overall search market over much of the first half of fiscal 2019. Strength in Canada was outweighed by weakness in the United States and Europe. Economic uncertainty as manifested in equity market volatility, seemed to cause pause among our clients, delaying hiring decisions.

In the latter half of the second quarter, we began to see new search bookings pick up in the United States. The increased business activity continued throughout second half of the year and was the driving force behind our record year and fourth quarter revenues. The strong business pipeline in the United States and consistent activity in Canada has been tempered, however, by ongoing weakness in the United Kingdom.

In the United States, where the majority of our search business is generated, market softness early in fiscal 2019 gave way to strong second half growth. Booking numbers in the region have been consistently strong since January and the pending engagement pipeline has continued to grow into the early part of fiscal 2020.

Fiscal 2019 was a difficult year in our European operation. Ongoing challenges in revenue generation from transitioning new partners were exacerbated by market pressures from Brexit, resulting in disappointing performance. As a result of ongoing business losses, the goodwill balance attributable to our European operation could no longer be supported from an accounting perspective and resulted in a $1,521 non-cash write-down in 2019. However, early new business booking and business development activity has generated cautious optimism about the prospects for the region in fiscal 2020. Europe remains strategically important for our overall business, and we have confidence that our partner base will deliver favourable long-term results.

In Canada, demand for services continues to be strong and stable with consistent new business bookings through fiscal 2019 and into fiscal 2020.

Additional revenue and earnings growth remain a priority for the Company, at a measured pace that will not otherwise impede the long-term consolidated profitability and continuation of regular dividend payments. We expect future growth to remain driven by targeted partner hires as we seek to continue to build our practice and functional offerings across geographies in the United States, Canada and Europe. As appropriate, we will review acquisition opportunities.

Along with partner hires, we continue to prudently expand our service lines in areas that can leverage the existing expertise of our search teams. Last year we launched our Agile Talent executive advisory solutions, leveraging our executive search network to provide talent and knowledge solutions to our clients on an on-demand basis, where full time hires are not required. Advisory solutions are now available to clients in the fields of cybersecurity, blockchain and diversity and inclusion whereby executives who are experts in their fields are placed in ongoing, operational advisory capacities, available to work with client companies to aid in strategic roadmaps, product design, training, mentoring, organizational design, best practices and use of existing and emerging technologies. These same executives can also be made available to address specific client needs regarding a market or technology on a short-term, ad-hoc basis.

During the second quarter of fiscal 2019, we launched Caldwell Advance--a service offering providing search services for emerging leaders and advancing professionals for roles at levels below our executive search business. Caldwell Advance services are provided by different teams and with a different staffing leverage model than our executive search services and we announced the hiring of a director role for that service. The expansion was in response to certain existing clients having an enterprise need for broader talent solutions. Caldwell Advance will focus exclusively on mid-level leaders and individual contributors, initially primarily focused within our industrial and life sciences practices. Further expansion of this service line into other practice areas will be contemplated, based on the success of this trial.

Also during the second quarter of fiscal 2019, we announced our agreement with Predictive Index, LLC ("PI") naming us as a PI Certified Partner. As a PI Certified Partner, we may utilize The Predictive Index suite of talent strategy and assessment tools within our search services as well as sell and service the PI platform directly to our clients for their enterprise-wide use.

We cannot guarantee the success of our service line expansions and will only scale them up further upon successful initial results. While these initiatives will likely not result in significant additional revenue or cost in the short-term, we do believe they provide immediate, meaningful differentiation and added value to our clients with long-term returns expected.

RELATED PARTY TRANSACTIONS

Pursuant to its lease agreements, we paid rent for our Toronto office to an affiliated company owned by a shareholder, C. Douglas Caldwell, registered as owning more than 10% of the Company. The amount of consideration agreed to by the parties was determined to be fair market rental rates at the inception of the lease by an independent commercial real estate counselor and was approved by the independent Members of the Board of Directors. Occupancy costs within general and administrative expenses in the consolidated statements of earnings have been recognized for the year ended August 31, 2019 in the amount of $223 (2018: $223). This lease expires on March 31, 2020.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

We make estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are the estimates and judgments applied by management that most significantly affect the Company's consolidated financial statements. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The following discussion sets forth management's most significant estimates and assumptions in determining the value of assets and liabilities, and the most significant judgments in applying accounting policies.

Revenue recognition

Our method of revenue recognition requires us to estimate the expected average performance period and the percentage of completion, based on the proportion of the estimated effort to fulfill our obligations throughout the expected average performance period for our executive searches. Differences between the estimated percentage of completion and the amounts billed will give rise to a deferral of revenue to a future period. Additionally, we are required to estimate based on historical trends the total future value of our search contracts, including uptick amounts that are contingent upon placement and the final compensation of our candidates, and this additional revenue is recognized over the performance period. Changes in our actual uptick amounts and changes in the average performance period or the proportion of effort expended throughout the performance period for our executive searches could lead to an under or overvaluation of revenue. Further information on deferred revenue and unbilled revenue are included in note 11 to the consolidated financial statements.

Allowance for doubtful accounts

Estimates are used in determining the allowance for doubtful accounts related to trade receivables. The estimates are based on management's best assessment of the expected losses for all accounts receivable balances. Future collections of receivables that differ from management's current estimates would affect the results of operations in future periods.

Compensation accruals

Partner commissions are based on a per partner basis on amounts billed during a respective year and collected within a certain timeframe. These collections are then subject to a commission grid that escalates as the individual collects more. Assumptions are made regarding what each partner's full year collections will be in order to set an estimated commission tier to accrue compensation expense throughout the year. Additionally, management short term incentive plans are tied primarily to the revenue and operating results of the company for a respective fiscal year and management long term incentive plans are tied both to the Company's share price as well as operating results over a three year period. Full year partner collection results, actual operating results and changes in share price that differ from management's current estimates would affect the results of operations in future periods.

Valuation of equity interests in clients

Equity interests held in clients can be difficult to obtain valuation information on. Equity instruments are most often in privately held companies without a specific obligation to share ongoing business performance and valuation information. We value such interests in accordance with its financial instruments policy with available information. As a result, the current and future valuation of these interests could differ materially from current estimates.

Impairment of goodwill

We test at least annually whether goodwill is subject to any impairment. Various assumptions are made in performing this test, including estimates of future revenue streams, operating costs and discount rates. Future results that differ from management's current estimates would affect the results of operation in future periods.

The annual impairment test performed over Europe goodwill determined that the recoverable amount based on the estimated value in use of the cash generating unit (CGU) was $0 as at August 31, 2019. This was due to a downward revision to future cash flow projections for the segment resulting from negative current period performance. As the carrying value for the segment exceeded the aggregate recoverable amount of the assets in the CGU, an impairment expense of $1,521 (2018: nil) was incurred for the year ended August 31, 2019.

RECENT ACCOUNTING PRONOUNCEMENTS

Accounting standards issued but not yet applied

Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The standard will primarily affect the accounting for our operating leases for office space. Upon adoption, lease obligations equal to the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at the date of initial application will be recognized. A right of use asset, representing our right to use the underlying leased asset, will generally be equal to the lease obligation at adoption and subsequently depreciated over the remaining lease term. Operating lease expenses currently recognized in the consolidated statement of net earnings will be replaced by depreciation of the right of use asset and interest expense on the lease obligation.

We completed a scoping and adoption plan during fiscal 2019 to assess and quantify the impact of implementing IFRS 16.

We will adopt IFRS 16 in our consolidated financial statements for the annual period beginning September 1, 2019 using the modified retrospective method which involves recognizing the cumulative effect of applying the guidance at the date of initial application with no restatement of the comparative periods presented. We have elected to apply certain practical expedients allowing us to not recognize an asset or liability for any lease with a remaining term of fewer than 12 months as at August 31, 2019, use a single discount rate on a portfolio of leases with reasonably similar characteristics, and place reliance on previous assessments on whether a lease is onerous. The Company has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Company has relied on its assessment made applying IAS 17 and IFRIC 4, "Determining whether an Arrangement contains a Lease."

Effective with the implementation of IFRS 16 on September 1, 2019, we expect to recognize $9,686 of lease liability, $9,047 of right of use asset, $544 of lease receivable from sublease and derecognize $95 of onerous contract provision that is no longer a separate balance under IFRS 16.

Uncertainty over income tax treatments

In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments (IFRIC 23) with a mandatory effective date of January 1, 2019. The interpretations guide how to value uncertain income tax positions based on the probability of whether the relevant tax authorities will accept a company's tax treatments. A company is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. IFRIC 23 is to be applied by recognizing the cumulative effect of initially applying these guidelines in opening retained earnings without adjusting comparative information. We intend to adopt the amendments to IFRIC 23 in our consolidated financial statements for the annual period beginning September 1, 2019. Based on our review of our tax treatments, the adoption of IFRIC 23 is not anticipated to have a financial impact to the Company.

RISKS AND UNCERTAINTIES

Any investment in the Company's securities is speculative and may involve risk. Before investing in the Company's securities, prospective investors should carefully consider, in light of their own financial circumstances and objectives, the risk factors summarized below, as well as the other information contained and incorporated by reference into this Annual Information Form. Other risks not currently known or deemed to be material may also impact our business. Our business and financial results could be materially adversely affected by any of these risks. The Board of Directors includes in its mandate and the charters of its committees the responsibility to oversee the mitigating factors associated with each identified risk factor.

The ability to attract and retain experienced search professionals is critical to our business

We compete with other executive recruitment firms for experienced consultants. Attracting and retaining consultants in our industry is important because consultants have primary responsibility for client relationships, and the loss of consultants often leads to the loss of client relationships. While we believe we offer one of the most competitive compensation plans in the industry and offer freedom for our partners to operate in the marketplace, the ability to continue to generate revenue and profits will depend on our ability to attract and retain key professionals. Additionally, we may pay hiring bonuses to attract new partners who may leave bonus amounts at their predecessor firm to join us. The aggregate of these amounts can be significant and we expect to continue issuing these types of payments as we continue to grow.

Exposure to departing partners taking our clients to another firm

Our success depends upon our ability to develop and maintain strong, long-term relationships with our clients. In many cases, one or two partners have primary responsibility for a client relationship. When a partner leaves one executive search firm and joins another, clients who have established relationships with the departing partner may move their business to the partner's new employer. We may also lose clients if the departing partner has widespread name recognition or a reputation as a specialist in executing searches in a specific industry or management function. If we fail to retain important client relationships when a partner departs our firm, our business, financial condition and results of operations may be adversely affected. During 2019, approximately 12% (2018 11%) of consolidated revenue was attributed to one revenue generating employee of the Company. We attempt to mitigate this risk by maintaining strong relationships with our partners and providing for certain contractual client and employee non-solicitation covenants in our offer of employment letters with our partners.

Performance of the US, Canadian and international economies

Our revenue is affected by global economic conditions and economic activity in the regions where we operate. During economic slowdowns, companies may hire fewer employees which may harm our financial condition. We mitigate this risk to some extent through increasing diversity within our revenue base across geographies, industries and functions.

Competition from other companies directly or indirectly engaged in executive search

The executive search business is highly competitive in terms of both winning and pricing new engagements. The level of our future profits will depend on its ability to retain its established client base, attracting new clients and maintaining fee levels. Some of our competitors possess greater resources, greater name recognition and may be further along in the development and design of technological solutions to meet client requirements. One area in which we mitigate competitive risk with our larger competitors is by having fewer client non-solicitation arrangements. It is standard practice in the industry to provide clients with a non-solicitation right ranging in scope from the placed executive to the entire client organization; known as "off-limits" protection. If too many off-limit arrangements are created, the ability to broadly and effectively source candidates for prospective client engagements becomes impeded.

Liability risk in the services we perform

In the normal course of our operations, we become involved in various legal actions, either as plaintiff or defendant, including but not limited to our commercial relationships, employment matters and services delivered, in addition to other things. Such matters include both actual as well as threatened claims. Possible claims include failure to maintain the confidentiality of the candidate's employment search or for discrimination or other violations of the employment laws or malpractice. In various countries, we are subject to data protection laws impacting the processing of candidate information. To mitigate this risk, we engage outside counsel regularly to review our policies and form of contracts. We utilize protective language in our standard client contracts and maintain professional liability insurance in amounts and coverage that we believe are adequate; however, we cannot guarantee that our insurance will cover all claims or that coverage will always be available. Significant uninsured liabilities could harm our business, financial condition and results of operations. Furthermore, even if any action settles within insurance limits, this can result in increases to our insurance premiums. Therefore there can be no assurance that their resolution will not have a material adverse effect on our financial condition or results of operations.

Potential legal liability from clients, employees and candidates for employment

We are exposed to potential claims concerning the executive search process. For example, a client could assert a claim for matters such as breach of an off-limit agreement or recommending a candidate who subsequently proves to be unsuitable for the position filled. Further, the current employer of a candidate whom we placed could file a claim against us alleging interference with an employment contract, a candidate could assert an action against us for failure to maintain the confidentiality of the candidate's employment search, and a candidate or employee could assert an action against us for alleged discrimination, violations of labour and employment law or other matters. Also, in various countries, we are subject to data protection laws impacting the processing of candidate information and other regulatory requirements including the legality of gathering historical compensation data from candidates under an expanding number of equal pay laws. We attempt to mitigate these risks through onboarding and continuing training for our employees of existing and developing legal guidelines. We also carry insurance policies which may reimburse us for certain suffered losses in this area, although such reimbursement and the amount cannot be guaranteed.

Cybersecurity requirements, vulnerabilities, threats and attacks

Increased global cybersecurity vulnerabilities, threats and more sophisticated and targeted cyber-related attacks pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of the data we maintain from our clients, candidates and employees. We have a program in place to detect and respond to data security incidents. However, we remain potentially vulnerable to additional known or unknown threats. We also have access to sensitive, confidential or personal data or information that is subject to privacy and security laws, regulations and client-imposed controls. Despite our efforts to protect sensitive, confidential or personal data or information, we may be vulnerable to security breaches, theft, lost data, employee errors and/or malfeasance that could potentially lead to the compromising of sensitive, confidential or personal data or information, improper use of our systems or networks, unauthorized access, use, disclosure, modification or destruction of information. Also, a cyber-related attack could result in other negative consequences, including damage to our reputation or competitiveness, remediation or increased protection costs, litigation or regulatory action which could result in a negative impact to our results of operations. We attempt to mitigate this risk through maintaining and complying with our data privacy policy informing our clients and candidates of how we use their personal information. We additionally utilize a third party information and security technology company to advise us on risk testing and mitigation to aid our internal information technology staff. We also maintain a cyber-insurance policy which might mitigate certain financial costs in the event we were to suffer a breach that caused us to incur financial losses.

Brand Reputation

We depend on our overall professional reputation and brand name recognition to secure new engagements and hire qualified consultants. Our success also depends on the individual reputations of our consultants. We obtain many of our new engagements from existing clients or referrals by those clients. A client who is dissatisfied with our work can adversely affect our ability to secure new engagements. If any factor, including poor performance, hurts our reputation we may experience difficulties in competing successfully for both new engagements and qualified consultants. Failure to maintain our professional reputation and brand name could seriously harm our business, financial condition and results of operations. We attempt to mitigate this risk through the use of a client feedback process utilizing the third-party product Net Promoter Score® which provides us with feedback on our engagements and highlighting dissatisfied clients so that we may respond.

Alignment of our cost structure with revenue

We must ensure that our costs and workforce continue to be in proportion to the demand for our services. Failure to align our cost structure and headcount with net revenue could adversely affect our business, financial condition, and results of operations. We attempt to mitigate this risk related to short-term revenue shifts through having a large portion of our search professionals' compensation tied to their individual and team revenue and for management to consolidated revenue and operating profit.

Unfavourable tax law changes and tax authority rulings may adversely affect results

We are subject to income taxes in Canada, the United States and in various other foreign jurisdictions. Domestic and international tax liabilities are subject to the allocation of income among various tax jurisdictions. Our effective tax rate could be adversely affected by changes in the mix of earnings among countries with differing statutory tax rates, or changes in the valuation allowance of deferred tax assets or tax laws. We attempt to mitigate this risk by working with our third party income tax consultants in reviewing our tax structure regularly and providing advice regarding optimal tax structures.

We may not generate sufficient cash flow from operations to support our strategic growth plan and maintain our dividend without utilizing funds invested in marketable securities

We currently have investments in marketable securities and short-term money market instruments. However, if additional cash is required to grow the business and pay dividends more than cash generated, marketable securities and money market instruments may be liquidated, negatively impacting the returns on those instruments.

Technological advances may significantly disrupt the labour market and weaken demand for human capital at a rapid rate

Our success is directly dependent on our client's demands for talent. As technology continues to evolve, more tasks currently performed by people may be replaced by automation, robotics, machine learning, artificial intelligence and other technological advances outside of our control. This trend poses a risk to the human resource industry as a whole, particularly in lower-skill job categories that may be more susceptible to such replacement. We attempt to mitigate this risk through a review of emerging technologies we may leverage in our search process and focusing on the most senior tier of executive placements.

Foreign currency exchange rate risks may affect our financial results

With operations in Canada, the United States and the United Kingdom, we do business in multiple currencies. During the most recently completed fiscal year, approximately 78% of our revenue was generated outside of Canada and transacted in a currency other than the Canadian dollar. Translation of foreign currency financial statements into the Canadian dollar impacts our profitability. Fluctuations in relative currency values, particularly the strengthening of the Canadian dollar, could hurt our profitability and financial condition. When management believes the Company has a significant short term net cash or intercompany loan balance, they will on occasion hedge its currency exposure by buying or selling the exposed currency on a forward basis.

Affiliation agreements may fail to renew, or affiliates may be acquired

We believe our relationships are positive with our licensed affiliates in Australia and New Zealand. Nonetheless, such agreements are subject to renewal upon maturity dates outlined in our audited annual and interim financial statements. Additionally, such agreements have exit provisions for either party upon a change of control of the other party which could end an agreement before the respective contract's full term.

We invest in marketable securities whose valuations fluctuate

Marketable securities consist of investments in professionally managed fixed income funds and certain equity securities obtained through search fees being paid partially in equity of the client. The securities are subject to market risk, and should they decline in value, the unrealized losses and potential realized losses could negatively impact our financial position and aggregate results of operations. We mitigate the risk in managed funds by investing in relatively conservative investments and by engaging professional investment fund advisors independent from us with added oversight from the Investment Committee of the Board of Directors. We mitigate the risk in equity securities by liquidating our positions as soon as practicable and consider the potential use of hedging derivatives if applicable.

We are increasingly dependent on third parties for the execution of critical functions

We do not maintain all components of our technology infrastructure, and we have outsourced certain critical applications or business processes to external providers, including cloud-based services. The failure or inability to perform on the part of one or more of these critical suppliers or partners could cause significant disruptions and increased costs.

Potential volatility of the market price and volume of common shares

From time to time, the TSX has experienced significant price and volume volatility unrelated to the performance of specific companies, which could impact the market price of the Common Shares. Moreover, the market price of the Common Shares may also be adversely affected by factors such as the concentration of Common Shares held by a small number of shareholders and the low number of Common Shares that trade on average on a daily basis, the combination of which has the potential to increase the volatility of the volume of Common Shares offered to be purchased or sold at any particular time. Certain management compensation components are based on the share price change in the Company and could fluctuate with significant movement up or down in the Company's share price. The impact of share price movements on compensation is encompassed in the plan design as payments are linked to profitability after accounting for such equity value fluctuations.

Impairment of our goodwill, other intangible assets and other long-lived assets

All of our acquisitions have been accounted for as purchases and involved purchase prices more than tangible asset values, resulting in the creation of a significant amount of goodwill and other intangible assets. Goodwill is initially recorded as the excess of amounts paid over the fair value of net assets acquired. While goodwill is not amortized, under generally accepted accounting principles, we perform assessments of the carrying value of our goodwill at least annually and we review our goodwill, other intangible assets and other long-lived assets for impairment whenever events occur, or circumstances indicate that a carrying amount of these assets may not be recoverable. These events and circumstances include a significant change in business climate, attrition of key personnel, changes in financial condition or results of operations, a prolonged decline in our stock price and market capitalization, competition, and other factors. In performing these assessments, we must make assumptions regarding the estimated fair value of our goodwill and other intangible assets. These assumptions include estimates of future market growth and trends, forecasted revenue and costs, capital investments, discount rates, and other variables. If the fair market value of one of our reporting units or other long term assets is less than the carrying amount of the related assets, we would be required to record an impairment charge. Due to continual changes in the market and general business conditions, we cannot predict whether, and to what extent, our goodwill and long-lived intangible assets may be impaired in future periods. Any resulting impairment loss could have an adverse impact on our business, financial condition and results of operations.

Ability to access credit could be limited

Our bank can be expected to enforce the terms of our credit agreement strictly. Although we are currently in compliance with the financial covenants of our revolving credit facility, deterioration of economic conditions may negatively impact our business resulting in our failure to comply with these covenants, which could limit our ability to borrow funds under our credit facility or from other borrowing facilities in the future. The credit agreement with the bank is a demand facility and may also be cancelled at any time by our bank. In such circumstances, we may not be able to secure alternative financing or may only be able to do so at significantly higher costs. We attempt to mitigate this risk by only using the credit line to fund temporary cash requirements, through the negotiation of flexible financial covenants to the extent we are able, and working to maintain strong relationships with our banking team.

Significant Shareholders

Ewing Morris & Co. Investment Partners Ltd. ("Ewing Morris") is reported to own, directly or indirectly approximately 18.0% of the outstanding Common shares. Mr. Darcy D. Morris, CEO of Ewing Morris, is also a director of the Company. Mr. C. Douglas Caldwell, the original founder of The Caldwell Partners International, Inc., is reported to own, directly or indirectly approximately 13.6% of the Company's outstanding Common shares. Either of these parties' shares could have a material impact on the outcome of any matters brought forth to the shareholders for a vote.

We may be subject to the actions of activist shareholders

Our Board of Directors and management team are committed to acting in the best interest of all of our shareholders. We value constructive input from investors and regularly engage in dialogue with our shareholders regarding strategy and performance. Activist shareholders who disagree with the composition of the Board of Directors, our strategy or the way the Company is managed may seek to effect change through various strategies and channels. Responding to shareholder activism can be costly and time-consuming, disrupt our operations, and divert the attention of management and our employees from our strategic initiatives. Activist campaigns can create perceived uncertainties as to our future direction, strategy, or leadership and may result in the loss of potential business opportunities, harm our ability to retain or attract employees, investors, and customers, and cause our stock price to experience periods of volatility or stagnation.

Our business could be disrupted as a result of actions of certain stockholders or potential acquirers of the Company

If any of our stockholders commence a proxy contest, advocate for change that is not necessarily in the best interests of the Company and all of its stakeholders, make public statements critical of our performance or business, or engage in other similar activities, or if we become to the target of a potential acquisition, then our business could be adversely affected because we may have difficulty attracting and retaining employees and clients due to perceived uncertainties as to our future direction and negative public statements about our business. Responding to proxy contests and other similar actions by stockholders is likely to result in us incurring substantial additional costs and significantly divert the attention of management and our employees. And, if individuals are elected to our Board with a specific agenda, the execution of our strategic plan may be disrupted, or a new strategic plan altogether may be implemented, which could have a material adverse impact on our business, financial condition or results of operations. Further, any of these matters or any such actions by stockholders may impact and result in volatility of the price of our common stock.

DISCLOSURE CONTROLS AND PROCEDURES

Our Chief Executive Officer and Chief Operating and Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures. The Chief Executive Officer and Chief Operating and Financial Officer, in conjunction with the Board of Directors, review any material information affecting the Company to evaluate and determine the appropriateness and timing of public release.

The Chief Executive Officer and the Chief Operating and Financial Officer, after evaluating the effectiveness of the Company's disclosure procedures as at August 31, 2019, have concluded that the Company's disclosure controls and procedures are adequate and effective to ensure that material information relating to the Company and its subsidiaries would have been known to them.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting. Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

In designing and evaluating such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Additionally, management is required to use judgment in evaluating controls and procedures.

Management carried out an evaluation of the effectiveness of the design and operation of the Company's internal controls over financial reporting as at August 31, 2019. Based on that evaluation, the Chief Executive Officer and the Chief Operating and Financial Officer concluded that internal controls over financial reporting are effective as at August 31, 2019.

Management has also evaluated whether there were changes in the Company's internal controls over financial reporting during the reporting period ended August 31, 2019 that materially affected, or are reasonably likely to affect, our internal controls over financial reporting. Management has determined that no changes occurred during the year ended August 31, 2019 that would have a material impact.

OTHER INFORMATION

Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.

THE CALDWELL PARTNERS INTERNATIONAL INC.

Consolidated Financial Statements

for the years ended August 31, 2019 and August 31, 2018

The Caldwell Partners International Inc.
Years Ended August 31, 2019 and August 31, 2018

MANAGEMENT'S REPORT TO SHAREHOLDERS

The consolidated financial statements and all information contained in this annual report are the responsibility of management and the Board of Directors of The Caldwell Partners International Inc. and its subsidiaries ("the Company"). The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and, where appropriate, reflect management's best estimates and judgments based on currently available information. The Company has established accounting and reporting systems supported by internal controls designed to safeguard assets from loss or unauthorized use and to ensure the accuracy of the financial records. The financial information presented throughout this annual report is consistent with the consolidated financial statements.

PricewaterhouseCoopers LLP, an independent firm of chartered professional accountants, has been appointed by the shareholders as the external auditors of the Company. The Independent Auditor's Report to the Shareholders, which describes the scope of their examination and expresses their opinion, is presented herein. The Audit Committee of the Board of Directors, whose members are not employees of the Company, meets with management and the independent auditors to satisfy itself that the responsibilities of the respective parties are properly discharged and to review the consolidated financial statements before they are presented to the Board of Directors for approval.

John N. Wallace
PRESIDENT AND CHIEF EXECUTIVE OFFICER

C. Christopher Beck
CHIEF OPERATING AND FINANCIAL OFFICER AND CORPORATE SECRETARY

November 18, 2019

Independent auditor's report

To the Shareholders of The Caldwell Partners International Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Caldwell Partners International Inc. and its subsidiaries (together, the Company) as at August 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at August 31, 2019 and 2018;
- the consolidated statements of earnings for the years then ended;
- the consolidated statements of comprehensive earnings for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flow for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

PricewaterhouseCoopers LLP
PwC Centre, 354 Davis Road, Suite 600, Oakville, Ontario, Canada L6J 0C5
T: +1 905 815 6300, F: +1 905 815 6499

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Paul Hendrikse.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario
November 18, 2019

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in $000s Canadian)

	As at August 31 2019	*As at August 31 2018*
Assets		
Current assets		
Cash and cash equivalents	10,623	14,885
Marketable securities (note 4)	5,832	5,654
Accounts receivable	11,915	10,858
Unbilled revenue (note 12)	4,086	-
Prepaid expenses and other assets	2,320	1,711
	34,776	33,108
Non-current assets		
Restricted cash	45	138
Marketable securities (note 4)	85	137
Advances	1,047	146
Property and equipment (note 5)	1,379	1,378
Intangible assets (note 6)	-	92
Goodwill (note 7)	1,313	2,885
Deferred income taxes (note 13)	1,963	1,897
Total assets	40,608	39,781
Liabilities		
Current liabilities		
Accounts payable (note 11)	3,389	2,693
Compensation payable (notes 9, 10 and 12)	21,222	19,205
Dividends payable (note 15)	459	408
Income taxes payable	576	1,409
Deferred revenue (note 12)	-	438
	25,646	24,153
Non-current liabilities		
Compensation payable (note 10)	1,068	1,615
Provisions (note 11)	49	93
	26,763	25,861
Equity attributable to owners of the Company		
Share capital (note 15)	7,515	7,515
Contributed surplus (note 15)	15,005	15,002
Accumulated other comprehensive income	581	1,257
Deficit	(9,256)	(9,854)
Total equity	13,845	13,920
Total liabilities and equity	40,608	39,781

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

Signed on behalf of the Board:

Elias Vamvakas
Chair of the Board

Kathryn A. Welsh
Chair of the Audit Committee

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF EARNINGS

(in $000s Canadian, except per share amounts)

	Twelve months ended August 31 2019	2018
Revenues		
Professional fees (note 12)	69,749	66,512
Licence fees (note 22)	700	371
Direct expense reimbursements	1,689	-
	72,138	66,883
Cost of sales (notes 8, 10 and 12)	53,046	48,968
Reimbursed direct expenses	1,689	-
	54,735	48,968
Gross profit	17,403	17,915
Expenses		
General and administrative (notes 8, 9 and 10)	12,618	12,487
Goodwill impairment (notes 7 and 8)	1,521	-
Sales and marketing (note 8)	1,456	1,507
Foreign exchange loss (gain) (note 8)	168	(45)
	15,763	13,949
Operating profit	1,640	3,966
Investment income (note 4)	211	14
Earnings before income tax	1,851	3,980
Income tax expense (note 13)	1,526	1,965
Net earnings for the year attributable to owners of the Company	325	2,015
Earnings per share (note 14)		
Basic and diluted	$0.016	$0.099

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

(in $000s Canadian)

	Twelve months ended August 31 2019	2018
Net earnings for the year	325	2,015
Other comprehensive income:		
Items that may be reclassified subsequently to net earnings		
(Loss)/gain on marketable securities (note 4)	(55)	65
Cumulative translation adjustment	197	342
Comprehensive earnings for the year attributable to owners of the Company	467	2,422

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

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in $000s Canadian)

	Deficit	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss): Cumulative Translation Adjustment	Accumulated Other Comprehensive Income (Loss): Unrealized Gains (Loss) on Marketable Securities	Total Equity
Balance - August 31, 2017	**(10,237)**	**7,515**	**14,992**	**428**	**422**	**13,120**
Net earnings for the year	2,015	-	-	-	-	2,015
Dividend payments declared (note 15)	(1,632)	-	-	-	-	(1,632)
Share-based payment expense (note 15)	-	-	10	-	-	10
Change in unrealized loss on marketable securities	-	-	-	-	65	65
Change in cumulative translation adjustment	-	-	-	342	-	342
Balance - August 31, 2018	**(9,854)**	**7,515**	**15,002**	**770**	**487**	**13,920**
Adoption of IFRS 9 (note 3)	818	-	-	-	(818)	-
Adoption of IFRS 15 (note 3)	1,291	-	-	-	-	1,291
Net earnings for the year	325	-	-	-	-	325
Dividend payments declared (note 15)	(1,836)	-	-	-	-	(1,836)
Share-based payment expense (note 15)	-	-	3	-	-	3
Change in unrealized loss on marketable securities (FVOCI)	-	-	-	-	(55)	(55)
Change in cumulative translation adjustment	-	-	-	197	-	197
Balance - August 31, 2019	**(9,256)**	**7,515**	**15,005**	**967**	**(386)**	**13,845**

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

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF CASH FLOW

(in $000s Canadian)

	Twelve months ended August 31 2019	2018
Cash flow provided by (used in)		
Operating activities		
Net earnings for the year	325	2,015
Add (deduct) items not affecting cash		
Depreciation	520	537
Amortization	94	90
Amortization of advances	898	751
Loss on disposition of assets	20	-
Gain on marketable securities classified as FVPL	(177)	-
Share based payment expense	3	10
Unrealized foreign exchange on subsidiary loans	136	(54)
Decrease in provisions	(44)	(37)
Decrease in deferred revenue	(449)	(676)
Increase in unbilled revenue	(558)	-
Increase in deferred income taxes	(541)	(194)
Decrease in goodwill	1,521	-
(Decrease) increase in cash settled share-based compensation	(547)	657
Increase in accounts receivable	(849)	(1,182)
Increase in prepaid expenses and other assets	(148)	(181)
Increase in accounts payable	712	599
Increase in compensation payable	947	3,518
(Decrease) increase in income taxes payable	(879)	757
Payment of cash settled share-based compensation	(943)	(553)
Net cash provided by operating activities	41	6,057
Investing activities		
Purchase of marketable securities	-	(500)
Payment of advances	(2,260)	-
Proceeds from release of restricted cash	94	-
Purchase of property and equipment	(564)	(176)
Proceeds from the disposition of property and equipment	38	-
Net cash used in investing activities	(2,692)	(676)
Financing activities		
Dividend payments	(1,836)	(1,632)
Net cash used in financing activities	(1,836)	(1,632)
Effect of exchange rate changes on cash and cash equivalents	225	219
Net (decrease) increase in cash and cash equivalents	(4,262)	3,968
Cash and cash equivalents, beginning of year	14,885	10,917
Cash and cash equivalents, end of year	10,623	14,885

The net impact of opening balance sheet adjustments as a result of implementing IFRS 15 have been eliminated in t creation of the consolidated interim statements of cash flow.

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

THE CALDWELL PARTNERS INTERNATIONAL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2019 AND AUGUST 31, 2018

(in $000s Canadian unless otherwise stated, except per share amounts)

1. General Information

The Caldwell Partners International Inc. (the "Company" or "Caldwell") is an executive search firm specializing in recruiting executives for full-time and advisory roles on behalf of its clients. The Company contracts with its clients, on an assignment basis, to provide consulting advice on the identification, evaluation, assessment and recommendation of qualified candidates for specific positions. The Company concentrates its activities on locating executives to fill senior executive employment and executive advisory solutions. Our core service offerings have historically been the placement of executives in full-time employed roles or an advisory capacity within fiduciary governance boards.

The Company was incorporated by articles of incorporation under the Business Corporations Act (Ontario) on August 22, 1979, and is listed on the Toronto Stock Exchange (symbol: CWL). The Company's head office is located at 165 Avenue Road, Toronto, Ontario. The Company operates in Canada, the United States, Europe and, through its licence agreements, Australia and New Zealand.

2. Basis of Presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

The Board of Directors approved these consolidated financial statements for issue effective November 18, 2019.

3. Summary of Significant Accounting Policies, Judgments and Estimation Uncertainty

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value.

Consolidation

These consolidated financial statements include the assets and liabilities and results of operations of the Company and its subsidiaries. In the United States, the subsidiary is The Caldwell Partners International Ltd. In the United Kingdom, the subsidiary is The Caldwell Partners International Europe Ltd.

All intercompany transactions and balances are eliminated on consolidation.

Subsidiaries are all those entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities assumed at the date of acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable tangible and intangible net assets acquired is recorded as goodwill. The Company records contingent consideration agreements at fair value, which are classified at fair value through profit or loss with movements in the fair value being recognized within general and administrative expenses in the consolidated statements of earnings.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

Foreign currency translation

(i) Functional and presentation currency

The financial statements of the parent company and each subsidiary in the consolidated financial statements of The Caldwell Partners International Inc. are measured using the currency of the primary economic environment in which the subsidiary operates (the “functional currency”). The functional and presentation currency of the Company is the Canadian dollar. The functional currency of the subsidiary located in the United States is the US dollar. The functional currency of the subsidiary located in the United Kingdom is the British pound sterling.

The financial statements of subsidiaries that have a functional currency different from the presentation currency are translated into Canadian dollars as follows: assets and liabilities at the closing rate at the date of the consolidated statements of financial position, and income and expenses at the average rate of the period (as this is considered a reasonable approximation of the actual rates prevailing at the transaction dates). All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

If the Company disposes of its entire interest in a foreign subsidiary, or loses control over a foreign subsidiary, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign subsidiary are recognized in profit or loss.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of these transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an entity’s functional currency are recognized in the consolidated statements of earnings, within foreign exchange loss (gain).

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less.

Restricted cash

Restricted cash includes a cash balance set aside by a US financial institution for collateral security on a letter of credit made out to the landlord of a leased facility.

Advances

Advances are sign-on payments made to employees to join the Company. Such amounts may be recouped if the employee leaves the Company before a contractually stipulated period of time has lapsed, usually 36 months from their start date. The advances are amortized to cost of sales on a straight-line basis over the life of the contractual recoupment period.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- Those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and financial liabilities and the contractual terms of the cash flows.

(i) Financial assets

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

The company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. Lifetime expected credit losses represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Accounts receivable

For accounts receivable, the Company applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognized at the time of initial recognition of the accounts receivable.

Accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, significant financial difficulty of the obligor, delinquencies in payments, and when it becomes probable the borrower will enter bankruptcy or other financial reorganization. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Marketable securities

The Company's marketable securities consist of two investment asset classes, managed fixed income funds and equity investments in clients:

Fixed income funds investments
The Company's professionally managed fixed income funds within marketable securities are recorded initially at their fair value and subsequently measured at fair value through profit and loss (FVPL).

Equity investments in clients
The Company holds certain equity investments in its clients as a portion of its search fee. Such investments are generally held for long periods as they are illiquid, often requiring a client company sale or initial public offering to allow the sale of the marketable security. The Company's standard policy is to sell such investments as soon as reasonably possible once a liquidity event occurs. The Company classifies its equity investments in clients at fair value through OCI (FVOCI) due to their long-term and illiquid nature. All future disposals of these marketable securities will result in the accumulated gains or losses remaining in accumulated OCI.

(ii) Financial liabilities

Financial liabilities at amortized cost include accounts payable, compensation payable and dividends payable which are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, financial liabilities at amortized cost are measured at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statements of earnings during the period in which they are incurred.

The major categories of property and equipment are depreciated as follows:

Furniture and equipment	20% declining balance
Computer equipment	30% declining balance
Computer application software	straight-line over three years
Leasehold improvements	straight-line over the term of the lease

Residual values, methods of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of general and administrative expenses in the consolidated statements of earnings.

Impairment of non-financial assets

Property and equipment and intangible assets (other than goodwill) are tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (which is the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Goodwill is reviewed for impairment annually or at any time if an indicator of impairment exists.

Goodwill acquired through a business combination is allocated to each CGU or group of CGUs that are expected to benefit from the related business combination. A group of CGUs represents the lowest level within the Company at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment.

The Company evaluates impairment losses, other than goodwill impairment, for potential reversals whenever events or circumstances warrant such consideration.

Commission and bonus plans (short-term incentive plans)

The Company recognizes a liability and an expense for bonuses and commissions, based on performance measures relevant to the particular employee group. Revenue-producing employees earn bonuses tied directly to individual and team revenue production. Management bonuses are primarily determined based on achievement of planned revenue and operating profit levels, approved by the Board of Directors at the outset of the fiscal year. The Company recognizes the expense and compensation payable in the year such performance levels are attained. To the extent revenue is deferred for recognition in a future period, the Company will also defer the related amount of estimated compensation expense directly associated with such deferred revenue.

Stock-based compensation (long-term incentive plans)

The Company has granted performance stock units, deferred stock units and stock options periodically to certain employees and directors.

Performance stock units (PSUs) are notional common shares of the Company that cliff vest three years from the date of grant and are settled in cash. The amount to be paid on vesting is dependent on notional dividends received on the holdings, the Company’s share price at the vesting date and a performance factor ranging between 50% and 150% based on the Company’s actual revenue and net operating profit performance compared to targets set by the Board of Directors each year over the cumulative three-year vesting period. Compensation expense is recognized on a straight-line basis over the three-year vesting period. Notional dividend awards and changes in performance factors and fair value are reflected in current period compensation expense in proportion to the amount of the vesting period that has lapsed, with the balance being amortized straight-line over the remaining vesting period.

Deferred stock units (DSUs) are notional shares of the Company that are issued to the Board of Directors as a component of their annual retainer. DSU balances are adjusted for notional dividends received on the holdings. Each non-employee Board Member receives approximately 50% of the annual retainer in cash and 50% in the form of DSUs issued at fair value on the date of the grant, which track the performance of the Company’s common shares over time. These DSUs vest upon grant, but are redeemable only when the Board Member leaves the Board, at which time they are settled in cash. DSUs are recorded as compensation expense at the fair value of the units when issued. Notional dividend awards and subsequent changes in the fair value of DSUs are recorded in current period compensation expense when the change occurs.

The awards of PSUs and DSUs have been recorded in current or non-current compensation payable depending on when they vest.

Stock options currently outstanding vest over two years and have a contractual life of five years. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest.

Provisions

Provisions, where applicable, are recognized when the Company has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

Income taxes

Income taxes comprise both current and deferred tax. Income tax is recognized in the consolidated statements of earnings except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case the income tax is also recognized in other comprehensive income or directly in equity.

Current income taxes are the expected taxes payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to taxes payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statements of financial position dates and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary difference can be recognized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

Revenue

Revenue consists of i) professional fees, ii) licence fee revenue and iii) direct expense reimbursements.

(i) Professional fees

Professional fees arising from the Company’s executive search engagement performance obligation are recognized over time as clients simultaneously receive and consume the benefits provided by the Company's performance. Generally, each executive search contract contains one performance obligation which is the process of identifying potentially qualified candidates for a specific client position. In most contracts, the transaction price includes both fixed and variable consideration. Fixed consideration is comprised of a retainer, equal to approximately one-third of the estimated first-year compensation for the position to be filled and indirect expenses, equal to a specified percentage of the retainer, as defined in the contract. The Company generally bills its clients for its retainer and indirect expenses in one-third increments over three months commencing in the month the contract is executed. If actual compensation of a placed candidate exceeds the original compensation estimate, the Company is often authorized to bill the client for one-third of the excess compensation. The search industry and the Company refer to this additional billing as uptick revenue. In most contracts, variable consideration is comprised of uptick revenue and reimbursable direct expenses. The Company bills its clients for uptick revenue upon completion of the executive search and direct expenses are billed as incurred.

Professional fees are recognized when the Company has satisfied a performance obligation by transferring services to a client. Professional fees from standard executive search engagements are recognized over the expected average performance period, in proportion to the estimated effort to fulfill the Company’s obligations under the engagement terms.

The Company’s method of revenue recognition involves a three-step evaluation and application:

1. First, the average length of time it takes to substantially complete the Company’s performance obligation is determined. This represents the total period over which professional fee revenue is to be recognized. This performance period is defined as the number of days elapsed from beginning the search to completing all candidate interviews. The average performance period across all of the searches completed by the Company during the trailing two fiscal years is calculated, providing a large and representative sample size. The performance period fluctuates from period to period but has historically averaged approximately three months.

2. Second, the distribution of work effort throughout the performance period is examined. This distribution determines the proportion of professional fee revenue to recognize over the performance period. The work effort distribution calculation also fluctuates from period to period, so the calculation is averaged over the trailing two fiscal years.

3. Third, the total revenue for each search engagement to be recognized is estimated which will then be recognized over the performance period and in proportion to the work effort. Estimated total professional fees for the life of each search include total retainer payments outlined in engagement letters and, with the adoption of IFRS 15 effective September 1, 2018, an estimate of uptick revenue expected to be received at the time of successful placement of a candidate. This amount is estimated, in aggregate, by looking at the total amount of uptick revenue during the trailing 24-month period relative to the amount of retained revenue billed following our contracts. Before adopting IFRS 15, this additional uptick revenue was recognized at the time of candidate placement when it was known and considered earned.

Deferred Revenue and Unbilled Revenue

The Company’s revenue recognition policy creates differences in the timing between the revenue recognition period and the billing period to its clients. As a result, the amount of revenue invoiced and billed to clients on each search is compared to the amount of revenue which should be recognized as calculated by the Company’s revenue recognition model.

Deferred Revenue

When aggregate amounts billed to clients exceed the calculated revenue to be recognized, the Company defers the excess amount billed for recognition in a future period and adjusts the related compensation expense. This excess amount billed is recorded through a deferred revenue liability and a reduction in compensation payable related to such revenue.

Unbilled Revenue

When aggregate amounts billed to clients are less than the calculated revenue to be recognized, the Company recognizes additional revenue in the current period concerning amounts to be billed in a future period. This additional revenue is recorded through an unbilled revenue asset. The Company estimates the compensation payable due related to the total recognized revenue and records an increase in compensation payable related to the unbilled revenue.

Professional fees involving equity

Professional fees are paid to the Company predominantly in the form of cash and, on occasion, in the form of equity interests in the Company's clients as a portion of the search fee. These interests may take the form of common stock, preferred stock, restricted stock, warrants, options or similar instruments depending on the client and the agreement. Equity payments occur most commonly in venture capital and private equity backed entities where executive cash compensation is often lower due to the executive receiving compensation more prominently in equity as well as a desire by early-stage companies to preserve cash. If equity is a component of our professional fee, an estimate of the fair value to be realized at the date of grant when the search is concluded is treated similar to uptick revenue and included in professional fees. Per our partner compensation plan, a share of the equity instruments is transferred and assigned beneficially to the partners as their form of compensation on such instruments. As a result, the gross asset value and compensation payable are offset, with the investment recorded at the net amount to which the Company has economic rights. Prospective changes in the fair value of the net investment amount are recorded in other comprehensive income as outlined in the above IFRS 9 discussion and marketable securities note 4.

(ii) Licence fees

Licence fee revenue is comprised of the licence and technical assistance fees paid by the Company's affiliates, as discussed in note 22. The licence fee revenue is recognized as earned, based on the revenue of the affiliates during the respective periods.

(iii) Direct expense reimbursements

The Company incurs reimbursable direct out of pocket expenses in the performance of its services for items such as candidates and partner travel, meals, accommodation, third-party executive assessments, background checks and other costs directly identifiable to a specific search assignment. Such costs are incurred and paid by the Company and are in turn billed to the Company's clients. Under IFRS 15, the Company is deemed to be a principal regarding these transactions as the vendors are selected by the Company and the obligation to pay the vendors is borne by the Company. As such, the Company shows the gross amount of direct expenses billed and recovered from clients as revenue, with the gross amount incurred recorded as a cost of sales.

Cost of sales

Cost of sales includes direct costs associated with the generation of professional fees, which is both variable and fixed compensation, and the related costs of employees involved in search activities. When professional fees are deferred, the related amount of estimated compensation expense directly associated with such professional fees is also deferred. This expense deferral is recorded as a reduction in compensation payable in the consolidated statements of financial position.

Leases

The Company leases certain property and equipment. Leases are classified as either operating or finance, based on the substance of the transaction at the inception of the lease.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to profit or loss within general and administrative expenses on a straight-line basis over the period of the lease.

Leases in which the Company assumes substantially all the risks and rewards of ownership, are classified as finance leases and capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. With a finance lease, each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Currently, all of the Company's leases pertain to its office space and are considered operating leases.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Dividends

Dividends on common shares are recognized in the Company's financial statements in the period in which the dividends are approved by the Board of Directors of the Company.

Earnings per share

Basic earnings per share (EPS) is calculated by dividing the net earnings for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options and similar instruments is computed using the treasury stock method. The Company's potentially dilutive instruments consist of stock options.

Recently Applied Accounting Standards

- **IFRS 9, Financial Instruments**

IFRS 9, Financial Instruments (IFRS 9), replaced the provisions of IAS 39, Financial Instruments: Recognition and Measurement (IAS 39), that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

There was no impact on the Company's financial liabilities as a result of the adoption of IFRS 9 on September 1, 2018, and no material change to the Company's accounting policies for financial liabilities.

The adoption of IFRS 9 on September 1, 2018 did result in changes in the Company's accounting policies and changes in the presentation of financial assets in the areas of accounts receivable and marketable securities.

Accounts receivable

The Company was required to revise its impairment methodology under IFRS 9 for accounts receivable. The Company now applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivable. Accounts receivable have been grouped based on shared credit risk characteristics and the days past due to measure expected credit losses. Before the adoption of IFRS 9, IAS 39 provided that a credit loss was only recorded upon the occurrence of a loss event. The implementation of this new impairment analysis resulted in no required adjustments to the Company's valuation of accounts receivable at September 1, 2018.

Marketable securities

The adoption of IFRS 9 impacted the Company's presentation regarding marketable securities. The Company's marketable securities are made up of two investment asset classes, managed fixed income funds and equity investments in clients, each impacted as follows:

<u>Fixed income funds investments</u>
IFRS 9 requires the Company to classify its professionally managed fixed income funds at fair value through profit or loss (FVPL). Before the adoption of IFRS 9, these securities had changes in their fair value recorded as accumulated gains or losses in accumulated other comprehensive income (OCI). Effective with the adoption of IFRS 9, the Company reclassified these accumulated OCI gains of $818 from accumulated OCI to a reduction in the Company's deficit.

<u>Equity investments in clients</u>
With the adoption of IFRS 9, the Company classifies its equity investments in clients at fair value through OCI (FVOCI). Before the adoption of IFRS 9, changes in the investment values were still recorded in OCI, but with a reclassification of accumulated amounts from accumulated OCI to the consolidated statements of earnings on the disposal of these marketable securities.

- **IFRS 15, Revenue from Contracts with Customers**

IFRS 15, Revenue from Contracts with Customers (IFRS 15), amended revenue recognition requirements and established principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of IFRS 15 from September 1, 2018 resulted in changes in the Company's revenue recognition accounting policy. Per the transitional provisions in IFRS 15, the Company has adopted the new rules on a modified retrospective basis which involves recognizing the cumulative effect of applying the guidance at the date of initial application with no restatement of the comparative periods presented. The Company recognized the cumulative effect of initially applying IFRS 15 as an adjustment to its opening deficit balance on September 1, 2018 in shareholders' equity. Under the modified retrospective method, comparative disclosures are provided to show what the Company's consolidated statements of financial position, earnings, changes in equity and cash flow would have been had IFRS 15 not been adopted. The IFRS 15 adoption impacted the areas of i) professional fees and ii) direct expense reimbursements:

(i) **Professional fees**. The Company is paid a retainer for its executive search services based on a percentage of the placed candidate's anticipated first-year cash compensation. If the candidate's actual compensation exceeds this estimate, an additional fee may be billed. These additional fees were previously recognized in the period in which the placed candidate began working. Under IFRS 15, the Company is now required to estimate the additional fee revenue, if any, at the inception of the executive search contract and recognize it over the performance period of the search, truing-up to actual amounts when known.

(ii) **Direct expense reimbursements**. Direct expense reimbursements were previously included within cost of sales as the net amount of direct expenses incurred by the Company, offset by amounts billed and recovered from clients. Under IFRS 15, the Company now shows the gross amount of direct expenses billed and recovered from clients as revenue, with the gross amount incurred recorded as a cost of sales. The impact of this treatment for the year ended August 31, 2018 would have been an increase in both revenue and cost of sales by approximately $1,733, with no net change to gross profit.

The effect of the changes made to the Company's statement of financial position as of September 1, 2018 as a result of the adoption of IFRS 9 and IFRS 15 were as follows:

	August 31, 2018	IFRS 15 Adjustments	IFRS 9 Adjustments	September 1, 2018
Current assets				
Unbilled revenue	-	3,130	-	3,130
Total current assets	33,108	3,130	-	36,238
Non-current assets				
Deferred income taxes	1,897	(493)	-	1,404
Total Non-current assets	6,673	(493)	-	6,180
Total assets	39,781	2,637	-	42,418
Current liabilities				
Compensation payable	19,205	1,784	-	20,989
Deferred revenue	438	(438)	-	-
Total current liabilities	24,153	1,346	-	25,499
Total liabilities	25,861	1,346	-	27,207
Equity attributable to owners of the Company				
Deficit	(9,854)	1,291	818	(7,745)
Accumulated other comprehensive income	1,257	-	(818)	439
Total equity	13,920	1,291	-	15,211
Total liabilities and equity	39,781	2,637	-	42,418

The effect of the changes made to the Company's consolidated statement of financial position as of August 31, 2019 as a result of the adoption of IFRS 15 was as follows:

	August 31, 2019		
	As Reported	Balances Without Adoption of IFRS 15	Impact of Changes
Current assets			
Unbilled revenue	4,086	-	4,086
Total current assets	34,776	30,690	4,086
Non-current assets			
Deferred income taxes	1,963	2,456	(493)
Total Non-current assets	5,832	6,325	(493)
Total assets	40,608	37,015	3,593
Current liabilities			
Compensation payable	21,222	18,719	2,503
Income taxes payable	576	388	188
Deferred revenue	-	920	(920)
Total current liabilities	25,646	23,875	1,771
Total liabilities	26,763	24,992	1,771
Equity attributable to owners of the Company			
Deficit	(9,256)	(11,054)	1,798
Cumulative translation adjustment	581	557	24
Total equity	13,845	12,023	1,822
Total liabilities and equity	40,608	37,015	3,593

The effect of IFRS 15 on the Company's consolidated statement of earnings for the year ended August 31, 2019 was as follows:

	For the year ended August 31, 2019		
	As Reported	Balances Without Adoption of IFRS 15	Impact of Changes
Revenues			
Professional fees	69,749	68,359	1,390
Direct expense reimbursements	1,689	-	1,689
Total Revenue	72,138	69,059	3,079
Cost of sales	53,046	52,351	695
Reimbursed expenses	1,689	-	1,689
	54,735	52,351	2,384
Gross profit	17,403	16,708	695
Income taxes	1,526	1,338	188
Net earnings for the period attributable to owners of the Company	325	(182)	507
Earnings per share			
Basic and diluted	0.016	(0.009)	0.025

Accounting standards issued but not yet applied

Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The standard will primarily affect the accounting for the Company’s operating leases for office space. Upon adoption, lease obligations equal to the present value of the remaining lease payments, discounted using the Company’s incremental borrowing rate at the date of initial application will be recognized. A right of use asset, representing the Company’s right to use the underlying leased asset, will generally be equal to the lease obligation at adoption and subsequently depreciated over the remaining lease term. Operating lease expenses currently recognized in the consolidated statement of net earnings will be replaced by depreciation of the right of use asset and interest expense on the lease obligation.

The Company completed a scoping and adoption plan during fiscal 2019 to assess and quantify the impact of implementing IFRS 16.

The Company will adopt IFRS 16 in its consolidated financial statements for the annual period beginning September 1, 2019 using the modified retrospective method which involves recognizing the cumulative effect of applying the guidance at the date of initial application with no restatement of the comparative periods presented. The Company has elected to apply certain practical expedients allowing it to not recognize an asset or liability for any lease with a remaining term of fewer than 12 months as at August 31, 2019, use a single discount rate on a portfolio of leases with reasonably similar characteristics, and place reliance on previous assessments on whether a lease is onerous. The Company has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Company has relied on its assessment made applying IAS 17 and IFRIC 4, “Determining whether an Arrangement contains a Lease”.

Effective with the implementation of IFRS 16 on September 1, 2019, the Company expects to recognize $9,686 of lease liability, $9,047 of right of use asset, $544 of lease receivable from sublease and derecognize $95 of onerous contract provision that is no longer a separate balance under IFRS 16.

Uncertainty over income tax treatments

In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments (IFRIC 23) with a mandatory effective date of January 1, 2019. The interpretations guide how to value uncertain income tax positions based on the probability of whether the relevant tax authorities will accept a company's tax treatments. A company is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. IFRIC 23 is to be applied by recognizing the cumulative effect of initially applying these guidelines in opening retained earnings without adjusting comparative information. The Company intends to adopt the amendments to IFRIC 23 in its consolidated financial statements for the annual period beginning September 1, 2019. Based on the Company’s review of its tax treatments, the adoption of IFRIC 23 is not anticipated to have a financial impact to the Company.

There are no other standards or interpretations that are not yet effective that would be expected to have a material impact on the Company.

Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are the estimates and judgments applied by management that most significantly affect the Company's consolidated financial statements. These estimates and judgments have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The following discussion sets forth management’s most significant estimates and assumptions in determining the value of assets and liabilities, and the most significant judgments in applying accounting policies.

Revenue recognition
The Company’s method of revenue recognition requires it to estimate the expected average performance period and the percentage of completion, based on the proportion of the estimated effort to fulfill the Company’s obligations throughout the expected average performance period for its executive searches. Differences between the estimated percentage of completion and the amounts billed will give rise to a deferral of revenue to a future period. Changes in the average performance period or the proportion of effort expended throughout the performance period for its executive searches could lead to an under or overvaluation of revenue.

The Company’s method of revenue recognition also requires it to estimate the total expected revenue at the beginning of each contract, which requires the Company to estimate uptick revenue on open searches, based on historic uptick rates. Changes in average uptick rates on executive searches could lead to an under or overvaluation of revenue.

Further information on unbilled and deferred revenue is included in note 12.

Allowance for doubtful accounts
The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance model in determining the loss for all accounts receivable. Accounts receivable have been grouped based on shared credit risk characteristics and the days past due to measure expected credit losses. Accounts receivable are written off when there is no reasonable expectation of recovery.

Compensation accruals
Partner commissions are based on a per partner basis on amounts billed during a respective year and collected within a certain timeframe. These collections are then subject to a commission grid that escalates as the individual collects more. Assumptions are made regarding what each partner’s full year collections will be in order to set an estimated commission tier to accrue compensation expense throughout the year. Additionally, management short term incentive plans are tied primarily to the revenue and operating results of the company for a respective fiscal year and management long term incentive plans are both to the Company’s share price as well as operating results over a three-year period. Full year partner collection results, actual operating results and changes in share price that differ from management’s current estimates would affect the results of operations in future periods.

Valuation of equity interests in clients
Equity interests held in clients can be difficult to obtain valuation information on. Equity instruments are most often in privately held companies without a specific obligation to share ongoing business performance and valuation information. The Company values such interests in accordance with its financial instruments policy with available information. As a result, the current and future valuation of these interests could differ materially from current estimates.

Impairment of goodwill
The Company tests at least annually whether goodwill is subject to any impairment in accordance with the accounting policy. Various assumptions are made in performing this test, including estimates of future revenue streams, operating costs and discount rates. These assumptions are disclosed in note 7. Future results that differ from management's current estimates would affect the results of operation in future periods.

4. Marketable Securities

The Company's marketable securities are comprised of managed bond funds (classified as fair value through profit or loss) and certain equity securities which are obtained through search fees being paid partially in equity of the client and are held for long-term investment until there is a market for sale (classified as fair value through OCI). As at August 31, 2019 managed funds and client equity investments were $5,832 and $85, respectively, and as at August 31, 2018 managed funds and client equity investments were $5,654 and $137, respectively.

August 31,	Fair value	Current portion (FVPL)	Non-current portion (FVOCI)
2019	5,917	5,832	85
2018	5,791	5,654	137

Investment income consisted of the following:

	12 months ended August 31, 2019	2018
Interest	34	14
Unrealized gains	177	-
	211	14

During fiscal 2019, an unrealized loss of $55 was recognized as part of other comprehensive income (2018: unrealized gain of $65).

5. Property and Equipment

	Furniture and equipment	Computer equipment	Computer application software	Leasehold improvements	Total
Year ended August 31, 2018:					
Opening net book value	553	435	3	708	1,699
Additions	41	135	-	-	176
Depreciation for the year	(103)	(160)	(2)	(272)	(537)
Exchange differences	13	10	-	17	40
Closing net book value	504	420	1	453	1,378
At August 31, 2018:					
Cost	2,664	2,874	762	3,625	9,925
Accumulated depreciation	(2,160)	(2,454)	(761)	(3,172)	(8,547)
Net book value	504	420	1	453	1,378
Year ended August 31, 2019:					
Opening net book value	504	420	1	453	1,378
Additions	97	157	-	310	564
Disposals	(56)	-	-	(1)	(57)
Depreciation for the year	(101)	(149)	(1)	(269)	(520)
Exchange differences	5	4	-	5	14
Closing net book value	449	432	-	498	1,379
At August 31, 2019:					
Cost	2,710	3,035	762	3,939	10,446
Accumulated depreciation	(2,261)	(2,603)	(762)	(3,441)	(9,067)
Net book value	449	432	-	498	1,379

Depreciation of property and equipment is included in general and administrative expenses in the consolidated statements of earnings. Fixed assets with a cost of $170 and accumulated depreciation of $118 were sold during the year for $38, resulting in a loss on disposal of $14 which was recorded within general and administrative expenses in the consolidated statements of earnings. Additionally, assets with cost and accumulated depreciation of $907 (2018: nil) and $901 (2018: nil), respectively were disposed of during the year resulting in an additional loss of $6.

6. Intangible Assets

	2019	2018
Year ended August 31,		
Opening net book value	92	178
Amortization for the year	(94)	(90)
Exchange differences	2	4
Closing net book value	-	92
At August 31,		
Cost	853	851
Accumulated amortization	(853)	(759)
Net book value	-	92

Intangible assets consist of client lists from acquired entities and are stated at cost less accumulated amortization. These intangible assets are amortized on a straight-line basis in the consolidated statements of earnings to general and administrative expenses over their estimated useful life of ten years which concluded effective August 31, 2019.

7. Goodwill

In assessing goodwill for impairment as at August 31, 2019 and 2018, the Company compared the aggregate recoverable amount of the assets included in the CGUs in its United States and Europe segments to their respective carrying amounts. In each case, the recoverable amount has been determined based on the estimated value in use of the CGU using cash flow forecasts which were determined based upon board approved budgets for the next year, and using the following assumptions to extend the cash flows into future periods:

United States

	2019	2018
Average growth rate	5%	5%
Expected gross margin	24%	25%
Discount rate	8%	8%

Europe

	2019	2018
Average growth rate	3%	3%
Expected gross margin	10%	30%
Discount rate	8%	8%

The impairment tests performed over the United States goodwill resulted in no impairment as at August 31, 2019 or 2018.

The annual impairment test performed over Europe goodwill determined that the recoverable amount based on the estimated value in use of the CGU was $0 as at August 31, 2019. This was due to a downward revision to future cash flow projections for the segment resulting from negative current period performance. As the carrying value for the segment exceeded the aggregate recoverable amount of the assets in the CGU, an impairment expense of $1,521 (2018: nil) was incurred for the year ended August 31, 2019.

8. Nature of Expenses

	12 months ended August 31, 2019	2018
Compensation costs	56,557	52,962
Occupancy costs	4,759	4,511
Reimbursed direct expenses	1,689	-
Goodwill impairment	1,521	-
Sales and marketing	1,456	1,507
Professional services	1,049	624
Staff training and meetings	602	587
Depreciation	520	537
Search execution materials	582	524
Foreign exchange loss (gain)	168	(45)
Amortization	94	90
Other	1,501	1,620
	70,498	62,917

9. Compensation of Key Management

Key management includes the Board of Directors and the five named executive officers of the Company.

Compensation expense pertaining to key management included:

	12 months ended August 31, 2019	2018
Salaries and short-term benefits	2,397	2,669
Share-based compensation expense	940	1,546
	3,337	4,215

10. Compensation Payable

The Company maintains certain short-term and long-term incentive plans designed to align compensation with performance. Compensation payable consists of the following:

Current compensation payable

	As at August 31,	
	2019	2018
Commissions and bonuses	20,069	18,407
Performance Stock Units	1,153	798
	21,222	19,205

Non-current compensation payable

	As at August 31,	
	2019	2018
Performance Stock Units	718	1,144
Deferred Stock Units	350	471
	1,068	1,615

Commissions and bonuses

Commissions and bonuses represent incentive compensation for search delivery and support personnel. Such amounts are paid at various points during the year and are short-term in nature.

Share-based compensation plans

<u>Performance stock units (PSUs)</u>

The estimated cost of the PSU plan is being amortized on a straight-line basis over the three-year vesting period with a weighted average performance factor currently estimated at 108% (2018: 120%) of target. PSU expense for the year ended August 31, 2019 of $872 (2018: $1,325) was recorded within general and administrative expenses in the consolidated statements of earnings.

A summary of the Company's PSU plan is presented below:

	Twelve months ended August 31,	
	2019	2018
	Notional units (000s)	Notional units (000s)
Outstanding at beginning of year	1,850	1,634
Granted	402	570
Dividends declared	119	126
Settled	(563)	(480)
Outstanding at end of year	1,808	1,850

Deferred stock units (DSUs)

DSU expense of $68 (2018: $221) for the year ended August 31, 2019 has been recorded within general and administrative expenses in the consolidated statements of earnings.

A summary of the Company's DSU plan is presented below:

	Twelve months ended August 31,	
	2019	2018
	Notional units (000s)	Notional units (000s)
Outstanding at beginning of year	352	345
Granted	58	72
Dividends declared	25	29
Settled	(159)	(94)
Outstanding at end of year	276	352

11. Provisions

During the year ended August 31, 2016, the Company entered into agreements to sublease its existing premises in New York, NY and lease new space. The cumulative proceeds to be received from the sublease through September 1, 2021 are less than the Company's contracted lease obligations. Onerous lease costs include the present value of these net sublease expenses over the term of the sublease, real estate commissions and other costs associated with moving from the premises. The current portion of the net sublease costs totals $46 (2018: $45) and is included in accounts payable and the non-current portion of $49 (2018: $93) is included in provisions in the consolidated statements of financial position.

A reconciliation of the provisions balance is below:

	Twelve months ended August 31,	
	2019	2018
Outstanding at beginning of year	138	176
Amounts charged against the provision	(46)	(48)
Increase arising from the passage of time	6	4
Foreign exchange	(3)	6
Outstanding at end of year	95	138

12. Unbilled Revenue and Deferred Revenue

At August 31, 2019, after adopting IFRS 15, aggregate amounts billed to clients were less than the calculated revenue to be recognized. As a result, the Company recorded an unbilled revenue asset of $4,086 and related increase to compensation payable of $2,043.

At August 31, 2018, a period before adopting IFRS 15, the aggregate amounts billed to clients exceeded the calculated revenue to be recognized. As a result, the Company recorded a deferred revenue liability of $438 and reduced compensation payable by $219, with such amounts to be recognized during a future period.

Please refer to note 3 to these consolidated financial statements for a further discussion of Company’s revenue recognition policy and the adoption of IFRS 15.

13. Income Taxes

	Twelve months ended August 31, 2019	2018
Current tax:		
Current tax on net earnings for the year	2,052	2,148
Deferred tax:		
Origination and reversal of temporary differences	(526)	(183)
	1,526	1,965

The tax on the Company's earnings before income tax differs from the amount that would arise using the weighted average tax rate applicable to earnings of the consolidated entities as follows:

	2019	2018
Canadian statutory income tax rate	26.7%	26.5%
Deferred tax assets not recognized	32.4%	2.7%
Non-deductible expenses	4.8%	0.8%
Prior years taxes	10.5%	0.7%
Foreign Rate differences	13.7%	2.7%
Rate change	(5.8%)	15.1%
Other	0.1%	0.8%
	82.4%	49.3%

On December 22, 2017, the US tax reform ("Tax Cuts and Jobs Act") was substantively enacted and reduced the maximum federal corporate income tax rate for the Company's US entity from 35% to 21%. As this rate change occurred part way in fiscal 2018, a hybrid rate derived from the current and new tax rates applies to the fiscal 2018 full year US taxable income. As a result of this new substantively enacted tax rate, the Company’s US entity deferred tax balances were adjusted to reflect the fully reduced rate to be realized in fiscal 2019 and future years. While the lower rates decreased our 2018 income tax expense, the rate reductions also resulted in deferred tax charges in 2018 to revalue our deferred tax assets originally recognized at the higher rates. This resulted in deferred tax expense of $654 in 2018.

The analysis of deferred tax assets and liabilities is as follows:

	As at August 31, 2019	2018
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	285	428
Deferred tax assets to be recovered within 12 months	3,033	2,100
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 12 months	(541)	(491)
Deferred tax liabilities to be recovered within 12 months	(814)	(140)
Deferred tax assets (net)	1,963	1,897

The movement of the deferred income tax account is as follows:

	As at August 31, 2019	2018
Outstanding at beginning of year	1,897	1,650
Adjustments on initial application of IFRS 15	(493)	-
Credit to statement of earnings	526	183
Exchange differences	33	64
Outstanding at end of year	1,963	1,897

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Compensation payable	Other	Total
At August 31, 2017	2,192	366	2,558
Charged to the statement of earnings	(13)	(107)	(120)
Exchange differences	77	13	90
At August 31, 2018	2,256	272	2,528
Adjustments on initial application of IFRS 15	493	-	493
Credited to the statement of earnings	150	241	391
Exchange differences	(100)	6	(94)
At August 31, 2019	2,799	519	3,318

Deferred tax liabilities	Excess Carrying value of PP&E over tax base	Revenue not taxable until a future year	Other	Total
At August 31, 2017	364	354	190	908
Charged to statement of earnings	(134)	(128)	(41)	(303)
Exchange differences	21	12	(7)	26
At August 31, 2018	251	238	142	631
Adjustments on initial application of IFRS 15	-	986	-	986
Charged/(credited) to the statement of earnings	(4)	(184)	53	(135)
Exchange differences	34	(133)	(28)	(127)
At August 31, 2019	281	907	167	1,355

Deferred income tax assets are recognized for tax loss carry-forwards and other temporary differences to the extent that the realization of the related tax benefit through future taxable earnings are probable. The Company did not recognize deferred income tax assets of $672 (2018: $400) that can be carried forward against future taxable income.

As at August 31, 2019, the Company has non-capital losses of $3,535 with indefinite expiry dates available to reduce income of future years in the United Kingdom.

The Company also has capital losses of $2,850 in Canada that can only be utilized against capital gains in Canada and are without expiry date. No deferred tax assets has been recognized for these capital losses.

14. Earnings Per Share

(i) Basic

Basic earnings per share are calculated by dividing the net earnings attributable to owners of the Company by the weighted average number of common shares outstanding during the years.

	12 months ended August 31, 2019	2018
Net earnings for the period attributable to owners of the Company	325	2,015
Weighted average number of common shares outstanding	20,404,555	20,404,555
Basic earnings per share	$0.016	$0.099

(ii) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's outstanding shares for the year), based on the exercise prices attached to the stock options currently outstanding.

	12 months ended August 31,	
	2019	2018
Net earnings for the period attributable to owners of the Company	325	2,015
Weighted average number of common shares outstanding	20,404,555	20,404,555
Adjustment for stock options	51,953	18,660
Weighted average number of common shares for diluted earnings per	20,456,508	20,423,215
Diluted earnings per share	$0.016	$0.099

15. Share Capital

Common shares

As at August 31, 2019 the authorized share capital of the Company consists of an unlimited number of common shares of which 20,404,555 are issued and outstanding (August 31, 2018: 20,404,555). The holders of common shares are entitled to share equally, share for share, in all dividends declared by the Company and equally in the event of a liquidation, dissolution or winding up of the Company or other distribution of the assets among shareholders.

The Company has declared quarterly dividends since May 1, 2012. A summary of dividends declared during fiscal 2018 and 2019 is as follows:

Declaration Date	Payment Date	Dividend Per Share	Aggregate dividends declared
November 9, 2017	December 15, 2017	$0.0200	$408
January 11, 2018	March 19, 2018	$0.0200	$408
April 5, 2018	June 11, 2018	$0.0200	$408
July 10, 2018	September 13, 2018	$0.0200	$408
November 13, 2018	December 14, 2018	$0.0225	$459
January 10, 2019	March 18, 2019	$0.0225	$459
April 3, 2019	June 10, 2019	$0.0225	$459
July 10, 2019	September 13, 2019	$0.0225	$459

The dividend payable September 13, 2019 has been accrued in the Company's consolidated financial statements as at August 31, 2019.

Stock options

Stock options are granted periodically to directors, officers and employees of the Company. Cash received on exercise of options for common shares is credited to capital stock. Total outstanding stock options are summarized as follows:

	August 31, 2019		August 31, 2018	
	Number of options outstanding (000s)	Weighted average exercise price	Number of options outstanding (000s)	Weighted average exercise price
Outstanding at beginning of period	250	$1.05	100	$1.02
Issued during the period	-	-	250	$1.05
Expired during period	-	-	(100)	$1.02
Outstanding at end of period	250	$1.05	250	$1.05
Exercisable at end of period	125		-	

All options currently outstanding have a contractual life of five years with half vesting one year after the date of grant and the remainder vesting two years after the date of grant. Options have an exercise price equal to the fair value of the common shares on the date of issuance. Stock option expense of $3 has been recorded in the year ended August 31, 2019 (2018: $10).

16. Segmented Information

The Company has consolidated operations in Canada, the United States and Europe. All geographic segments provide retained executive search consulting services to clients.

The following provides a reconciliation of the Company's consolidated statements of earnings by geographic segment to the consolidated results:

	Twelve months ended August 31, 2019				
	Canada	United States	Europe	Elimination	Total
Professional fees	15,497	53,282	970	-	69,749
Licence fees	2,030	-	-	(1,330)	700
Direct expense reimbursements	455	1,224	10		1,689
Revenues	17,982	54,506	980	(1,330)	72,138
Cost of Sales	(11,259)	(39,743)	(2,044)	-	(53,046)
Reimbursed direct expenses	(455)	(1,224)	(10)		(1,689)
	(11,714)	(40,967)	(2,054)	-	(54,735)
Gross profit (loss)	6,268	13,539	(1,074)	(1,330)	17,403
General and administrative	(3,204)	(9,101)	(313)	-	(12,618)
Goodwill impairment	-	-	(1,521)	-	(1,521)
Sales and marketing	(244)	(1,104)	(108)	-	(1,456)
Licence fees	-	(1,330)	-	1,330	-
Foreign exchange loss	27	2	(197)	-	(168)
Total expenses	(3,421)	(11,533)	(2,139)	1,330	(15,763)
Operating profit (loss)	2,847	2,006	(3,213)	-	1,640
Investment income	211	-	-	-	211
Income taxes	(824)	(702)	-	-	(1,526)
Net earnings (loss) for the year	2,234	1,304	(3,213)	-	325

	Twelve months ended August 31, 2018				
	Canada	United States	Europe	Elimination	Total
Professional fees	14,546	49,770	2,196	-	66,512
Licence fees	1,494	-	-	(1,123)	371
Revenues	16,040	49,770	2,196	(1,123)	66,883
Cost of Sales	(10,398)	(36,744)	(1,826)	-	(48,968)
Gross profit (loss)	5,642	13,026	370	(1,123)	17,915
General and administrative	(3,392)	(8,314)	(781)	-	(12,487)
Sales and marketing	(182)	(1,252)	(73)	-	(1,507)
Licence fees	-	(1,123)	-	1,123	-
Foreign exchange gain (loss)	99	4	(58)	-	45
Total expenses	(3,475)	(10,685)	(912)	1,123	(13,949)
Operating profit (loss)	2,167	2,341	(542)	-	3,966
Investment income	14	-	-	-	14
Income taxes	(602)	(1,363)	-	-	(1,965)
Net earnings (loss) for the year	1,579	978	(542)	-	2,015

Certain items within general and administrative expenses, sales and marketing expenses and foreign exchange gains and losses comprise corporate support costs and are transferred across the segments. For the year ended August 31, 2019 corporate support costs totaled $6,857 (2018: $6,351) with $5,241 allocated to the US (2018: $4,775), $1,520 to Canada (2018: $1,356) and $96 to Europe (2018: $220). Intercompany licence fee revenues have been eliminated on consolidation.

A summary of property and equipment, goodwill and total assets by country is as follows:

	At August 31, 2019				At August 31, 2018			
	Canada	United States	Europe	Total	Canada	United States	Europe	Total
Property and equipment	642	704	33	1,379	459	889	30	1,378
Intangible assets	-	-	-	-	-	92	-	92
Goodwill	-	1,313	-	1,313	-	1,289	1,596	2,885
Total assets	11,656	28,274	678	40,608	14,473	23,837	1,471	39,781

Depreciation recorded on property and equipment and amortization of intangible assets by country is as follows:

	2019				2018			
	Canada	United States	Europe	Total	Canada	United States	Europe	Total
Depreciation expense	229	280	11	520	234	287	16	537
Amortization expense	-	94	-	94	-	90	-	90

17. Commitments

The Company's future operating lease commitments for premises excluding explicitly identified operating costs, including those amounts paid to related parties as set out in note 18, are as follows:

Twelve months ending August 31, 2020	3,259
Twelve months ending August 31, 2021	3,226
Twelve months ending August 31, 2022	2,295
Twelve months ending August 31, 2023	2,179
Twelve months ending August 31, 2024	925
September 1, 2024 and thereafter	3,130
	15,014

The operating lease commitments include gross obligations in connection with the New York, NY sublease as discussed in note 11. The Company expects to recoup $1,949 through September 1, 2021, which is not reflected in the above.

During the year ended August 31, 2019, the Company expensed $3,366 (2018: $3,350) relating to operating leases for its eleven locations in Canada, the United States and the United Kingdom, inclusive of rents paid to a related party described in note 18. This expense is included in general and administrative expenses. With the exception of the Toronto office, all leases are with third party commercial landlords at fair market rental rates. Lease terms at inception are five to ten years, depending on the location.

During 2014, the Company entered into a five-year letter of credit agreement with a United States financial institution for collateral security on a letter of credit made out to the landlord of a leased facility. The letter of credit commitment as at August 31, 2019 was $45 (2018: $94).

18. Related Party Transactions

Pursuant to its lease agreements, the Company paid rent for its Toronto office to an affiliated company owned by a shareholder, C. Douglas Caldwell, registered as owning more than 10% of the Company. The amount of consideration agreed to by the parties was determined to be the fair market rental rates at the inception of the lease by an independent commercial real estate counselor and was approved by the independent Members of the Board of Directors. The lease term expires effective March 31, 2020. Occupancy costs within general and administrative expenses in the consolidated statements of earnings have been recognized for the year ended August 31, 2019 in the amount of $223 (2018: $223).

19. Financial Instruments

Classification of financial instruments

On September 1, 2018 (the date of initial application of IFRS 9), the Company assessed which business models to apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories. A summary of the classifications under IFRS 9 as at August 31, 2019 and under IAS as at August 31, 2018 is shown below:

IFRS 9 Financial instruments	Financial assets at amortized cost	Liabilities at amortized cost	FVOCI	As at August 31, 2019
Cash and cash equivalents	10,623	-	-	10,623
Current marketable securities	5,832	-	-	5,832
Accounts receivable	11,915	-	-	11,915
Restricted cash	45	-	-	45
Accounts payable	-	(3,389)	-	(3,389)
Compensation payable	-	(21,222)	-	(21,222)
Dividends payable	-	(459)	-	(459)
Non-current marketable securities	-	-	85	85
	28,415	(25,070)	85	3,430

IAS 39 Financial instruments	Loans and receivables at amortized cost	Other financial liabilities at amortized cost	FVOCI	As at August 31, 2018
Cash and cash equivalents	14,885	-	-	14,885
Accounts receivable	10,858	-	-	10,858
Restricted cash	138	-	-	138
Accounts payable	-	(2,693)	-	(2,693)
Compensation payable	-	(19,205)	-	(19,205)
Dividends payable	-	(408)	-	(408)
Current marketable securities	-	-	5,654	5,654
Non-current marketable securities	-	-	137	137
	25,881	(22,306)	5,791	9,366

Fair value hierarchy

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

- **Level 1**: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.
- **Level 2**: This level includes financial instruments that are not traded in an active market and whose value is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The specific valuation techniques used to value financial instruments include quoted market prices or dealer quotes for similar instruments.
- **Level 3**: This level includes valuations based on inputs, which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

The Company's financial instruments measured at fair value as at August 31, 2019 and August 31, 2018 consist of marketable securities, which are comprised of managed funds and certain equity securities held for investment obtained through search fees being paid partially in equity of the client as discussed in note 4.

August 31, 2019	Level 1	Level 2	Level 3
Marketable securities	-	5,832	85

August 31, 2018	Level 1	Level 2	Level 3
Marketable securities	-	5,654	137

Fair value

Cash and cash equivalents, accounts receivable, restricted cash, accounts payable, compensation payable and dividends payable are short-term financial instruments whose fair value approximates their carrying amount given their short-term maturity.

The professionally managed fixed income funds hold a combination of government and corporate bonds and are included within level 2 of the fair value hierarchy. Since there is only an 'Over the Counter' market for fixed income securities, such securities owned and sold short are valued using independent prices obtained directly from third-party pricing vendors and the investment fund's prime brokers. The prices obtained from these sources usually reflect recent trading activity and therefore are indicative of fair value. The Company's professionally managed fixed income funds are recorded initially at their fair value and subsequently measured at fair value through profit and loss. As at August 31, 2019, the Company has $5,832 invested in these securities (2018: $5,654). A 5% variation in the market price of underlying securities would have resulted in an increase or decrease in the value of this asset of $292 (2018: $283).

The equity securities obtained through search fees being paid partially in equity of the client are included within level 3 of the fair value hierarchy and are in private companies whose value is derived from estimates used in recent financings with discounts applied to factor in vesting and transfer restrictions on the units held. These investments are subsequently measured at fair value through OCI. As at August 31, 2019, the Company has $85 invested in these securities (2018: $137). A 5% variation in the market price of underlying securities would have resulted in an increase or decrease in the value of this asset of $4 (2018: $7).

The Company is exposed to various financial risks resulting from its operating, investing and financing activities. Financial risk management is carried out by the Company's management, in conjunction with the Investment Committee of the Board of Directors, with respect to investments in marketable securities and management of the Company's cash position. The Company does not enter into arrangements on financial instruments for speculative purposes. The Company's main financial risk exposures, as well as its risk management policy, are detailed as follows:

Foreign currency risk

The Company is exposed to exchange rate risk on US and UK currency denominated monetary assets and liabilities. There is a risk to the Company's earnings from fluctuations in the US dollar and British pound sterling exchange rates and the degree of volatility of changes in those in rates as the Company's financial results are reported in Canadian dollars.

As at August 31, 2019, the Company has US dollar net monetary asset exposure of $10,180 (2018: $7,638). A 5% depreciation or appreciation in the Canadian dollar against the US dollar, assuming all other variables remained the same, would have resulted in an increase or decrease in foreign exchange gain (loss) of $509 recognized in the cumulative translation adjustment in the Company's consolidated statements of comprehensive earnings for the year ended August 31, 2019 (2018: $382). As these are long-term investments and not expected to be liquidated to Canadian dollars, they are not hedged.

As at August 31, 2019, the Company has British pound sterling net monetary asset exposure of $2,184 (2018: $992). A 5% depreciation or appreciation in the Canadian dollar against the British pound sterling, assuming all other variables remained the same, would have resulted in an increase or decrease in foreign exchange gain (loss) of $109 recognized in the cumulative translation adjustment in the Company's consolidated statements of comprehensive earnings for the year ended August 31, 2019 (2017: $50). As these are long-term investments and not expected to be liquidated to Canadian dollars, they are not hedged.

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, it will have sufficient cash resources to meet its financial liabilities as they come due.

The Company manages liquidity by maintaining adequate cash and cash equivalents balances, monitoring its investment portfolio of marketable securities and monitoring cash requirements to meet expected operational expenses, including capital requirements. The future ability to pay its obligations relies on the Company collecting its accounts receivable in a timely manner and by maintaining sufficient cash and cash equivalents in excess of anticipated needs.

The contractual undiscounted future cash flows of the Company's significant non-derivative financial liabilities are as follows:

	As at August 31, 2019			As at August 31, 2018		
	Less than 6 months	6 months to 1 year	1 to 3 years	Less than 6 months	6 months to 1 year	1 to 3 years
Accounts payable	3,389	-	-	2,693	-	-
Compensation payable	21,222	-	1,068	19,205	-	1,615
Dividends payable	459	-	-	408	-	-
	25,070	-	1,068	22,306	-	1,615

Credit risk

Credit risk is the risk of an unexpected financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk consist principally of cash and cash equivalents, accounts receivable, marketable securities and restricted cash. The Company places its cash and cash equivalents with high credit quality financial institutions. Similarly, the professionally managed fixed income funds within marketable securities are held by reputable financial institutions and hold government and other investment grade fixed income securities. The Company's policy regarding equity instruments within marketable securities is to sell the investments as soon as the Company is reasonably able to do so. The Company monitors the collectability of accounts receivable and estimates loss allowance.

Accounts receivable comprised the following as at August 31:

	As at August 31	
	2019	2018
Accounts receivable	12,146	11,016
Less: loss allowance	(501)	(718)
	11,645	10,298
Other receivables	270	560
	11,915	10,858

No financial assets are past due except for a portion of accounts receivable. As at August 31, 2019, accounts receivable of $10,875 (2018: $9,120) were fully performing, $770 (2018: $1,178) were over 90 days but not impaired and $501 (2018: $718) were over 90 days and impaired.

The following table summarizes the changes in the loss allowance for the accounts receivable:

	Twelve months ended August 31,	
	2019	2018
Beginning of year	718	522
Increase in loss allowance	870	629
Receivables written off during the year as uncollectible	(971)	(398)
Unused amounts reversed	(116)	(35)
End of year	501	718

Financial instruments that potentially subject the Company to significant concentrations of credit risk primarily consist of accounts receivable. The Company evaluates the recoverability of its accounts receivable on an on-going basis.

Interest rate risk and market price risk

The Company has no external debt outstanding and therefore exposure to interest rate risk on debt facilities is minimal. The Company does invest excess cash in short-term deposits and therefore decreases in interest rates impact the amount of interest income earned from those investments. Marketable securities are comprised of investments in pooled funds, equities and private company investments, which are also subject to market price risk (i.e., fair value fluctuates based on changes in market prices).

20. Capital Management

The Company’s capital is comprised of common shares of the Company, contributed surplus and deficit. The Company manages its capital to ensure financial flexibility, to increase shareholder value through organic growth and selective acquisitions, as well as to allow the Company to respond to changes in economic and/or market conditions. Because the Company continues to remain debt free, it is not subject to any externally imposed capital requirements. There have been no changes in the Company’s approach to capital management during the current year.

21. Credit Facility

On September 28, 2016, the Company entered into an agreement with TD Bank to establish a $3,000 revolving demand, floating rate credit facility for future working capital needs. The facility is limited based on 85.0% of the Company's eligible global accounts receivable as defined in the credit agreement, and further reduced to the extent the facility is used in connection with the issuance of letters of credit. The facility bears variable interest on drawn amounts based on the Canadian prime rate plus 1.0% per annum. As at August 31, 2019, no amounts were outstanding on the credit facility and letters of credit of $271 (August 31, 2018: $266) have been issued against the facility.

22. Affiliation Relationships

The Company has entered into licensing arrangements with certain entities to provide executive search services in markets not directly served by the Company. In exchange for licence fee payments, the licencees have rights to use the Caldwell Partners brand, search processes, methodologies and related intellectual property. For the year ended August 31, 2019 licence fees amounted to $700 (2018: $371).

Effective July 13, 2015, the Company entered into a five-year licensing agreement with CPGroup LATAM Ltd. and its subsidiaries (CPGroup), having operations throughout Latin America.

Effective November 8, 2015, the Company entered into a five-year licensing agreement with Simon Monks and Partners Limited, a New Zealand corporation, which subsequently changed its name to The Caldwell Partners International New Zealand Limited, operating in New Zealand.

Effective January 14, 2019, the Company entered into a five-year licensing agreement with Hattonneale Pty Ltd., an Australian corporation, operating in Australia. The agreement includes an option to terminate by Hattonneale at the end of the agreement's second year.

Effective February 28, 2019, the Company and CPGroup announced they had mutually agreed to end their licensing relationship. As part of the agreement for early termination, CPGroup made a one-time payment to the Company in the amount of $218, which is reflected in licence fees for the year ending August 31, 2019. Within total license fees, license fees from CPGroup, including the termination payment, for the year ended August 31, 2019 were $497 (2018: $245).

23. Subsequent Events

Effective November 18, 2019, the Board of Directors declared a dividend of 2.25 cents per share, payable to holders of common shares of record on November 27, 2019 and to be paid on December 19, 2019.

Directors

Elias Vamvakas, Chair of the Board
Chairman, Greybrook Capital Inc.

Paul R. Daoust
Consultant and Corporate Director

Darcy D. Morris
Founder and CEO, Ewing Morris & Co.
Investment Partners

John N. Wallace
President & Chief Executive Officer
The Caldwell Partners International Inc.

Kathryn A. Welsh
Corporate Director

John Young
Chief Executive Officer, Boat Rocker Media Inc.

Officers

John N. Wallace
President and Chief Executive Officer
The Caldwell Partners International Inc.

C. Christopher Beck, CPA
Chief Operating & Finance Officer and Corporate Secretary
The Caldwell Partners International Inc.

Shareholder Information

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants, Toronto, Ontario

Counsel

Miller Thomson LLP
Barristers and Solicitors, Toronto, Ontario

Stock Exchange Listing

The Toronto Stock Exchange (symbol: CWL)

Transfer Agent

Computershare Limited

Computershare Limited operates a telephone information inquiry line that can be reached by dialing toll free:
+1 866 313 1872 or +1 604 699 4954

Correspondence may be addressed to:

The Caldwell Partners International Inc.
c/o Computershare Limited
100 University Avenue, 8th floor
Toronto, Ontario, M5J 2Y1

for other information, please contact:

C. Christopher Beck
Chief Operating & Finance Officer
The Caldwell Partners International Inc.

One Six Five Avenue Road
Toronto, Ontario, M5R 3S4
+1 416 920 7702 fax +1 416 920 8533
leaders@caldwellpartners.com

Caldwell

TALENT TRANSFORMS

WE BELIEVE TALENT TRANSFORMS

At Caldwell we believe Talent Transforms. As a leading provider of executive talent, we enable our clients to thrive and succeed by helping them identify, recruit and retain their best people. Our reputation–nearly 50 years in the making–has been built on transformative searches across functions and geographies at the very highest levels of management and operations. With offices and partners across North America, Europe and Asia Pacific, we take pride in delivering an unmatched level of service and expertise to our clients.

Understanding that transformative talent is not limited to executive levels, our Caldwell Advance solution focuses on emerging leaders and advancing professionals who can also have a profound impact on a company's ability to turn potential into success. We also leverage our skills and networks to provide agile talent solutions in the form of flexible and on-demand advisory solutions for companies looking for support in strategy and operations. Also, we are a leading licensed certified partner of The Predictive Index (PI), an award-winning talent optimization platform with a suite of talent strategy and assessment tools that – when integrated with our search process – helps clients hire the right people, then manage and inspire them to achieve maximum business results as fast as possible.

www.caldwellpartners.com

@CaldwellPtners