Caldwell

THE CALDWELL PARTNERS INTERNATIONAL INC.

Consolidated Interim Financial Statements

Third Quarters Ended May 31, 2019 and 2018 (unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Section 4.3(3)(a) of National Instrument 51-102, Continuous Disclosure Obligations, provides that if an auditor has not performed a review of the consolidated interim financial statements, the interim consolidated financial statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's external auditors, PricewaterhouseCoopers LLP, have not performed a review of these consolidated interim financial statements of The Caldwell Partners International Inc. (the Company).

John N. Wallace
PRESIDENT AND CHIEF EXECUTIVE OFFICER

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

July 10, 2019

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(unaudited - in $000s Canadian)

	As at May 31 2019	*As at August 31 2018*
Assets		
Current assets		
Cash and cash-equivalents	8,241	14,885
Marketable securities (note 4)	5,772	5,654
Accounts receivable	9,116	10,858
Income taxes receivable	537	-
Unbilled revenue	4,568	-
Prepaid expenses and other assets	2,576	1,711
	30,810	33,108
Non-current assets		
Restricted cash	46	138
Marketable securities (note 4)	142	137
Advances	1,219	146
Property and equipment	1,509	1,378
Intangible assets	24	92
Goodwill	2,944	2,885
Deferred income taxes	1,227	1,897
Total assets	37,921	39,781
Liabilities		
Current liabilities		
Accounts payable (note 8)	2,770	2,693
Compensation payable (notes 6, 7 and 9)	18,221	19,205
Dividends payable (note 12)	459	408
Income taxes payable	-	1,409
Deferred revenue (note 9)	-	438
	21,450	24,153
Non-current liabilities		
Compensation payable (note 7)	957	1,615
Provisions (note 8)	62	93
	22,469	25,861
Equity attributable to owners of the Company		
Share Capital (note 12)	7,515	7,515
Contributed surplus (note 12)	15,004	15,002
Accumulated other comprehensive income	776	1,257
Deficit	(7,843)	(9,854)
Total equity	15,452	13,920
Total liabilities and equity	37,921	39,781

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

Signed on behalf of the Board:

G. Edmund King
Chair of the Board

Kathryn A. Welsh
Chair of the Audit Committee

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED INTERIM STATEMENTS OF EARNINGS

(unaudited - in $000s Canadian)

	Three months ended May 31		*Nine months ended May 31*	
	2019	*2018*	*2019*	*2018*
Revenues				
Professional fees (note 9)	19,535	17,942	49,247	47,769
License fees (note 18)	38	86	629	229
Direct expense reimbursements	374	-	1,291	-
	19,947	18,028	51,167	47,998
Cost of sales (notes 5, 7 and 9)	14,704	13,099	38,208	35,416
Reimbursed direct expenses	374	-	1,291	-
	15,078	13,099	39,499	35,416
Gross profit	4,869	4,929	11,668	12,582
Expenses				
General and administrative (notes 5, 6 and 7)	2,788	3,234	8,631	8,782
Sales and marketing (note 5)	440	395	983	964
Foreign exchange loss (gain) (note 5)	102	19	63	(56)
	3,330	3,648	9,677	9,690
Operating profit	1,539	1,281	1,991	2,892
Investment income (note 4)	88	2	144	6
Earnings before income tax	1,627	1,283	2,135	2,898
Income tax expense (note 10)	592	296	856	1,231
Net earnings for the period attributable to owners of the Company	1,035	987	1,279	1,667
Earnings per share (note 11)				
Basic and diluted	$0.051	$0.048	$0.063	$0.082

CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE EARNINGS

(unaudited - in $000s Canadian)

	Three months ended May 31		*Nine months ended May 31*	
	2019	*2018*	*2019*	*2018*
Net earnings for the period	1,035	987	1,279	1,667
Other comprehensive income (loss):				
Items that may be reclassified subsequently to net earnings				
(Loss) gain on marketable securities	-	(17)	-	72
Cumulative translation adjustment	238	53	337	299
Comprehensive earnings for the period attributable to owners of the	1,273	1,023	1,616	2,038

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

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(unaudited - in $000s Canadian)

				Accumulated Other Comprehensive Income		
	Deficit	Capital Stock	Contributed Surplus	Cumulative Translation Adjustment	Unrealized Gains on Marketable Securities	Total Equity
Balance - August 31, 2017	**(10,237)**	**7,515**	**14,992**	**428**	**422**	**13,120**
Net earnings for the nine month period ended May 31, 2018	1,667	-	-	-	-	1,667
Dividend payments declared (note 12)	(1,224)	-	-	-	-	(1,224)
Share based payment expense (note 12)	-	-	8	-	-	8
Change in unrealized gains on marketable securities available for sale (note 4)	-	-	-	-	72	72
Change in cumulative translation adjustment	-	-	-	299	-	299
Balance - May 31, 2018	**(9,794)**	**7,515**	**15,000**	**727**	**494**	**13,942**
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 nine month period ended May 31, 2019	1,279	-	-	-	-	1,279
Dividend payments declared (note 12)	(1,377)	-	-	-	-	(1,377)
Share based payment expense (note 12)	-	-	2	-	-	2
Change in cumulative translation adjustment	-	-	-	337	-	337
Balance - May 31, 2019	**(7,843)**	**7,515**	**15,004**	**1,107**	**(331)**	**15,452**

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

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW

(unaudited - in $000s Canadian)

	Nine months ended May 31 *2019*	*2018*
Cash flow provided by (used in)		
Operating Activities		
Net earnings for the period	1,279	1,667
Add (deduct) items not affecting cash		
Depreciation	387	399
Amortization	70	67
Amortization of advances	632	589
Gain on marketable securities classified as FVPL	(118)	-
Share based payment expense	2	8
Unrealized foreign exchange on subsidiary loans	34	(76)
Decrease in provisions	(31)	(29)
Decrease in deferred revenue	(438)	(927)
Increase in unbilled revenue	(980)	-
Decrease in deferred income taxes	214	204
(Decrease) increase in cash settled share-based compensation	(658)	189
Decrease (increase) in accounts receivable	2,065	(341)
Increase in income taxes receivable	(570)	-
Increase in prepaid expenses and other assets	(260)	(276)
Increase in accounts payable	12	271
Decrease in income taxes payable	(1,409)	(161)
(Decrease) increase in compensation payable	(2,268)	215
Payment of cash settled share-based compensation	(943)	(553)
Net cash (used in) provided by operating activities	(2,980)	1,246
Investment Activities		
Purchase of marketable securities	-	(500)
Payment of advances	(2,234)	-
Proceeds from release of restricted cash	94	-
Purchase of property and equipment	(487)	(147)
Net cash used in investing activities	(2,627)	(647)
Financing Activities		
Dividend payments	(1,326)	(1,224)
Net cash used in financing activities	(1,326)	(1,224)
Effect of exchange rate changes on cash and cash equivalents	289	168
Net decrease in cash and cash equivalents	(6,644)	(457)
Cash and cash equivalents, beginning of period	14,885	10,917
Cash and cash equivalents, end of period	8,241	10,460

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

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

THE CALDWELL PARTNERS INTERNATIONAL INC.

NOTES TO UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTERS ENDED MAY 31, 2019 AND 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.

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

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.

All references to quarters or years are for the fiscal periods unless otherwise noted.

2. Basis of Presentation and Statement of Compliance

These consolidated interim financial statements include the assets and liabilities and results of operations of the Company and its wholly-owned 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.

These consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, and should be read in conjunction with the annual consolidated financial statements for the year ended August 31, 2018, which have been prepared in accordance with IFRS.

The Board of Directors approved these consolidated financial statements for issue on July 10, 2019.

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

The accounting policies adopted are consistent with those of the previous fiscal year-end except as noted below.

Income taxes are accrued using the tax rate that would be applicable to expected total annual profit or loss.

Recently Applied Accounting Standards

- **IFRS 9, Financial Instruments**

IFRS 9, Financial Instruments (IFRS 9), replaces 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 from 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. 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, failure to make contractual payments for a period of greater than 120 days past due. 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:

Fixed income funds investments
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.

Equity investments in clients
The Company holds certain equity investments in its clients as a portion of its search fee as described below in the IFRS 15 discussion. 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. With the adoption of IFRS 9, the Company classifies its equity investments in clients at fair value through OCI (FVOCI) as the

investments are considered as long-term strategic investments expected to be held for long periods. All future disposals of these marketable securities will result in the accumulated gains or losses remaining in accumulated OCI. 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 interim statements of earnings on the disposal of these marketable securities.

Updated financial assets accounting policy applied to encompass IFRS 9:

From September 1, 2018, 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 the contractual terms of the cash flows. 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 and the company's equity investments in clients within marketable securities, are subsequently measured at fair value through OCI.

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. 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.

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

IFRS 15, Revenue from Contracts with Customers (IFRS 15), amends revenue recognition requirements and establishes 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 following areas:

- 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.

- 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. These costs 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 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 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.

Updated Revenue Recognition Accounting Policy Encompassing IFRS 15

Revenue consists of three primary sources: professional fees, licence fees and direct expense reimbursements.

- ***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 it is probable the economic benefits will flow to the Company and service has been provided, the fee is determinable and collectability is reasonably assured. 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, 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.

<u>Deferred Revenue</u>
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.

<u>Unbilled Revenue</u>
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 50% 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.

- ***Licence fees***

Licence fee revenue is comprised of the licence and technical assistance fees paid by the Company's affiliates, as discussed in note 18. The licence fee revenue is recognized as earned, based on the revenue of the affiliates during the respective periods. When collection is considered to be an issue, a provision is recorded as described in note 18.

- ***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. 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, the Company now shows the gross amount of direct expenses billed and recovered from clients as revenue, with the corresponding gross amount incurred as a cost of sales.

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

	May 31, 2019		
	As Reported	Balances Without Adoption of IFRS 15	Impact of Changes
Current assets			
Unbilled revenue	4,568	-	4,568
Total current assets	30,810	26,242	4,568
Non-current assets			
Deferred income taxes	1,227	1,846	(619)
Total Non-current assets	7,111	7,730	(619)
Total assets	37,921	33,972	3,949
Current liabilities			
Compensation payable	18,221	15,909	2,312
Deferred revenue	-	56	(56)
Total current liabilities	21,450	19,194	2,256
Total liabilities	22,469	20,213	2,256
Equity attributable to owners of the Company			
Deficit	(7,843)	(9,476)	1,633
Cumulative translation adjustment	1,107	1,047	60
Total equity	15,452	13,759	1,693
Total liabilities and equity	37,921	33,972	3,949

The effect of IFRS 15 on the Company's consolidated interim statement of earnings for the three months ended May 31, 2019 was as follows:

	For the three months ended May 31, 2019		
	As Reported	**Balances Without Adoption of IFRS 15**	**Impact of Changes**
Revenues			
Professional fees	19,535	18,761	774
Direct expense reimbursements	374	-	374
Total Revenue	19,947	18,799	1,148
Cost of sales	14,704	14,317	387
Reimbursed expenses	374	-	374
	15,078	14,317	761
Gross profit	4,869	4,482	387
Income taxes	592	488	104
Net earnings for the period attributable to owners of the Company	1,035	752	283
Earnings per share			
Basic and diluted	0.051	0.037	0.014

The effect of IFRS 15 on the Company's consolidated interim statement of earnings for the nine months ended May 31, 2019 was as follows:

	For the nine months ended May 31, 2019		
	As Reported	Balances Without Adoption of IFRS 15	Impact of Changes
Revenues			
Professional fees	49,247	48,313	934
Direct expense reimbursements	1,291	-	1,291
Total Revenue	51,167	48,942	2,225
Cost of sales	38,208	37,741	467
Reimbursed expenses	1,291	-	1,291
	39,499	37,741	1,758
Gross profit	11,668	11,201	467
Income taxes	856	730	126
Net earnings for the period attributable to owners of the Company	1,279	938	341
Earnings per share			
Basic and diluted	0.063	0.046	0.017

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. As at the most recent fiscal year-end date of August 31, 2018, the Company had non-cancellable operating lease commitments of $10.7 million. However, Company management has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Company’s profit and classification of cash flows.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019, which for the Company will be September 1, 2019. The Company does not intend to adopt the standard before its effective date. Company management has begun a scoping and adoption plan with plans to ascertain the impact of adopting IFRS 16 by the end of the current fiscal year.

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. The extent of the impact of the adoption of IFRIC 23 has not yet been determined.

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

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 held for long-term investment until there is a market for sale (classified as fair value through OCI) obtained through search fees being paid partially in equity of the client at both May 31, 2019 and August 31, 2018. As of May 31, 2019, managed funds and client equity investments were $5,772 and $142, respectively. As of August 31, 2018, managed funds and client equity investments were $5,654 and $137, respectively.

	Fair value	Current portion (FVPL)	Non-current portion (FVOCI)
May 31, 2019	5,914	5,772	142
August 31, 2018	5,791	5,654	137

Investment income consisted of the following:

	3 months ended May 31, 2019	3 months ended May 31, 2018	9 months ended May 31, 2019	9 months ended May 31, 2018
Interest	2	2	26	6
Unrealized gains	86	-	118	-
	88	2	144	6

For the prior year three month period ending May 31, 2018 an unrealized loss of $17 was recognized and for the nine months ended May 31, 2018 an unrealized gain of $72 was recognized as part of other comprehensive income in the consolidated interim statements of comprehensive earnings.

5. Nature of Expenses

	3 months ended May 31, 2019	3 months ended May 31, 2018	9 months ended May 31, 2019	9 months ended May 31, 2018
Compensation costs	15,280	13,998	39,994	37,933
Occupancy costs	1,095	1,142	3,400	3,372
Reimbursed direct expenses	374	-	1,291	-
Sales and marketing	440	395	983	964
Depreciation	131	137	387	399
Amortization	23	22	70	67
Foreign exchange gain	102	19	63	(56)
Other	963	1,034	2,988	2,427
	18,408	16,747	49,176	45,106

6. Compensation of Key Management

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

	3 months ended May 31, 2019	3 months ended May 31, 2018	9 months ended May 31, 2019	9 months ended May 31, 2018
Salaries and short-term benefits	312	717	1,314	1,941
Share-based compensation expense	62	248	312	685
	374	965	1,626	2,626

7. Compensation Payable

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

Current compensation payable

	As at	
	May 31, 2019	August 31, 2018
Commissions and bonuses	17,396	18,407
Performance Stock Units	825	798
	18,221	19,205

Non current compensation payable

	As at	
	May 31, 2019	August 31, 2018
Performance Stock Units	457	1,144
Deferred Stock Units	500	471
	957	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

Performance Stock Units (PSUs)

The estimated cost of the PSU plan is amortized on a straight-line basis over the three-year vesting period with a weighted average performance factor currently estimated at 97% of target (2018: 106%). PSU expense of $76 has been recorded for the three month period ending May 31, 2019 (2018: $211) within general and administrative expenses in the consolidated interim statements of earnings and PSU expense of $282 has been recorded for the nine month period ended May 31, 2019 (2018: $577).

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

	Fiscal 2019	Fiscal 2018
	Notional Units (000s)	Notional Units (000s)
Outstanding at September 1	1,850	1,634
Dividends declared	31	29
Outstanding at November 30	1,881	1,663
Granted	402	570
Dividends declared	27	31
Settled	(563)	(481)
Outstanding at February 28	1,747	1,783
Dividends declared	29	33
Outstanding at May 31	1,776	1,816

Deferred Stock Units (DSUs)

For the three month period ending May 31, 2019, an expense recovery of $15 has been recorded (2018: expense of $36) within general and administrative expenses in the consolidated interim statements of earnings and for the nine month period ending May 31, 2019, DSU expense of $29 has been recorded (2018: $108).

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

	Fiscal 2019	Fiscal 2018
	Notional Units (000s)	Notional Units (000s)
Outstanding at September 1	352	345
Granted	12	20
Dividends declared	6	6
Outstanding at November 30	370	371
Granted	17	19
Dividends declared	5	7
Outstanding at February 28	392	397
Granted	17	20
Dividends declared	6	7
Outstanding at May 31	415	424

8. Provisions

During fiscal 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 are less than the Company's contracted lease obligations. Onerous lease costs include the present value of these net sublease expenses over the approximate five-year term of the sublease. The current portion of net sublease costs as of May 31, 2019 total $46 (August 31, 2018: $45) and are included in accounts payable and the non-current portion as of May 31, 2019 of $62 (August 31, 2018: $93) is included in provisions in the consolidated interim statements of financial position.

	Fiscal 2019	Fiscal 2018
Outstanding at September 1	138	176
Amounts charged against the provision	(10)	(11)
Increase arising from the passage of time	1	1
Foreign exchange	1	3
Outstanding at November 30	130	169
Amounts charged against the provision	(12)	(11)
Increase arising from the passage of time	1	1
Foreign exchange	(2)	(1)
Outstanding at February 28	117	158
Amounts charged against the provision	(12)	(11)
Increase arising from the passage of time	2	1
Foreign exchange	1	-
Outstanding at May 31	108	148

9. Unbilled Revenue and Deferred Revenue

At May 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 a reduction in deferred revenue of $56 and an unbilled revenue asset of $4,568 and related increase to compensation payable of $2,312.

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 interim financial statements for a further discussion of the adoption of IFRS 15.

10. Income Taxes

Income tax expense is based on domestic and international statutory income tax rates in the jurisdictions in which the Company operates and currently ranges from 21% to 27% of taxable income (2018: 21% to 28%). These rates are then adjusted to effective tax rates based on management’s estimate of the weighted average annual income tax rate expected for the full fiscal year in each jurisdiction taking into account income earned in each jurisdiction and available utilization of any unrecorded deferred tax assets. The effective rate for the three months ended May 31, 2019 was 36.4% (three months ended May 31, 2018: 23.1%) and for the nine months ended May 31, 2019 was 40.1% (nine months ended May 31, 2018: 42.5%). Taxes were accrued on earnings in Canada and the United States while deferred tax assets have not been recognized on the net losses in the UK given its operating history of generating losses within the Company.

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 and also as a result, the Company’s US entity deferred tax balances were adjusted resulting in an additional deferred tax expense of $204 for the nine month period ending May 31, 2018. In the current period, the new, lower tax rate is being utilized.

11. Earnings per share

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 periods.

	3 months ended May 31,		9 months ended May 31,	
	2019	2018	2019	2018
Net earnings for the period attributable to owners of the Company	1,035	987	1,279	1,667
Weighted average number of common shares outstanding	20,404,555	20,404,555	20,404,555	20,404,555
Basic earnings per share	$0.051	$0.048	$0.063	$0.082

(i) Diluted

Diluted earnings per share are 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 period), based on the exercise prices attached to the stock options currently outstanding. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the stock options.

	3 months ended May 31,		9 months ended May 31,	
	2019	2018	2019	2018
Net earnings for the period attributable to owners of the Company	1,035	987	1,279	1,667
Weighted average number of common shares outstanding	20,404,555	20,404,555	20,404,555	20,404,555
Adjustment for stock options	49,874	12,700	49,874	12,700
Weighted average number of common shares for diluted earnings per share	20,454,429	20,417,255	20,454,429	20,417,255
Diluted earnings per share	$0.051	$0.048	$0.063	$0.082

12. Capital Stock

Common Shares

As of May 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 to date 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

The dividend payable on June 10, 2019 has been accrued in the Company's consolidated interim financial statements as of May 31, 2019.

Stock Options

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

	May 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 vest over two years and have a contractual life of five years. Options have an exercise price equal to the market value of the common shares on the date of issuance. For the three-month period ended May 31, 2019, stock option expense of $1 has been recorded (2018: $3) and for the nine month period ended May 31, 2019 stock option expense of $2 has been recorded (2018: $8) within general and administrative expenses in the consolidated interim statements of earnings.

13. 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 interim statements of earnings by geographic segment to the consolidated results:

	Three months ended May 31, 2019				
	Canada	United States	Europe	Elimination	Total
Professional fees	3,425	15,852	258	-	19,535
Licence fees	396	-	-	(358)	38
Direct expense reimbursements	115	259	-	-	374
Revenues	3,936	16,111	258	(358)	19,947
Cost of Sales	(2,466)	(11,702)	(536)	-	(14,704)
Reimbursed direct expenses	(115)	(259)	-	-	(374)
	(2,581)	(11,961)	(536)	-	(15,078)
Gross profit (loss)	1,355	4,150	(278)	(358)	4,869
General and administrative	(708)	(2,084)	4	-	(2,788)
Sales and marketing	(140)	(266)	(34)	-	(440)
Licence fees	-	(358)	-	358	-
Foreign exchange gain (loss)	39	-	(141)	-	(102)
Total expenses	(809)	(2,708)	(171)	358	(3,330)
Operating profit (loss)	546	1,442	(449)	-	1,539
Investment income	88	-	-	-	88
Income taxes	(204)	(388)	-	-	(592)
Net earnings (loss) for the period	430	1,054	(449)	-	1,035

	Three months ended May 31, 2018				
	Canada	United States	Europe	Elimination	Total
Professional fees	3,527	13,492	923	-	17,942
Licence fees	391	-	-	(305)	86
Revenues	3,918	13,492	923	(305)	18,028
Cost of Sales	(2,688)	(9,985)	(426)	-	(13,099)
Gross profit (loss)	1,230	3,507	497	(305)	4,929
General and administrative	(826)	(2,261)	(147)	-	(3,234)
Sales and marketing	(54)	(322)	(19)	-	(395)
Licence fees	-	(305)	-	305	-
Foreign exchange gain (loss)	38	2	(59)	-	(19)
Total expenses	(842)	(2,886)	(225)	305	(3,648)
Operating profit	388	621	272	-	1,281
Investment income	2	-	-	-	2
Income taxes	(98)	(198)	-	-	(296)
Net earnings for the period	292	423	272	-	987

	Nine months ended May 31, 2019				
	Canada	United States	Europe	Elimination	Total
Professional fees	11,001	37,332	914	-	49,247
Licence fees	1,471	-	-	(842)	629
Direct expense reimbursements	366	916	9	-	1,291
Revenues	12,838	38,248	923	(842)	51,167
Cost of Sales	(7,647)	(28,982)	(1,579)	-	(38,208)
Reimbursed direct expenses	(366)	(916)	(9)	-	(1,291)
	(8,013)	(29,898)	(1,588)	-	(39,499)
Gross profit (loss)	4,825	8,350	(665)	(842)	11,668
General and administrative	(2,299)	(6,019)	(313)	-	(8,631)
Sales and marketing	(189)	(711)	(83)	-	(983)
Licence fees	-	(842)	-	842	-
Foreign exchange gain (loss)	35	2	(100)	-	(63)
Total expenses	(2,453)	(7,570)	(496)	842	(9,677)
Operating profit (loss)	2,372	780	(1,161)	-	1,991
Investment income	144	-	-	-	144
Income taxes	(617)	(239)	-	-	(856)
Net earnings (loss) for the period	1,899	541	(1,161)	-	1,279

	Nine months ended May 31, 2018				
	Canada	United States	Europe	Elimination	Total
Professional fees	10,710	35,526	1,533	-	47,769
Licence fees	1,033	-	-	(804)	229
Revenues	11,743	35,526	1,533	(804)	47,998
Cost of Sales	(7,712)	(26,436)	(1,268)	-	(35,416)
Gross profit (loss)	4,031	9,090	265	(804)	12,582
General and administrative	(2,418)	(5,800)	(564)	-	(8,782)
Sales and marketing	(122)	(784)	(58)	-	(964)
Licence fees	-	(804)	-	804	-
Foreign exchange gain (loss)	75	6	(25)	-	56
Total expenses	(2,465)	(7,382)	(647)	804	(9,690)
Operating profit (loss)	1,566	1,708	(382)	-	2,892
Investment income	6	-	-	-	6
Income taxes	(468)	(763)	-	-	(1,231)
Net earnings (loss) for the period	1,104	945	(382)	-	1,667

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 three months ended May 31, 2019, corporate support costs totaled $1,587 (2018: $1,827) with $1,312 allocated to the US (2018: $1,378), $255 to Canada (2018: $362) and $20 to Europe (2018: $87). For the nine months ended May 31, 2019, corporate support costs totaled $4,427 (2018: $4,238) with $3,351 allocated to the US (2018: $3,171), $994 to Canada (2018: $930) and $82 to Europe (2018: $137). Intercompany licence fee revenues eliminate on consolidation.

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

	At May 31, 2019				At August 31, 2018			
	Canada	United States	Europe	Total	Canada	United States	Europe	Total
Property and equipment	671	800	38	1,509	459	889	30	1,378
Intangible assets	-	24	-	24	-	92	-	92
Goodwill	-	1,336	1,608	2,944	-	1,289	1,596	2,885
Total assets	13,050	24,844	27	37,921	14,473	23,837	1,471	39,781

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

	Nine months ended May 31, 2019				Nine months ended May 31, 2018			
	Canada	United States	Europe	Total	Canada	United States	Europe	Total
Depreciation expense	167	211	9	387	174	212	13	399
Amortization expense	-	70	-	70	-	67	-	67

	Three months ended May 31, 2019				Three months ended May 31, 2018			
	Canada	United States	Europe	Total	Canada	United States	Europe	Total
Depreciation expense	59	68	4	131	60	74	3	137
Amortization expense	-	23	-	23	-	22	-	22

14. Related Party Transactions

Under 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 counsellor and was approved by the independent Members of the Board of Directors. Occupancy costs within general and administrative expenses in the consolidated interim statements of earnings have been recognized for the three month period ended May 31, 2019 in the amount of $56 (2018: $56) and for the nine month period ended May 31, 2019 in the amount of $168 (2018: $168). This lease expires on March 31, 2020.

15. Financial Instruments

The Company's financial instruments measured at fair value through profit or loss consist of professionally managed fixed income funds, and the Company's financial instruments measured at fair value through OCI consist of equity securities held for investment obtained through search fees being paid partially in equity of the client as discussed in note 4. Both of these items are included within marketable securities in the consolidated interim statements of financial position.

Fair value hierarchy

The Company categorizes its financial assets 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 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 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.

The following table details the fair value hierarchy of the Company's financial instruments measured at fair value by level as of May 31, 2019:

	Level 1	**Level 2**	**Level 3**
Marketable securities	-	5,772	142

The following table details the fair value hierarchy of the Company's financial instruments measured at fair value by level as of August 31, 2018:

	Level 1	**Level 2**	**Level 3**
Marketable securities	-	5,654	137

16. 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 or market conditions. Because the Company continues to remain debt free, it is not subject to any externally imposed capital requirements.

17. 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 May 31, 2019, no amounts were outstanding on the credit facility (August 31, 2018 $nil) and letters of credit of $276 (August 31, 2018 $266) have been issued against the facility.

18. Third-Party Licensing 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 three months ended May 31, 2019 licence fees in the consolidated interim statements of earnings amounted to $38 (2018: $86). For the nine months ended May 31, 2019 licence fees amounted to $629 (2018: $229).

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 a single termination opportunity 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 nine month period ending May 31, 2019. Within total license fees, license fees from CPGroup, including the termination payment, for the nine months ended May 31, 2019 were $497 (2018: $164).

19. Subsequent Events

On July 10, 2019, the Board of Directors declared a dividend of 2.25 cents per share, payable to holders of common shares of record on July 19, 2019 and to be paid on September 13, 2019.