Caldwell

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:

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
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:

<u>United States</u>

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

<u>Europe</u>

	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

Performance stock units (PSUs)

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.