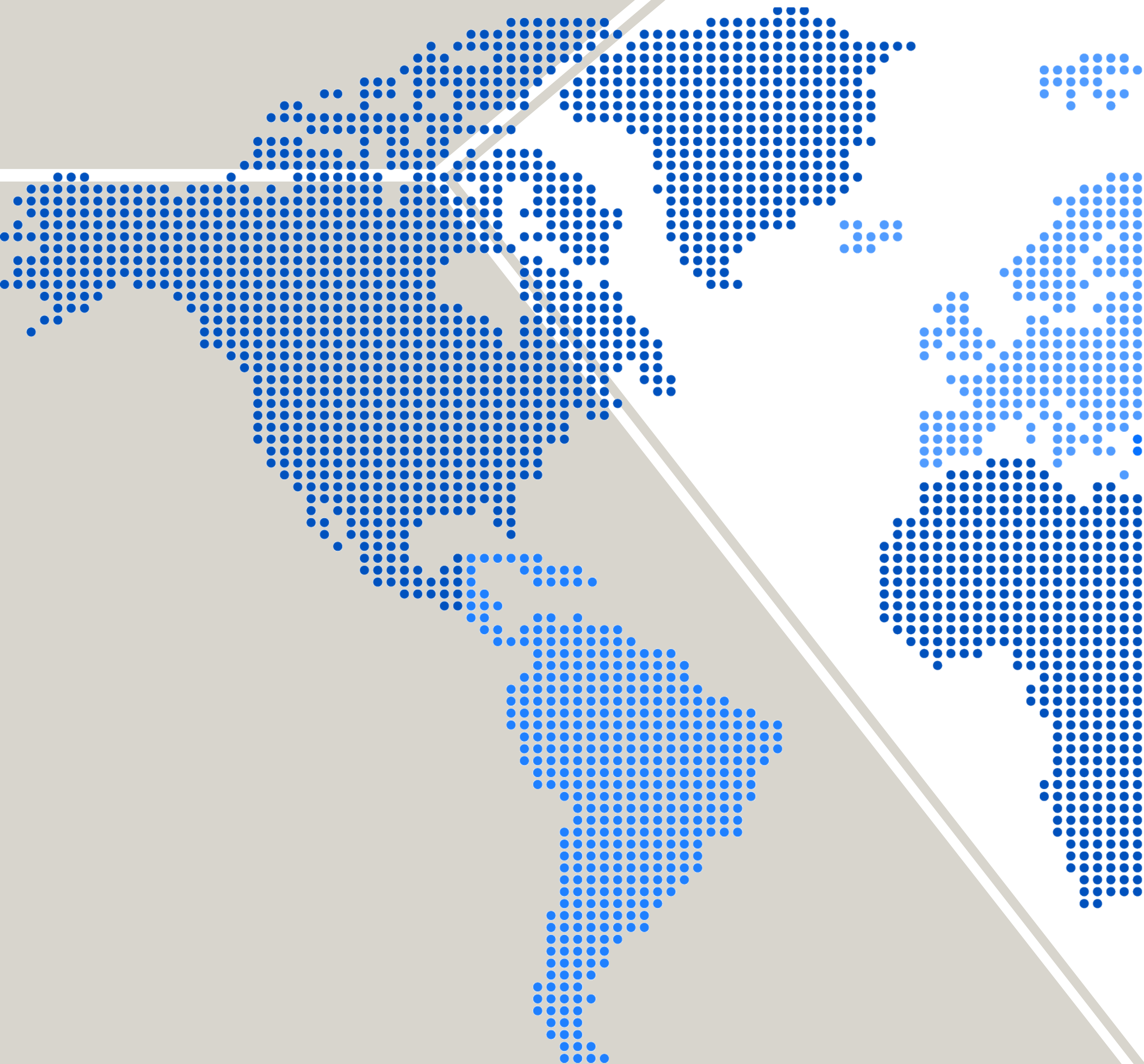
CALDWELL PARTNERS

The Caldwell Partners International Inc.

Annual Report 2016



Directors

G. Edmund King, Chair of the Board
Corporate Director

Paul R. Daoust
Consultant and Corporate Director

Richard D. Innes
Consultant and Corporate Director

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

Kathryn A. Welsh
Consultant and Corporate Director

Officers

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

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

Shareholder Information

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants, Toronto, Ontario

Counsel

Miller Thomson LLP
Barristers and Solicitors, Toronto, Ontario

Stock Exchange Listing

The Toronto Stock Exchange (symbol: CWL)

Transfer Agent

Computershare Limited

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CALDWELL PARTNERS

Dear Shareholders, Clients, and Friends:

Fiscal 2016 was another important year in the evolution of Caldwell Partners, having its share of challenge and success.

We closed out the year with $58.7 million in annual revenue – an increase of 8% over the previous year. A strong performance by our team over the last two quarters allowed us to deliver profitable full year results, and while this is not in line with the results we had planned to deliver, we are pleased with the manner in which we weathered several challenges, including a 25% year over year revenue decline in Canada due to weakness in the Canadian financial services and oil and gas industries.

The expansion and hires we made in the United Kingdom did not work as we had hoped, and though we have retrenched slightly, we are not deterred from being in the UK. Rather, we have a very healthy core business, and intend to be very thoughtful about how we add to the team and are looking forward to the future there.

To mitigate the effects of the headwinds in Canada and the UK, we made select staff reductions within our search delivery and corporate teams to align our staffing levels with current and projected search volumes. We additionally relocated our New York office, subleasing our existing space and moving into a smaller location with a lower total cost. These actions, while resulting in charges of $1.0 million during the fourth quarter and dampening our full year operating profit to $1.3 million, have us very well positioned for a strong fiscal 2017.

As we head into Fiscal 2017, we remain committed to our status as an annuity-based firm. Subsequent to the cost alignment initiatives that we took in the later part of Fiscal 2016, we are confident that in normal markets we will deliver an operating profit that will allow us to reward our shareholders through a sustainable dividend, to continue to organically grow the company's revenues, and to maintain a cash position that will underpin the firm.

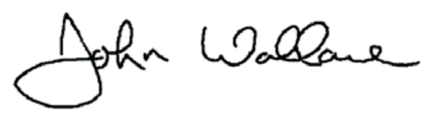
We have also just passed the one-year anniversary of our license agreements with Latin America and New Zealand, and are pleased to report that these relationships are strong and growing. We are also excited to see early examples of clients being served by our expanded geographic reach and internationally blended team approach.

Steve Jobs once said that 'Great things in business are never done by one person. They're done by a team of people.' We are privileged to have a phenomenal team here at Caldwell Partners, who stand together and are working towards a successful future. We thank each and every member of our team for the dedication they show every day to our clients and each other.

Yours sincerely,

G. Edmund King

Chair of the Board



John N. Wallace

President & Chief Executive Officer

Management Discussion and Analysis

For the Years Ended August 31, 2016 and 2015

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

Company description

The Caldwell Partners International Inc. ("Caldwell Partners®" or "the Company" or "We") is a premier international provider of executive search and has been for over 40 years. As one of the most trusted advisors in executive search, the Company has a sterling reputation built on successful searches for boards, chief and senior executives, and selected functional experts.

We take pride in delivering an unmatched level of service and expertise to its clients through our client teams from 22 locations throughout the world including Atlanta, Calgary, Charleston, Dallas, London, Los Angeles, Nashville, New York, Philadelphia, San Francisco, Stamford, Toronto and Vancouver, and through our licensee locations in Auckland, Bogota, Buenos Aires, Caracas, Lima, Mexico City, Miami, Santiago and São Paulo.

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

Forward-Looking Statements

Forward-looking statements in this document are based on current expectations that are subject to the significant risks and uncertainties cited. These forward-looking statements generally can be identified by use of statements that include phrases such as "believe," "expect," "anticipate," "intend," "plan," "foresee," "may," "will," "likely," "estimates," "potential," "continue" or other similar words or phrases. Similarly, statements that describe our objectives, plans or goals also are forward-looking statements. The Company is subject to many factors that could cause our actual results to differ materially from those contemplated by the relevant forward looking statement including, but not limited to, the Company's ability to attract and retain key personnel; the performance of the Canadian, US domestic and international economies; competition from other companies directly or indirectly engaged in executive search; the possibility of a significant shareholder impacting shareholder votes; foreign currency exchange rate risks; the Company's ability to invest retained earnings in marketable securities and in short-term money market instruments to generate consistent investment income returns; and volatility of the market price and volume of common shares. For more information on the factors that could affect the outcome of forward-looking statements, refer to the "Risk Factors" section of our Annual Information Form and other public filings (copies of which may be obtained at www.sedar.com). These factors should be considered carefully and the reader should not place undue reliance on the forward-looking statements. Although any forward-looking statements are based on what management currently believes to be reasonable assumptions, we cannot assure readers that actual results, performance or achievements will be consistent with these forward-looking statements, and management's assumptions may prove to be incorrect. Except as required by Canadian securities laws, we do not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by us or on our behalf; such statements speak only as of the date made. The forward-looking statements included herein are expressly qualified in their entirety by this cautionary language.

Presentation

The following discussion and analysis, prepared on November 10, 2016, should be read in conjunction with the consolidated annual audited financial statements and related notes for the year ended August 31, 2016. Unless otherwise noted, all currency amounts are provided in thousands of Canadian dollars (except percentages and per share amounts). All references to quarters or years are for the fiscal periods unless otherwise noted. Unless otherwise noted as a non-GAAP financial measure and other operating measure, financial results are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

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

As discussed in note 21 to the consolidated annual financial statements, on October 1, 2014, the Company acquired all of the outstanding shares of Hawksmoor Search Limited (Hawksmoor), an executive search firm based in London, United Kingdom. The results of Hawksmoor's operations have been consolidated with those of the Company from the date of acquisition and are shown as an additional business segment named Europe.

The Company's Canadian parent legal entity holds the right to the Company's brand and intellectual property. During 2015 the Company's Canadian parent legal entity began the process of registering its brand, Caldwell Partners, in select global markets it anticipated entering during the near future including most countries in Latin America. As discussed in note 22 to the consolidated annual financial statements, on July 13, 2015, the Company entered into an affiliation licensing agreement with CPGroup LATAM Ltd. and its subsidiaries ("CPGroup"). As of August 31, 2016 CPGroup had 20 revenue producing partners operating out of 8 offices including Bogota, Buenos Aires, Caracas, Lima, Mexico City, Miami, Santiago and São Paulo. The licensing agreement has an initial term of five years and provides for CPGroup to pay the Company 2.25% of Latin American revenue for the first two years of the agreement and 4.25% in subsequent years. Effective November 8, 2015 the Company entered into a similar licensing agreement with Simon Monks and Partners Limited, a New Zealand corporation, which subsequently changed its name to The Caldwell Partners International New Zealand Limited ("Caldwell NZ"). Caldwell NZ had 3 revenue producing partners operating out of Auckland as of August 31, 2016. In exchange for the license fee payments, CPGroup and Caldwell NZ each have the right to use the Caldwell Partners brand, search processes, methodologies and related intellectual property.

Non-GAAP Financial Measures and Other Operating Measures

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

- Average Number of Partners: Excluding affiliation partners, the number of partners at the beginning of a period plus the number of partners at the end of each month during a period, divided by the related number of months. The Average Number of Partners is indicative of our capacity to generate professional fees.
- Annualized Professional Fees per Partner: Professional fees divided by the Average Number of Partners; and if a quarterly period, multiplied by four to reflect an annualized number. The Annualized Revenue per Partner is indicative of how highly our Partners are performing taken as a whole. This performance will be driven by the Number of Assignments performed and the Average Fee per Assignment.
- Number of Assignments: the number of new executive search assignments contracted for during a period. This metric shows the search volume and is one of the drivers of professional fees.
- Number of Assignments per Partner: the Number of Assignments divided by the Average Number of Partners. This metric analyzes our partner productivity and utilization and is a measure used to identify and track volume trends as one of the key drivers of our professional fees.
- Average Fee per Assignment: Professional fees for a given period divided by the related Number of Assignments. This metric is used to identify and track price trends

as a key driver of our professional fees. It is impacted by both economic and competitive conditions as well as the seniority level of searches undertaken.

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

Selected Financial Information

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

($ 000s except dividends and earnings per share)		**2016**		2015		2014
Total revenue	**$**	**58,748**	$	54,527	$	45,086
Period end number of partners[1]		**38**		37		33
Average Number of Partners[1]		**38.0**		34.8		31.7
Annualized Professional Fees per Partner[1]	**$**	**1,516**	$	1,566	$	1,422
Number of Assignments[1]		**383**		428		388
Number of Assignments per Partner[1]		**10.1**		12.3		12.2
Average Fee per Assignment[1]	**$**	**150**	$	127	$	116
Net earnings for the year attributable to owners of the Company	**$**	**881**	$	1,976	$	1,967
Basic earnings per share	**$**	**0.044**	$	0.093	$	0.101
Diluted earnings per share	**$**	**0.043**	$	0.092	$	0.100
Total assets	**$**	**34,699**	$	37,831	$	36,215
Total non-current financial liabilities	**$**	**687**	$	1,326	$	553
Cash dividends per share	**$**	**0.08**	$	0.08	$	0.07

[1] Please refer to the section on Non-GAAP Financial Measures and Other Operating Measureson page 2 of this document

Discussion of factors impacting the Company's results

The Company has achieved significant revenue growth over the past three years. The 8% revenue increase (1% excluding the impact of foreign exchange fluctuations) from 2015 to 2016 was driven by an 18% increase in the Average Fee (11% excluding the impact of foreign exchange rate fluctuations), a 9% increase in the Average Number of Partners, partly offset by an 18% decrease in the Number of Assignments per partner.

The 21% revenue increase (12% excluding the impact of foreign exchange fluctuations) from 2014 to 2015 was driven by a 10% increase in the Average Fee (1% excluding the impact of foreign exchange rate fluctuations), a 1% increase in the Number of Assignments per Partner, and a 10% increase in the Average Number of Partners.

Our Average Fee is impacted by economic conditions and related competitive pricing pressures as well as the seniority level of searches undertaken. We protect our Average Fee by maintaining a strategic focus towards securing high level executive placements, which, in turn, have higher compensation levels upon which our fees are based. Yearly average foreign exchange rate movements can also have a significant impact on our Average Fee. The US dollar has increased in value approximately 20% over the periods presented and therefore has driven a significant portion of the higher Average Fee.

The decrease in the Number of Assignments per Partner was primarily attributable to weaker market conditions, particularly in Canada, due largely to the impact of falling oil prices to which its economy is tied, and to an extended period of performance ramp up from two new partners assimilated into our UK office.

The increase in the Average Number of Partners was driven primarily by organic hires as well as our acquisition of Hawksmoor Search, Ltd. based in the United Kingdom in October 2015. The partner headcount metric has increased from 33 in 2014 to 38 at the close of 2016 within our owned operations and from 33 to 58 including our affiliation partners during the same timeframe.

In fiscal 2016, net earnings decreased $1,095 to $881 from $1,976 in the prior year resulting from a $538 increase in income tax expense on a shift in taxable income being generated in the United States where income tax rates are higher relative to Canada and the UK, coupled with an overall reduction in operating profit of $898, offset by an increase in investment income of $341 from the realization of gains from the sale of marketable securities.

The key components of the fiscal 2016 decline in operating profit of $898 were increased losses in the UK of $993 over the prior year, charges in the fourth quarter of fiscal 2016 of $759 related to the sublease and relocation of our New York office premises and $250 of separation costs associated with aligning our support staff structure to current-state business needs. These year over year cost increases were partially offset by reductions in management short-term and long term compensation of $1,305 relating to non-attainment of financial performance goals and share price-based accrual adjustments. Aside from the above noted variances, there was a remaining net unfavorable operating performance year-over-year of $201 arising from declines in Canada related to its weaker economy, partially offset by improved US operations performance.

The 2016 financial results and cost drivers are discussed more fully in the following Operating Results section. Additionally, the Business Outlook section discusses actions taken to reduce our UK losses and fixed costs prospectively and our current views on future operating profit performance.

In fiscal 2015, net earnings increased $9 to $1,976 as a result of a $913 increase in operating profit, a $39 increase in investment income mostly offset by a $943 increase in tax expense. Income tax expense in 2015 reflects current tax expense of $187 and deferred tax expense of $76. Income tax expense increased in 2015 compared to 2014, as the prior year benefitted from the recognition of deferred tax assets. The Company has now utilized its ordinary operating loss carryforwards in the US and Canada, which has increased the effective tax rate on future profitable results.

Fiscal 2015 results and results compared to 2014 are more fully discussed within this document under Operating Results and in the prior year Management Discussion and Analysis document as filed on SEDAR.

Operating Results

Revenue

		Q1	Q2	Q3	**Q4**	**Annual**
2016	Professional fees	$ 13,945	$ 14,281	$ 13,680	**$ 15,712**	**$57,618**
	Investment income	$ -	$ 787	$ 90	**$ -**	**$ 877**
	Professional revenue	$ 13,945	$ 15,068	$ 13,770	**$ 15,712**	**$58,495**
	License fee revenue	$ 65	$ 67	$ 57	**$ 64**	**$ 253**
	Revenue	$ 14,010	$ 15,135	$ 13,827	**$ 15,776**	**$58,748**
	Period end number of partners[1]	38	38	38	**38**	**38**
	Average Number of Partners[1]	37.5	38.0	38.0	**38.5**	**38.0**
	Annualized Professional Fees per Partner[1]	$ 1,487	$ 1,503	$ 1,440	**$ 1,632**	**$ 1,516**
	Number of Assignments[1]	105	77	107	**94**	**383**
	Number of Assignments per Partner[1]	2.8	2.0	2.8	**2.4**	**10.1**
	Average Fee per Assignment[1]	$ 133	$ 185	$ 128	**$ 167**	**$ 150**
2015	Professional fees	$ 12,436	$ 11,874	$ 14,813	**$ 15,365**	**$54,488**
	Investment income	$ -	$ -	$ -	**$ -**	**$ -**
	Professional revenue	$ 12,436	$ 11,874	$ 14,813	**$ 15,365**	**$54,488**
	License fee revenue	$ -	$ -	$ -	**$ 39**	**$ 39**
	Revenue	$ 12,436	$ 11,874	$ 14,813	**$ 15,404**	**$54,527**
	Period end number of partners[1]	34	34	35	**37**	**37**
	Average Number of Partners[1]	34.0	34.0	34.8	**36.0**	**34.8**
	Annualized Professional Fees per Partner[1]	$ 1,463	$ 1,397	$ 1,703	**$ 1,707**	**$ 1,566**
	Number of Assignments[1]	115	95	123	**95**	**428**
	Number of Assignments per Partner[1]	3.4	2.8	3.5	**2.6**	**12.3**
	Average Fee per Assignment[1]	$ 108	$ 125	$ 120	**$ 162**	**$ 127**

Revenue and operating income are difficult to predict and have historically varied significantly from quarter to quarter. There is no discernible seasonality in our business on a quarterly basis. We track our revenue by professional fees, investment income and license fee revenue.

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

Professional Fees

Fourth Quarter Consolidated Professional Fees

Professional fees for the fourth quarter of 2016 increased 2.3% (1.8% excluding a 0.5%

favourable variance from exchange rate fluctuations) over the comparable period last year to $15,712 (2015: $15,365).

The positive impact of a higher Average Number of Partners at 38.5 compared to 36.0 in the prior year period was offset by lower productivity per partner. The Number of Assignments per Partner decreased to 2.4 (2015: 2.6), resulting in a decrease in the total Number of Assignments to 94 (2015: 95). The Average Fee per Assignment rose to $167 (2015: $162), driven in part by favourable foreign exchange movements of 0.5%.

Year-to-Date Consolidated Professional Fees

Professional fees for the year increased 5.7% (a decline of 0.8% excluding a 6.5% favourable variance from exchange rate fluctuations) over the comparable period last year to $57,618 (2015: $54,488).

The positive impact of a higher Average Number of Partners at 38.0 compared to 34.8 in the prior year period and a higher Average Fee per Assignment was offset by lower productivity per partner. The increase in Average Fee per Assignment to $150 (2015: $127) was driven by favourable foreign exchange movements of 7.3% and incremental professional fees earned and recognized on placements that began during the current year but related to searches conducted in prior periods. The year-to-date Number of Assignments per Partner decreased to 10.1 (2015: 12.3), resulting in a decrease in the total Number of Assignments to 383 (2015: 428).

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

United States:

Fourth quarter professional fees in the US were up 11.8% (10.5% excluding a 1.3% favourable variance from exchange rate fluctuations) to $12,063 (2015: $10,794). The increase was the result of growth in the Average Fee per Assignment and the Number of Assignments per Partner with the Average Number of Partners remaining constant.

Professional fees in the US for the year were up 16.2% (6.8% excluding a 9.4% favourable variance from exchange rate fluctuations) to $43,170 (2015: $37,136). Increases in both the Average Fee per Assignment and Average Number of Partners were partially offset by a lower Number of Assignments per Partner during the period.

Canada:

Fourth quarter professional fees in Canada continued to be pressured by economic conditions in Western Canada as well as the Financial Services sector across Canada and were down 24.3% to $3,139 (2015: $4,145). The impact of a higher Average Number of Partners was more than offset by a lower Number of Assignments per Partner and a lower Average Fee per Assignment.

Professional fees in Canada for the year were down 25.1% to $12,260 (2015: $16,377), with a lower Number of Assignments per Partner and a lower Average Fee per Assignment being only slightly offset by a higher Average Number of Partners.

Europe:
Fourth quarter Europe professional fees were up 19.5% to $509 (2015: $426) last year. Year to date professional fees in Europe were $2,188 versus $975 last year. The Europe operation was acquired and initiated business on October 1, 2014, and as a result, only eleven months of operations were included in fiscal 2015. Additionally, two partners were added late in the fourth quarter of 2015, so the majority of 2016 had three partners compared to 2015 with only one partner.

Investment income
During fiscal 2016, the firm monetized an equity position obtained as a portion of professional fee consideration in the US from a prior period which resulted in the recognition of $877 of investment income which was settled in a combination of cash ($491) and shares of a publicly traded company restricted by a mandatory hold period of six months ($386). These shares are shown within marketable securities in the Consolidated Statement of Financial Position as of August 31, 2016. Subsequent to finalizing the fee, the value of the shares decreased, with such decrease of $103 being reflected in accumulated other comprehensive income until the underlying securities are sold. Accounting for investment income and the related equity interests is described in Note 3 to the consolidated financial statements.

The Company holds $573 (August 31, 2015: nil) in investments in illiquid marketable securities in private companies obtained in addition to cash for performance of search services and reflected in non-current assets in the consolidated statements of financial position.

License Fees
License fees from our affiliations in Latin America and New Zealand for the use of the Caldwell Partners brand and intellectual property were $64 (2015: $39) for the fourth quarter and $253 (2015: $39) for the full year. As the licensing agreements were signed in the fourth quarter of fiscal 2015 and first quarter of fiscal 2016, respectively, the license fees were lower during 2015.

Cost of Sales

		Q1	Q2	Q3	**Q4**	**Annual**
2016	Cost of sales	$ 10,868	$ 11,693	$ 10,596	**$ 11,447**	**$44,604**
	Cost of sales as a % of professional revenue	77.9%	77.6%	76.9%	**72.9%**	**76.3%**
2015	Cost of sales	$ 9,172	$ 8,851	$ 10,801	**$ 11,433**	**$40,257**
	Cost of sales as a % of professional revenue	73.8%	74.5%	72.9%	**74.4%**	**73.9%**

Cost of sales pertains to professional revenue (including professional fees and investment income) and comprises partner compensation, related search delivery personnel compensation and the direct costs of providing our search services. Compensation costs include fixed salaries, variable incentive compensation and related employee benefits and payroll taxes. In aggregate and over time, these costs are largely variable to professional revenue, with fluctuations arising from changes in incentive compensation based on Average

Professional Fee per Partner and the leverage impact of certain fixed support costs during periods of growth or decline. Variable incentive compensation for our Partners is based on a percentage of the amount of collected professional revenue attributed to each respective Partner; the higher the collected professional revenue in a fiscal year, the higher the percentage the Partner is eligible to earn. Significant fluctuations can be seen by geography from quarter to quarter based on the relatively small number of partners in each region and how those individuals' estimated compensation changes based on annualizing their quarterly results in recording compensation accruals. Costs associated with license fee revenue such as legal and professional fees are included in general and administrative expenses.

Fourth Quarter Consolidated Cost of Sales

Fourth quarter cost of sales increased 0.1% or $14 to $11,447 (0.6% excluding the 0.5% variance from exchange rate fluctuations as the magnitude of the decline in the British pound outweighed the strengthening of the US dollar) from $11,433. The dollar increase was from higher total compensation linked to the growth in professional revenue. This increase was partially offset by variable partner compensation costs benefiting from revenue in the fourth quarter being weighted towards partners with lower commission percentages. On a segment basis, the year-over-year cost of sales increase of $14 came from increases in the US ($793) offset by decreases in Canada ($758) and Europe ($21).

As a percentage of professional revenue, cost of sales fell 1.5% to 72.9%, down from 74.4% in the same period last year. The decrease as a percentage of professional revenue was due primarily to the benefits of lower variable partner compensation discussed above and the leverage obtained with having higher quarterly revenue on relatively fixed partner support personnel compensation costs.

Year-to-Date Consolidated Cost of Sales

Cost of sales for the year increased 10.8% to $44,604 (an increase of 4.0% excluding the 6.8% variance from exchange rate fluctuations) from $40,257. As a percentage of professional revenue, cost of sales rose to 76.3% as a percentage of professional revenue, up $4,347 or 2.4% of professional revenue from 73.9% in the same period last year. The increase as a percentage of professional revenue is primarily attributable to the fixed cost of staff added during 2015 in support of rising search volumes which subsequently fell off, particularly in Canada, coupled with the investment hires made in the UK office in the fourth quarter of the previous fiscal year. During the last two quarters of 2016, select reductions in search delivery and support staffing were made to better align with current search volume levels. The Business Outlook section discusses these and other cost alignment actions and our prospective views.

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

United States:

Fourth quarter cost of sales in the US increased $793 or 9.9% ($710 or 8.9% on a constant dollar basis), versus the 11.8% increase in US professional revenue, to $8,780 (2015: $7,987).

Cost of sales declined as a percentage of professional revenue, and represented 72.8% of professional revenue compared to 74.0% in the prior year. Higher partner compensation (up 1.0% as a percentage of professional revenue) was partially offset by lower fixed cost partner support personnel compensation (down 1.8% as a percentage of professional revenue) and lower costs of search delivery materials (down 0.4% as a percentage of professional revenue).

Full year cost of sales in the US increased $5,129 or 18.4% ($2,373 or 8.5% on a constant dollar basis), versus the 16.2% increase in US professional revenue to $33,018 (2015: $27,889). As a percentage of professional revenue these costs represented 76.5% of professional revenue compared to 75.1% in the prior year. Slightly higher costs of search delivery materials (up 0.1% as a percentage of professional revenue) were offset by slightly lower partner compensation (down 0.2% as a percentage of professional revenue) with partner support personnel compensation flat with the previous year.

Canada:
Fourth quarter cost of sales in Canada decreased $761 or 25.9% consistent with the Canada professional revenue decline of 24.3% to $2,179 (2015: $2,940). There were decreases in all components with partner compensation down $718, partner support personnel compensation down $11 and search delivery materials down $32.

As a percentage of professional revenue, these costs represented 69.4% of professional revenue vs. 70.9% in the prior year. Partner support personnel compensation, which is largely fixed in nature was up 4.7% as a percentage of professional fees as a result of the decrease in professional revenue during the quarter. This increase was offset by lower variable partner compensation on reduced commission tiers and lower search delivery materials, which were down 5.7% and 0.5% as a percentage of professional revenue, respectively.

Year to date cost of sales in Canada decreased 21.1% relative to the Canada professional revenue decline of 25.1% to $9,095 (2015: $11,525). Partner compensation decreased by $2,421 and fixed partner support personnel compensation by $56, offset slightly by search delivery material costs which are up $47.

As a percentage of professional revenue these costs represented 74.2% vs. 70.4% in the prior year. The relatively fixed partner support personnel compensation costs and search delivery materials costs have increased 5.0% and 0.7%, respectively largely due to the decrease in professional revenue. Those increases have been offset slightly by lower variable partner compensation on reduced commission tiers (down 1.8% as a percentage of professional revenue).

Europe:
Fourth quarter cost of sales in Europe decreased $22 (an increase of $115 on a constant

currency basis) to $485 from $507 in the comparable period a year ago. Cost of sales represented 95.3% of professional revenue compared to 119.0% in the fourth quarter of last year. This percentage cost decrease is the result of lower partner compensation (down 22.3% as a percentage of professional revenue) and lower fixed cost partner support personnel compensation (down 1.5% as a percentage of professional revenue) partially offset by higher costs of search delivery materials (up 0.3% as a percentage of professional revenue). During the fourth quarter of 2016, one of the partners hired during the fourth quarter of 2015 resigned and a support person was also reduced. This partner had compensation costs in excess of revenue, contributing to the higher cost of sales in Europe compared to the other regions.

Cost of sales in Europe for the year increased $1,648 ($1,662 on a constant currency basis) to $2,491 from $843 in the comparable period a year ago. Investments made in the fourth quarter of 2015 resulted in higher costs throughout 2016 and transitional revenues did not grow as quickly as the added fixed costs related to minimum partner draws and fixed support personnel costs. As a result, these costs as a percentage of professional revenue increased to 113.9% vs. 86.4% in the same period last year. This increase was the result of higher partner compensation (up 18.1% as a percentage of professional revenue or $1,092), higher partner support personnel compensation (up 7.7% as a percentage of professional revenue or $498) and higher costs of search delivery materials (up 1.6% of professional revenue or $58). During August, 2016, a partner hired last year in the UK whose compensation and related costs were significantly higher than the revenue produced, left the firm and corresponding reductions were made to the support staff. The Business Outlook section discusses these and other cost alignment actions and our prospective views.

Gross Profit and Margin

	Q1	Q2	Q3	**Q4**	**Annual**
2016	$ 3,142	$ 3,442	$ 3,231	**$ 4,329**	**$14,144**
	22.4%	22.7%	23.4%	**27.4%**	**24.1%**
2015	$ 3,264	$ 3,023	$ 4,012	**$ 3,972**	**$14,271**
	26.2%	25.5%	27.1%	**25.8%**	**26.2%**

Gross profit in the fourth quarter increased 9.0% (5.1% excluding a 3.9% variance from exchange rate fluctuations) to $4,329 or 27.4% of revenue versus fourth quarter in the previous year (2015: $3,972 or 25.8% of revenue); the result of the 2.4% increase in revenue offset by the 0.1% increase in Cost of Sales as a percentage of Revenue. On a segment basis, gross profit was $3,280 from the US, $1,025 from Canada ($1,329 less $298 in intercompany license fee revenue), and $24 from Europe from the variances discussed in revenue and cost of sales.

On the year, gross profit decreased 0.9% (7.2% excluding a 6.3% variance from exchange rate fluctuations) to $14,144, from $14,271 in 2015. The decrease was driven by the 2.4% increase in cost of sales as a percentage of revenue, partially offset by the favourable impact of a 7.7% revenue increase. As a result, gross margin for 2016 was 24.1% (2015: 26.2%). On a segment basis, gross profit was $11,029 from the US, $3,418 from Canada ($4,408 less $990 in intercompany license fee revenue), and a loss of $303 from Europe from the variances discussed in revenue and cost of sales.

Expenses

	Q1	Q2	Q3	**Q4**	**Annual**
2016	$ 3,290	$ 2,733	$ 2,551	**$ 4,292**	**$12,866**
2015	$ 2,957	$ 2,512	$ 3,107	**$ 3,518**	**$12,094**

Fourth Quarter Expenses:

Fourth quarter expenses increased 22.0% or $774 over the comparable period in the prior year to $4,292 (2015: $3,518). Excluding exchange rate variances of $52, expenses on a constant currency basis increased $722 or 20.5% over the same period last year.

During the fourth quarter of 2016 we incurred certain expenses in connection with reducing the fixed costs of the Company. In constant currency, this included charges of $701 related to the sublease and relocation of our New York office premises and $250 of separation costs associated with aligning our support staff structure to current-state business needs. The New York office relocation will reduce expenses going forward and will generate annual net cash savings while providing an enhanced office experience for clients, candidates and employees. We believe the above two actions will result in lowering annual expenses by approximately $450. On a cash flow basis, we believe these actions will be cash flow neutral for 2017 and will result in approximately $330 annual cash savings in future years.

Adjusting for the charges taken, the remaining expenses decreased $229 on a constant currency basis or 6.5% over the same period last year. The $229 decrease is the result of higher foreign exchange expense ($92),marketing and business development costs ($76) and general cost increases across other categories ($39) being more than offset by lower support staff management bonus accruals on non-attainment of financial performance targets, net of higher share-based compensation expense ($155), decreases in the cost of training from adoption costs of our competency based assessment training held in the prior year not recurring ($170) and professional fees from costs associated with an unsolicited interest by DHR International, Inc. in acquiring the Company during 2015 ($111).

On a segment basis, expenses were $3,336 from the US ($3,038 net of $298 in intercompany license fees), $664 from Canada and $292 from Europe.

Year-to-Date Expenses:
Full year expenses increased 6.4% or $772 over the prior year to $12,866 (2015: $12,094). Excluding exchange rate variances of $587, remaining expenses on a constant currency basis increased $185 or 1.5% over the same period last year. The increase includes the charges taken in the fourth quarter of 2016 discussed above of $701 in constant currency related to the sublease and relocation of our New York office space as well as the separation costs of $250.

Adjusting for the charges taken, year over year expenses decreased $766 on a constant currency basis, or 6.3%. The constant currency cost decreases included reduced management bonuses and share based compensation related to non-attainment of financial performance targets and a lower share price ($1,031), lower staff training as the initial training on competency based assessment across 2015 was non-recurring ($245) and one time professional fees from costs associated with an unsolicited interest by DHR International, Inc. in acquiring the Company during 2015 ($111). These decreases were partially offset by higher occupancy from the expansion of square footage at our United Kingdom location, the addition of our Charleston office and higher lease costs in certain other locations ($288), increased marketing and business development ($125), higher depreciation expense from our growth and investment in leased space ($84), legal fees ($71) and foreign exchange losses on intercompany loan balances and US dollar bank account balances compared to gains last year ($47) and general increases across other categories ($6). On a segment basis, expenses were $9,649 from the US ($8,659 net of $990 in intercompany license fees), $2,296 from Canada and $921 from Europe.

Operating Profit

	Q1	Q2	Q3	**Q4**	**Annual**
2016	$ (148)	$ 709	$ 680	**$ 37**	**$ 1,278**
	(1.1%)	4.7%	4.9%	**0.2%**	**2.2%**
2015	$ 307	$ 511	$ 905	**$ 453**	**$ 2,176**
	2.5%	4.3%	6.1%	**2.9%**	**4.0%**

For the 2016 fourth quarter, higher revenue ($372) was more than offset by the higher cost of sales ($14) and higher expenses ($774) attributable to the net impact of cost-alignment charges, reduction in bonuses and the other fluctuations discussed above, resulting in a decrease in operating profit of $416 over the comparable period in the prior year to $37 (2015: $453). Excluding favourable exchange rate variances ($154) and the significant onerous lease charge ($701) and separation cost associated with realigning support staff structure ($250), operating profit increased $381 or 84.1% to $834.

On a segment basis, the fourth quarter operating profit of $37 came from the US experiencing a $55 operating loss ($243 income excluding the impact of intercompany license fees) and inclusive of the $759 New York office sublease and relocation charge, Canada producing $360 of profit ($62, excluding intercompany license fee revenue) and Europe having an operating loss of $268 from the variances discussed in revenue, cost of sales and expenses. Thus, excluding intercompany license fees that were not begun until the fourth quarter of fiscal 2015 and eliminate on consolidation, the absolute decrease in operating profit of $416 came from declines in the US of $246 driven by the $759 New York office sublease and relocation charge, Canada of $76 on weaker economic conditions and Europe of $94 on increased staff costs from expansion. Please refer to the Business Outlook section for a forward looking impact discussion of fixed cost reduction initiatives enacted during the fourth quarter of 2016.

For the 2016 full year, higher revenue ($4,221) offset by increases in cost of sales ($4,347) and expenses ($772) from the cost-alignment, reduced management bonuses and other variances discussed above resulted a decrease in operating profit of $898 to $1,278 (2015: $2,176). Excluding favourable exchange rate variances ($314) and the significant onerous lease charge ($701) and separation cost associated with realigning support staff structure ($250), operating profit decreased $261 or 12.0% to $1,915.

On a segment basis, for the full year operating profit of $1,278 came from operating profit in the US of $1,380 ($2,370 net of intercompany license fees) and inclusive of the $759 New York office sublease charge, and operating profit in Canada of $1,122 ($133 net of intercompany license fee revenue) being offset by an operating loss of $1,224 from Europe from investment expansion and the related costs discussed in revenue, cost of sales and expenses. Thus, excluding intercompany license fees that eliminate on consolidation, the decrease in absolute operating profit of $898 came from an increase in the US of $914 inclusive of the $759 office charge taken in 2016, offset by declines in Canada of $817 arising from a more challenging economic environment during 2016 and increased operating losses in Europe of $995 from expansion investments made late in 2015 not performing to expectations.

Investment Income

	Q1	Q2	Q3	**Q4**	**Annual**
2016	$ 1	$ 403	$ -	**$ -**	**$ 404**
2015	$ 13	$ 11	$ 34	**$ 5**	**$ 63**

The Company invests excess cash balances and manages market risk by using a third party investment manager to follow the specific investment criteria established and approved by the Board of Directors and designed to reduce exposure to market risk. The Company also holds one equity security with a short-term trade restriction in a publicly traded company obtained through search fees being paid partially in equity of the client. As at August 31, 2016, managed funds and the equity investment were $4,784 (August 31, 2015: $7,865) and $272 (2015: nil), respectively.

For the fourth quarter of 2016, the Company reported no investment income compared to $5 from the comparable period last year. For the full year 2016, the Company reported investment income of $404 compared to $63 in 2015. This year's income includes $403 of realized gains earned on the liquidation of funds as well as interest on term deposits and other cash balances. The previous year amount includes $27 of realized gains earned when one fund was liquidated in order for the funds to be invested in another fund.

As at August 31, 2016, the fair value of marketable securities held by the Company of $5,629 (2015: $7,765) was $335 above book value, reflecting a decrease in value of $100 during the year. The unrealized gain for the year and the cumulative unrealized gain have been reflected in both accumulated other comprehensive income and in the stated value of the investment portfolio.

Net Earnings

Earnings Before Income Taxes

	Q1	Q2	Q3	**Q4**	**Annual**
2016	$ (147)	$ 1,112	$ 680	**$ 37**	**$ 1,682**
2015	$ 320	$ 521	$ 939	**$ 459**	**$ 2,239**

Net Earnings

	Q1	Q2	Q3	**Q4**	**Annual**
2016	$ (165)	$ 764	$ 339	**$ (57)**	**$ 881**
2015	$ 277	$ 282	$ 767	**$ 650**	**$ 1,976**

Basic Earnings Per Share

	Q1	Q2	Q3	**Q4**	**Annual**
2016	$ (0.008)	$ 0.038	$ 0.017	**$ (0.003)**	**$ 0.044**
2015	$ 0.013	$ 0.013	$ 0.036	**$ 0.031**	**$ 0.093**

Income tax expense in the fourth quarter of fiscal 2016 was $94 (2015: $192 recovery) from current income tax recovery of $309 (2015: $268 recovery) and deferred tax expense of $403 (2015: $76).

Income tax expense for the year ending August 31, 2016 was $801 (2015: $263) reflecting current tax expense of $398 (2015: $187) and deferred tax expense of $403 (2015: $76).

Income tax expense for Canada for the quarter ended August 31, 2016 was $172 (2015: $108 recovery). For the full year income tax expense for 2016 was $366 (2015: $108 recovery) for an effective tax rate of 24.0% based on a statutory tax rate of approximately 26.5% in Canada.

Income tax recoverable for the US for the quarter ended August 31, 2016 was $78 (2015: $83 recovery). Full year income tax expense for 2016 was $496 (2015: $371) or 35.9% based on a US effective tax rate of approximately 40.0%.

The UK recognized a tax recovery of $61 representing losses the Company was able to carry back against previous profits earned by Hawksmoor Search Limited, which the Company acquired in October 2014. The UK did not recognize deferred income tax assets of $245 (2015: $46) that can be carried forward against future taxable income.

The fourth quarter net loss was $57 ($0.003 per share) in 2016, as compared to $650 of net earnings ($0.031 per share) in the comparable period a year earlier. The full year net earnings after tax were $881 ($0.044 per share) in 2016, versus $1,976 ($0.093 per share) in 2015.

Dividends

The Board of Directors continues to believe that the payment of regular dividends is in the best interests of the Company and its shareholders. In setting quarterly dividend payments, the Board of Directors considers many factors including current earnings results, future earnings projections, cash needs for operational growth and balances of Unencumbered Cash (as defined in Non-GAAP Financial Measures on page 3 and discussed below in Liquidity and Capital Resources) which can act as a buffer against short-term earnings volatility.

Subsequent to shareholder approval of the restatement of capital on May 1, 2012, the Company has now declared eighteen quarterly dividends through May 31, 2016 with total dividends declared through August 31, 2016 of 32.0 cents per share or $6,249 in total.

On November 10, 2016 the Board of Directors declared a dividend of 2.0 cents per share, payable to holders of Common Shares of record on November 21, 2016 and to be paid on December 16, 2016.

Liquidity and Capital Resources

The Company maintains cash balances at various financial institutions and in various geographies through its subsidiaries. While the Company has the ability to move funds between geographies and legal entities, there are certain dividend taxes applicable, including a five percent tax on dividends paid from the United States to Canada. Additionally, in order to lend or dividend funds between the Company's legal entities, each entity must maintain certain statutory liquidity levels at its subsidiaries in order to ensure their liquidity.

As at August 31, 2016, the Company had $5,056 of current marketable securities plus cash and cash equivalents including restricted cash of $8,609, for a total cash and current marketable securities balance of $13,665, down $4,554 from $18,219 at year-end 2015. The decrease is primarily due to the purchase and cancellation of shares in the Company from DHR ($1,604 as discussed in the following Outstanding Shares section), dividends paid

($1,610), contingent consideration paid ($254) and other changes in net working capital and non-cash transactions ($1,086).

The Company's cash and compensation payable balances fluctuate significantly from period to period based on the timing of commission payments per the Company's compensation plans. Compensation payable is generally at its lowest after the largest deferred compensation payments are made at the end of each February, and generally grows during subsequent periods. The compensation payable is funded by the company's cash, marketable security balances and accounts receivable which build during the same cycle as the compensation liability and are similarly reduced as cash is used to satisfy the compensation liability. As a result, the cash balances and compensation payable typically move together taking into account non-operating sources and uses of cash. At August 31, 2016, current Compensation Payable was $16,125 (2015: $16,614), total cash and current marketable securities were $13,665 (2015: $18,219) and Accounts Receivable were $10,031 (2015: $8,239). As a result of these trends, the Company uses the non-GAAP measure of Unencumbered Cash as a more consistent measure for the cash the company has available beyond that needed for short-term obligations.

Unencumbered Cash is defined in the section on Non-GAAP Financial Measures and Other Operating Measures on page 3 of this document. The following chart sets forth the calculation of Unencumbered Cash and provides reconciliation to cash and cash-equivalents:

	as at	
	August 31 2016	***August 31 2015***
Cash and cash-equivalents	$8,422	$9,956
Restricted cash	187	498
Marketable securities - current	5,056	7,765
Accounts receivable	10,031	8,329
Net current deferred tax assets	2,891	3,303
	26,587	29,851
Total current liabilities	(20,901)	(21,916)
Excluding		
Deferred revenue	1,187	945
Deferred compensation	(576)	(499)
Total Unencumbered Cash	$6,297	$8,381

Accounts receivable were $10,031 at August 31, 2016, up $1,702 from $8,329 at the end of fiscal 2015. Days outstanding based on quarterly revenue were 54 days at August 31, 2016 versus 48 days at August 31, 2015. At August 31, 2016, a reserve of $598 or approximately 42% of accounts over 90 days old has been taken.

Total liabilities were $21,772 at August 31, 2016, down $1,470 from $23,242 at the end of 2015 reflecting the purchase of shares from DHR International, Inc. as well as the payment of bonuses for 2015, taxes, contingent consideration and a tranche of share based compensation.

The Company's investment in property and equipment at August 31, 2016 was $1,838 compared with $1,818 at the end of 2015. This reflects additions of $414, reclassification of $238 from deferred rent within Accounts Payable related to tenant improvements received in a lease in the previous year and depreciation expense of $539, disposals of $78 and exchange rate fluctuations over the year of $15. Capital expenditures included computer hardware and software, leasehold improvements and office furniture and equipment.

Shareholders' equity at August 31, 2016 was $12,927, down $1,662 from $14,589 at the end of 2015. This decrease reflects the net earnings for the year of $881, dividend declared of $1,610, realized capital gains moved out of accumulated other comprehensive income of $403, translation losses on consolidation of $430 and an unrealized loss on marketable securities of $100.

The Board of Directors believes the payment of regular dividends is in the best interests of the Company and its shareholders. In contemplating dividends declared for 2016 the Board looked at many factors including current earnings results, future earnings projections, cash needs for operational growth and balances of Unencumbered Cash which can act as a buffer against short-term earnings volatility. Adjusting for after tax cost reduction measures of $640 ($759 lease charge plus $250 separation costs less $369 related taxes) fiscal 2016 net earnings of $881 would have been $1,521 relative to dividends declared of $1,610. Subsequent to shareholder approval of the restatement of capital on May 1, 2012, the Company has now declared eighteen quarterly dividends through August 31, 2016. On November 10, 2016 the Board of Directors declared a dividend of 2.0 cents per share, payable to holders of Common Shares of record on November 21, 2016 and to be paid on December 16, 2016.

Contractual Obligations

	Total	2017	2018	2019	2020	2021	Thereafter
Operating leases	$ 14,479	$ 3,376	$ 2,919	$ 2,652	$ 2,290	1,737	$ 1,505
Accounts payable	2,384	2,384	-	-	-	-	-
Compensation payable	16,812	16,125	297	115	-	-	275
Dividends payable	403	403	-	-	-	-	-
Contingent consideration	289	289	-	-	-	-	-
Total	$ 34,367	$ 22,577	$ 3,216	$ 2,767	$ 2,290	$ 1,737	$ 1,780

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

Outstanding Shares

As at August 31, 2016 the authorized share capital of the Company consists of an unlimited number of Common Shares of which 20,129,155 are issued and outstanding (August 31, 2015: 21,275,155). 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. As discussed in Note 15 to the annual consolidated financial statements, on September 23, 2015 the Company completed its previously announced purchase of shares of the Company from DHR International, Inc. The 1,145,600 shares were purchased at $1.40 per share for $1,604 plus associated legal fees. The shares were then cancelled, reducing the Company's outstanding shares from 21,275,155 to 20,129,555.

Business Outlook

In Canada during the first half of fiscal 2016, we experienced significant economic challenges in the Western Canada market, spurred by the impact of falling oil prices to which the region's economy is tied. In the second half of the fiscal year, Canada saw continued weakness in Western Canada, as well as in the Financial Services sector during the third quarter. Stabilization was seen during the fourth quarter with some modest improvements, yet still reflecting a 23% reduction in search volumes in the region year to date.

In the United States, where the majority of our search business is generated, volumes during the first half of the year stayed relatively strong; however there was some weakening during the second half with overall volumes on a per partner basis falling from the historic highs set in the second half of last year. We entered fiscal 2016 with search delivery and support staffing levels suitable to accommodating these high performance levels which did not sustain.

In the United Kingdom, operating results were negatively impacted by our investments in the region, which included the assimilation of two new partners in the fourth quarter of fiscal 2015. The addition of these costs, coupled with weak revenue transitioning in from hires resulted in substantial operating losses in the UK in the fourth quarter of $269 (2015: operating loss of $175) and year to date of $1,224 (2015: operating loss of $231).

As a result of the continued weakness in Canada, softening of search volumes in the US, and lack of revenue achievement in the UK, we moved to reduce search delivery and support staffing and certain fixed costs. Specifically, over the last quarter we reduced our non-partner search delivery team from 68 at the end of February to 62 at the end of May to 59 at the end of August. We also reduced the size of our management support team, aligning responsibilities more effectively. During August, 2016, a partner hired last year in the UK whose compensation and related costs were significantly higher than the revenue produced, left the firm. Also during August, as discussed in our Operating Results we subleased our New York office and relocated to an office with a smaller footprint with the goal of reducing costs and improving net cash flow while providing an enhanced office experience for clients, candidates and employees.

We believe our cost structure is now streamlined for our current revenue levels, and taking into account the above actions taken to date globally and to be taken during the first quarter of fiscal 2017 specific to the UK, we anticipate being in a position to achieve the type of growing profitability that we obtained over the prior three years. We remain committed to being in the United Kingdom as important to our strategy of delivering services to our clients and growing a long-term globally profitable business. This may result in additional modest operating losses in the UK region during fiscal 2017, but as a result of our recent actions, not of the magnitude we saw this year.

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

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 fair market rental rates at the inception of the lease by an independent commercial real estate counselor and was approved by the independent Members of the Board of Directors. Occupancy costs within general and administrative expenses in the consolidated statements of earnings have been recognized for the year ended August 31, 2016 in the amount of $223 (2015: $223).

Critical Accounting Estimates & 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 significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The following discussion sets forth management’s most significant estimates and assumptions in determining the value of assets and liabilities, and the most significant judgments in applying accounting policies.

Revenue recognition

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. Further information on deferred revenue is included in note 11. Subsequent changes in fair value of the equity interests are recorded as unrealized gains or losses in other comprehensive income and are recognized to investment income within revenue when realized.

Allowance for doubtful accounts

Estimates are used in determining the allowance for doubtful accounts related to trade receivables. The estimates are based on management's best assessment of the collectability of the related receivable balance based, in part, on the age of the specific receivable balance. An allowance is established when the likelihood of collecting the account has significantly diminished. Future collections of receivables 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. Various assumptions are made in performing this test, including estimates of future revenue streams, operating costs and discount rates. Future results that differ from management's current estimates would affect the results of operation in future periods.

Risks and Uncertainties

Below are the material risks facing our Company. Other risks not currently known or deemed to be material may also impact our business. Our business and financial results could be materially adversely affected by any of these risks.

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

We compete with other executive recruitment firms for experienced consultants. Attracting and retaining consultants in our industry is important because consultants have primary responsibility for client relationships, and the loss of consultants often leads to the loss of client relationships. While we believe we offer one of the most competitive compensation plans in the industry and offer freedom for our partners to operate in the marketplace, the ability to continue to generate revenue and profits will depend on our ability to attract and retain key professionals.

Our business is impacted by economic conditions

Our revenue is affected by global economic conditions and economic activity in the regions where we operate. During economic slowdowns, companies may hire fewer employees which may have a negative impact on our financial condition.

Competition

The executive search business is highly competitive in terms of both winning and pricing new engagements. See the "Competition" section in the Annual Information Form. The level of future profits of the Company will depend on its ability to retain its established client base, attracting new clients and maintaining fee levels. One key area in which we mitigate competitive risk with our larger competitors is by having fewer client non-solicitation arrangements. It is standard practice in the industry to provide clients with a non-solicitation right ranging in scope from the placed executive to the entire client organization; this is known as "off-limits" protection. If too many off-limit arrangements are created, the ability to broadly and effectively source candidates for prospective client engagements becomes impeded.

Significant Shareholder

C. Douglas Caldwell, the former Chief Executive Officer of The Caldwell Partners International, Inc., is reported to own, directly or indirectly approximately 20% of the Company's outstanding Common shares. Mr. Caldwell's shares could have a material impact on any matters brought forth to the shareholders for a vote.

Foreign currency exchange rate risks may affect our financial results

With operations in Canada, the United States and the United Kingdom, we do business in multiple currencies. In the current quarter, approximately 80% of our revenue was generated outside of Canada and transacted in a currency other than the Canadian dollar. Our profitability is impacted by the translation of foreign currency financial statements into Canadian dollars. Fluctuations in relative currency values, particularly the strengthening of the Canadian dollar, could have an adverse effect on our profitability and financial condition. When management believes it has a significant short term net cash or intercompany loan balance, it will on occasion hedge its currency exposure by buying or selling the exposed currency on a forward basis.

We invest in marketable securities whose valuations fluctuate

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

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

The Company currently has investments in marketable securities and short-term money market instruments. However, if additional cash is required to grow the business and pay dividends in excess of cash generated, marketable securities and money market instruments may be liquidated and the returns on those instruments could be negatively impacted.

Potential Volatility of the Market Price and Volume of Common Shares

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

Disclosure Controls and Procedures

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

The Chief Executive Officer and the Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure procedures as at August 31, 2016, have concluded that the Company's disclosure controls and procedures are adequate and effective to ensure that material information relating to the Company and its subsidiaries would have been known to them.

Internal Control over Financial Reporting

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

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

Management has also evaluated whether there were changes in the Company's internal controls over financial reporting during the reporting period ended August 31, 2016 that materially affected, or are reasonably likely to affect, the Company's internal controls over financial reporting. Management has determined that no changes occurred during the quarter ended August 31, 2016 that would have a material impact.

Other Information

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

CALDWELL PARTNERS

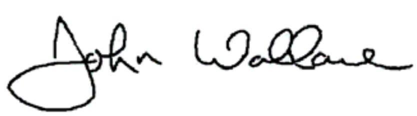
Consolidated Financial Statements

For the Years Ended August 31, 2016 and 2015

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 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 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, CPA

SECRETARY AND CHIEF FINANCIAL OFFICER

November 10, 2016

Independent Auditor's Report

To the Shareholders of
The Caldwell Partners International Inc.

We have audited the accompanying consolidated financial statements of The Caldwell Partners International Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at August 31, 2016 and August 31, 2015 and the consolidated statements of earnings, comprehensive earnings, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Caldwell Partners International Inc. and its subsidiaries as at August 31, 2016 and August 31, 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
November 10, 2016

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in $000s Canadian)

	As at August 31 2016	*As at August 31 2015*
Assets		
Current assets		
Cash and cash equivalents	8,422	9,956
Marketable securities (note 4)	5,056	7,765
Accounts receivable	10,031	8,329
Prepaid expenses and other assets	2,416	1,948
	25,925	27,998
Non-current assets		
Restricted cash	187	498
Marketable securities (note 4)	573	-
Advances	502	1,022
Property and equipment (note 5)	1,838	1,818
Intangible assets (note 6)	279	375
Goodwill (note 7)	2,920	3,220
Deferred income taxes (note 13)	2,475	2,900
Total assets	34,699	37,831
Liabilities		
Current liabilities		
Accounts payable (note 8)	2,384	1,736
Compensation payable (note 10 and 11)	16,125	16,614
Accrued share purchase	-	1,604
Dividends payable (note 15)	403	425
Income taxes payable	513	321
Contingent consideration (note 21)	289	271
Deferred revenue (note 11)	1,187	945
	20,901	21,916
Non-current liabilities		
Compensation payable (note 10)	687	1,064
Provisions (note 8)	184	-
Contingent consideration (note 21)	-	262
	21,772	23,242
Equity attributable to owners of the Company		
Share capital (note 15)	7,295	7,295
Contributed surplus (note 15)	15,025	15,025
Accumulated other comprehensive income	1,179	2,112
Deficit	(10,572)	(9,843)
Total equity	12,927	14,589
Total liabilities and equity	34,699	37,831

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

Signed on behalf of the Board:

G. Edmund King
Chair of the Board

Kathryn A. Welsh
Chair of the Audit Committee

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF EARNINGS

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

	Twelve months ended August 31 2016	2015
Revenues		
Professional fees (note 11)	57,618	54,488
Investment income (note 12)	877	-
License fees (note 22)	253	39
	58,748	54,527
Cost of sales (notes 8, 10 and 11)	44,604	40,257
Gross profit	14,144	14,270
Expenses (note 8)		
General and administrative	11,682	11,158
Sales and marketing	1,144	943
Foreign exchange loss (gain)	40	(6)
	12,866	12,095
Operating profit	1,278	2,176
Investment income (note 4)	404	63
Earnings before income tax	1,682	2,239
Income tax (note 13)	801	263
Net earnings for the year attributable to owners of the Company	881	1,976
Earnings per share (note 14)		
Basic	$0.044	$0.093
Diluted	$0.043	$0.092

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

(in $000s Canadian)

	Twelve months ended August 31 2016	2015
Net earnings for the year	881	1,976
Other comprehensive income:		
Items that may be reclassified subsequently to net earnings		
Realization of gains on marketable securities included in net income	(403)	-
Unrealized loss on marketable securities (note 4)	(100)	(72)
Cumulative translation adjustment	(430)	1,273
Comprehensive (loss) earnings for the year attributable to owners of the Company	(52)	3,177

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	Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Income Cumulative Translation Adjustment	Accumulated Other Comprehensive Income Unrealized Gain/(Loss) on Marketable Securities	Total Equity
Balance - September 1, 2014	**(10,118)**	**7,331**	**16,254**	**(1)**	**912**	**14,378**
Net earnings for the year	1,976	-	-	-	-	1,976
Dividend payments declared (note 15)	(1,701)	-	-	-	-	(1,701)
Common share issuance (note 15)	-	379	-	-	-	379
Repurchase and cancellation of common shares	-	(415)	(1,229)	-	-	(1,644)
Change in unrealized loss on marketable securities	-	-	-	-	(72)	(72)
Change in cumulative translation adjustment	-	-	-	1,273	-	1,273
Balance - August 31, 2015	**(9,843)**	**7,295**	**15,025**	**1,272**	**840**	**14,589**
Net earnings for the year	881	-	-	-	-	881
Dividend payments declared (note 15)	(1,610)	-	-	-	-	(1,610)
Realization of gains on marketable securitiesincluded in net income	-	-	-	-	(403)	(403)
Change in unrealized gain on marketable securities available for sale	-	-	-	-	(100)	(100)
Change in cumulative translation adjustment	-	-	-	(430)	-	(430)
Balance - August 31, 2016	**(10,572)**	**7,295**	**15,025**	**842**	**337**	**12,927**

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	
	2016	*2015*
Cash flow provided by (used in)		
Operating activities		
Net earnings for the year	881	1,976
Adjustments for:		
Depreciation	539	434
Amortization	94	86
Realized gain on marketable securities	(403)	-
Change in fair value of contingent consideration	10	21
Unrealized foreign exchange on subsidiary loans	28	(41)
Non-cash professional fees received as equity	(1,121)	-
Increase in deferred taxes	403	76
(Decrease) increase in long term incentive accrual	(377)	511
Loss on disposal of property and equipment	77	5
(Increase) decrease in accounts receivable	(1,916)	1,019
Increase in prepaid expenses and other assets	(473)	(336)
Increase in accounts payable	401	58
Decrease in compensation payable	(95)	(227)
Increase (decrease) in income taxes payable	193	(1,498)
(Decrease) increase in dividends payable	-	58
Increase in provisions	184	-
Payment of cash-settled share-based compensation	(449)	(598)
Payment of contingent consideration	(254)	-
Increase (decrease) in deferred revenue	245	(1,187)
Net cash (used in) provided by operating activities	(2,033)	357
Investing activities		
Proceeds from sale of marketable securities	3,171	-
Acquisition of business, net of cash acquired	-	(1,018)
Increase in marketable securities	-	(27)
Decrease (increase) in advances	400	(679)
Decrease (increase) in restricted cash	313	(3)
Additions to property and equipment	(414)	(474)
Net cash provided by (used in) investing activities	3,470	(2,201)
Financing activities		
Repurchase and cancellation of common shares	(1,604)	-
Dividend payments	(1,633)	(1,701)
Net cash used in financing activities	(3,237)	(1,701)
Effect of exchange rate changes on cash and cash equivalents	266	758
Net decrease in cash and cash equivalents	(1,534)	(2,787)
Cash and cash equivalents, beginning of year	9,956	12,743
Cash and cash equivalents, end of year	8,422	9,956

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

(in $000s Canadian unless otherwise stated)

1. General Information

The Caldwell Partners International Inc. (the Company) is an executive search consulting firm specializing in recruiting executives 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 positions.

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 license partners, Latin America and New Zealand.

The Board of Directors approved these consolidated financial statements for issue on November 10, 2016.

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).

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, including available-for-sale marketable securities and contingent consideration.

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, balances and unrealized gains and losses from intercompany transactions 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 expenses 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.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category. No such instruments held by the Company are classified in this category.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statements of earnings. Gains and losses arising from changes in fair value are presented in the consolidated statements of earnings within general and administrative expenses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the consolidated statements of financial position date, which are classified as non-current.

(ii) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company's available-for-sale assets comprise its investments in marketable securities.

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Available-for-sale investments are classified as current, unless the investment matures beyond twelve months.

Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the consolidated statements of earnings as part of investment income. Dividends on available-for-sale equity instruments are recognized in the consolidated statements of earnings as part of investment income when the Company's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the consolidated statements of earnings and are included in investment income.

(iii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise accounts receivable and cash and cash equivalents, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(iv) Other financial liabilities at amortized cost: Financial liabilities at amortized cost include accounts payable, compensation payable, accrued share purchase 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.

Impairment of financial assets
At each reporting date, the Company assesses whether there is objective evidence that a financial asset (other than a financial asset classified as fair value through profit or loss) is impaired. If such evidence exists, the Company recognizes an impairment loss as follows:

(i) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

(ii) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the consolidated statements of earnings. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to net earnings.

Impairment losses on financial assets carried at amortized cost and available-for-sale financial assets 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. Impairment losses on available-for-sale equity investments are not reversed.

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 disposals 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, restricted 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.

Restricted stock units (RSUs) are notional common shares of the Company that are restricted to be issued to members of the management team. RSU balances are adjusted for notional dividends received on the holdings. These restricted stock units cliff vest three years from the date of grant, and may be settled either in shares or in cash. The Board of Directors may elect to settle in either cash or shares; should the Board of Directors elect to settle in shares, the individual may elect to receive up to half of the settlement in cash. Fair value of each tranche is based on the fair value of the awards at the date of grant, with the fair value updated at each reporting date. Compensation expense is recognized on a straight line basis over the three year vesting period. Notional dividend awards and changes in 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 market value on the date of the grant, which track the performance of the Company's common shares over time. These DSUs vest only when the Board Member leaves the Board and 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, RSUs 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 Professional Fees, Investment Income and License Fee Revenue.

Professional Fees:
Professional Fees represent the revenue derived from the executive search services provided to our clients. Professional fees are comprised of retainers and indirect expenses billed to clients based on terms set forth in signed engagement letters with each client. The Company is typically paid a retainer for its executive search services, equal to one-third of the position's estimated first year compensation. The Company's standard practice is to bill its clients for its retainer and indirect expenses in one-third increments over a three-month period commencing in the month of a client's acceptance of the contract. Any fees earned in excess of the retainer or fees that are contingent on a candidate's future compensation are billed when actual compensation of the placed candidate is known. Indirect expenses are generally calculated as a percentage of the retainer with certain dollar limits per search.

Professional fees are recognized when it is probable that that the economic benefits will flow to the Company and service has been provided, the fee is determinable and collectability is reasonably assured. Revenue from standard executive search engagements is recognized over the expected average performance period, in proportion to the estimated effort to fulfill the Company's obligations under the engagement terms. To the extent that there are differences between the estimated percentage of completion based on the expected average performance period and amounts billed, the Company defers a portion of revenue to be recognized in a future period and records this as deferred revenue on the consolidated statements of financial position.

Revenue in excess of the retainer, resulting from actual compensation of the placed candidate exceeding the estimated compensation, is recognized on completion of the executive search when the amount of the additional fee is known. Revenue from certain non-standard executive search engagements is recognized in accordance with the completion of the engagement deliverables.

Professional fees are paid to the Company predominantly in the form of cash and, on occasion, in the form of equity interests in our 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 agreement. Equity payments occur most commonly in venture capital and private equity backed entities where executive cash compensation is often lower in lieu of the executive receiving compensation more prominently in equity as well as a desire by early stage companies to preserve cash. The accounting for these equity payments is described below under Investment Income.

Investment Income:
Equity interests in our clients are available-for-sale financial assets and changes in their value are recorded in other comprehensive income. Once an equity interest from a client is monetized, the accumulated gain or loss recorded within other comprehensive income since the initial valuation date is reclassified to investment income within revenue.

License Fee Revenue:
License fee revenue is comprised of the license and technical assistance fees paid by the Company's affiliates, as discussed in Note 22. The license fee revenue is recognized as earned, based on the revenue of the affiliates during the respective periods. The government of Venezuela has imposed restrictions on removing cash from their country and as a result, license fee revenue related to CPGroup's Venezuelan operations is not currently recognized. Such license fees relating to Venezuela will accumulate but only be recognized when the ability for payment outside of the country is available.

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, would be 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.

Accounting standards issued but not yet applied

IFRS 9, Financial Instruments (IFRS 9)
The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace International Accounting Standard (IAS) IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of the entity's own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the entity's own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company has yet to assess the full impact of IFRS 9 and has not yet determined when it will adopt the new standard.

IFRS 15, Revenue from Contracts with Customers (IFRS 15)
This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue and IFRIC 13 Customer Loyalty Programs. This standard outlines a single comprehensive model for entities to account for revenue arising from contracts with customers. The latest date of mandatory implementation of IFRS 15 is for annual reporting periods beginning on or after January 1, 2018. The Company has not yet assessed the potential impact of IFRS 15.

IFRS 16, *Leases* The new standard will eliminate the distinction between operating and finance leases and will bring most leases on the consolidated balance sheets for lessees. This standard is effective for annual reporting periods beginning on or after January 1, 2019. The company has not yet evaluated the impact on the consolidated financial statements.

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 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. Further information on deferred revenue is included in note 11.

Allowance for doubtful accounts
Estimates are used in determining the allowance for doubtful accounts related to accounts receivable. The estimates are based on management's best assessment of the collectability of the related receivable balance based, in part, on the age of the specific receivable balance. An allowance is established when the likelihood of collecting the account has significantly diminished. Future collections of receivables that differ from management's current estimates would affect the results of operation 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 (classified as available for sale financial assets) which are comprised of managed bond funds and certain equity securities held for investment obtained through search fees being paid partially in equity of the client. As of August 31, 2016 managed funds and client equity investments were $4,784 and $845, respectively and as of August 31, 2015 the entire balance represented managed funds of $7,765.

August 31	Fair value	Current portion	Non-current portion
2016	5,629	5,056	573
2015	7,765	7,765	-

During fiscal 2016, the Company recorded $403 (2015: $35) in realized gains on disposition of available-for-sale marketable securities and this is included in investment income in the consolidated statements of earnings. An unrealized loss of $100 was recognized as part of other comprehensive income during the year (2015: $72).

5. Property and Equipment

	Furniture and equipment	Computer equipment	Computer application software	Leasehold improvements	Total
Year ended August 31, 2015:					
Opening net book value	544	244	18	804	1,610
Additions	133	142	26	173	474
Disposals	(5)	-	-	-	(5)
Depreciation for the year	(127)	(97)	(24)	(186)	(434)
Exchange differences	58	26	2	87	173
Closing net book value	603	315	22	878	1,818
At August 31, 2015:					
Cost	2,416	2,357	756	3,202	8,731
Accumulated depreciation	(1,813)	(2,042)	(734)	(2,324)	(6,913)
Net book value	603	315	22	878	1,818
Year ended August 31, 2016:					
Opening net book value	603	315	22	878	1,818
Additions	152	137	6	119	414
Reclassification	-	-	-	238	238
Disposals	(58)	-	-	(20)	(78)
Depreciation for the year	(124)	(116)	(17)	(282)	(539)
Exchange differences	(5)	(3)	-	(7)	(15)
Closing net book value	568	333	11	926	1,838
At August 31, 2016:					
Cost	2,505	2,491	762	3,531	9,289
Accumulated depreciation	(1,937)	(2,158)	(751)	(2,605)	(7,451)
Net book value	568	333	11	926	1,838

Depreciation of property and equipment is included in general and administrative expenses in the consolidated statements of earnings. Disposals of assets have been derecognized amounting to cost and accumulated depreciation of $260 and $182, respectively (2015: $1,208 and $1,203, respectively).

6. Intangible Assets

	2016	2015
Year ended August 31,		
Opening net book value	375	385
Amortization for the year	(94)	(86)
Exchange differences	(2)	76
Closing net book value	279	375
At August 31,		
Cost	855	857
Accumulated amortization	(576)	(482)
Net book value	279	375

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 10 years with 3 years remaining.

7. Goodwill

In assessing goodwill for impairment at August 31, 2016 and 2015, 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 amount. In each case, the recoverable amount has been determined based on the estimated value in use of the CGU using a one-year cash flow budget. For periods beyond the budget period, cash flows were extrapolated using the following assumptions:

United States

	2016	2015
Average growth rate	5%	5%
Expected gross margin	27%	26%
Discount rate	8%	8%

Europe

	2016	2015
Average growth rate	5%	8%
Expected gross margin	30%	25%
Discount rate	8%	8%

The impairment tests performed resulted in no impairment at August 31, 2016 or 2015.

8. Nature of Expenses

	2016	2015
Compensation costs	47,567	44,187
Occupancy costs	4,710	4,167
Sales and marketing	1,144	943
Onerous lease costs	759	-
Depreciation	539	434
Amortization	94	86
Other	2,657	2,535
	57,470	52,352

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 are less than the Company's contracted lease obligations. Onerous lease costs include the present value of these net sublease expenses over the approximate five-year term of the sublease ($465), real estate commissions ($206) and other costs associated with moving from the premises ($88) and were recorded within general and administrative expenses in the consolidated statements of earnings. The current portion of sublease costs total $316 and is included in accounts payable and the non-current portion of $184 is included in provisions in the consolidated statements of financial position.

9. Compensation of Key Management

Key management includes the Board of Directors and named executive officers of the Company. Compensation expense pertaining to key management included:

	2016	2015
Salaries and short-term benefits	1,273	2,107
Share-based compensation expense	606	861
	1,879	2,968

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,	
	2016	2015
Commissions and bonuses	15,216	16,277
Performance and Restricted Stock Units	909	337
	16,125	16,614

Non-current compensation payable

	As at August 31,	
	2016	2015
PerformanceStock Units	412	863
Deferred Stock Units	275	201
	687	1,064

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) and Restricted Stock Units (RSUs)

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 96% of target. PSU expense for the year ended August 31, 2016 of $458 (2015: $674) was recorded within general and administrative expenses in the consolidated statements of earnings.

RSU expense was recorded for the year ended August 31, 2016 of $113 (2015: $149) within general and administrative expenses in the consolidated statements of earnings. During the year, payments to holders of RSUs totaled $449 (2015: $598). In 2016 all RSUs were paid out and as at August 31, 2016 none are outstanding.

A summary of the Company's PSU and RSU plans is presented below:

	2016	2015
	Notional units (000s)	Notional units (000s)
Outstanding at beginning of period	1,363	1,338
Granted	457	394
Dividends declared	84	78
Settled	(293)	(447)
Outstanding at end of period	1,611	1,363

Deferred Stock Units (DSUs)
DSU expense for the year ended August 31, 2016 has been recorded of $73 (2015: $72) within general and administrative expenses in the consolidated statements of earnings.

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

	2016	2015
	Notional units (000s)	Notional units (000s)
Outstanding at beginning of period	161	90
Granted	76	64
Dividends declared	11	7
Outstanding at end of period	248	161

11. Deferred Revenue

The Company's method of revenue recognition requires it to estimate the expected average performance period and the proportion of the estimated effort to fulfill the Company's obligations throughout the average performance period for its executive searches. The average performance period ranges from period to period but averages between three and four months. Differences between the revenue recognition period and the billing period will give rise to a deferral of revenue. When this occurs, the Company defers a portion of the amounts billed to be recognized in a future period.

At August 31, 2016, the Company had deferred revenue of $1,187 (2015: $945) and related deferred compensation expense of $576 (2015: $499), with such amounts to be recognized during a future period. These amounts are reflected as reductions in revenue and cost of sales in the consolidated statements of earnings.

12. Investment income

Investment income derived from equity interest in clients of $877 has been recorded for the year ended August 31, 2016 (2015: nil) resulting from a realized gain of an equity position obtained as a portion of professional fee consideration in a prior period. Partner commission costs against investment income are reflected in cost of sales in the consolidated statements of earnings and in compensation payable on the consolidated statements of financial position. Of the total $877 gain, $491 was collected in cash and $386 is recorded within the current portion of Marketable Securities.

13. Income Taxes

	2016	2015
Current tax:		
Current tax on net earnings for the year	398	187
Deferred tax:		
Origination and reversal of temporary differences	403	76
	801	263

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:

	2016	2015
Combined statutory income tax rate	41.0%	29.9%
Deferred tax assets not recognized/(previously recognised)	11.5%	(26.9%)
Non-deductible expenses	(1.8%)	4.9%
Prior years taxes	(3.6%)	(1.0%)
Other	0.5%	4.8%
	47.6%	11.7%

The analysis of deferred tax assets and liabilities is as follows:	2016	2015
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	182	38
Deferred tax assets to be recovered within 12 months	3,242	3,303
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 12 months	(688)	(308)
Deferred tax liabilities to be recovered within 12 months	(261)	(133)
Deferred tax assets (net)	2,475	2,900

The analysis of deferred tax assets and liabilities is as follows:	2016	2015
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	182	38
Deferred tax assets to be recovered within 12 months	3,242	3,303
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 12 months	(688)	(308)
Deferred tax liabilities to be recovered within 12 months	(261)	(133)
Deferred tax assets (net)	2,475	2,900

The movement of the deferred income tax account is as follows:	2016	2015
As of September 1	2,900	2,443
Debit to statement of earnings	(403)	(76)
Exchange differences	(22)	533
As of August 31	2,475	2,900

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	**Non-Capital losses**	**Other**	**Total**
At August 31, 2014	2,339	130	268	2,737
(Charged)/credited to the statement of earnings	135	(130)	71	76
Exchange differences	508		20	528
At August 31, 2015	2,982	-	359	3,341
(Charged)/credited to the statement of earnings	109	-	32	141
Exchange differences	(17)		(41)	(58)
At August 31, 2016	3,074	-	350	3,424

Deferred tax liabilities

	Excess carrying value of PP&E over tax base	**Revenue not taxable until a future year**	**Other**	**Total**
At August 31, 2014	203	-	91	294
(Charged)/Credited to statement of earnings	89	-	63	152
Exchange differences	16	-	(21)	(5)
At August 31, 2015	308	-	133	441
Charged/(credited) to the statement of earnings	14	361	169	544
Exchange differences	1	4	(41)	(36)
At August 31, 2016	323	365	261	949

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 $245 (2015: $46) that can be carried forward against future taxable income.

As at August 31, 2016, the Company has non-capital losses with the following expiry dates available to reduce income of future years;

Expiry	Amount
Indefinite	1,298

The Company also has capital losses of $3,101 that can only be utilized against capital gains and are without expiry date.

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.

	2016	2015
Net earnings for the year	881	1,976
Weighted average number of common shares outstanding	20,198,416	21,252,552
Basic earnings per share	$0.044	$0.093

(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.

	2016	2015
Net earnings for the year	881	1,976
Weighted average number of common shares outstanding	20,198,416	21,252,552
Adjustment for stock options	145,237	166,249
Weighted average number of common shares for diluted earnings per share	20,343,653	21,418,801
Basic earnings per share	$0.043	$0.092

15. Capital Stock

Common Shares

As at August 31, 2016 the authorized share capital of the Company consists of an unlimited number of Common Shares of which 20,129,555 are issued and outstanding (August 31, 2015: 21,275,155). The holders of Common Shares are entitled to share equally, share for share, in all dividends declared by the Company and equally in the event of a liquidation, dissolution or winding-up of the Company or other distribution of the assets among shareholders.

On September 23, 2015 the Company purchased and canceled 1,145,600 common shares of the Company held by DHR International Inc. for $1.40 per share for $1,604 plus associated legal fees incurred through August 31, 2015 of $40 for a total cost of $1,644.

On October 1, 2014, as discussed in note 21, the Company issued 275,000 common shares in connection with its acquisition of Hawksmoor Search Limited.

The Company has declared quarterly dividends since May 1, 2012. A summary of dividends declared during fiscal 2015 and 2016 is as follows:

Declaration date	Payment date	Dividends per share	Aggregate dividends declared
November 13, 2014	December 12, 2014	$0.0200	$425
January 8, 2015	March 12, 2015	$0.0200	$425
April 9, 2015	June 15, 2015	$0.0200	$425
July 9, 2015	September 14, 2015	$0.0200	$425
November 17, 2015	December 11, 2015	$0.0200	$403
January 7, 2016	March 14, 2016	$0.0200	$403
April 12, 2016	June 16, 2016	$0.0200	$403
July 7, 2016	September 12, 2016	$0.0200	$403

The dividend payable September 12, 2016 has been accrued in the Company's consolidated financial statements as at August 31, 2016.

Stock Options

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

	August 31, 2016		August 31, 2015	
	Number of options outstanding	Weighted average exercise price	Number of options outstanding	Weighted average exercise price
Outstanding at beginning and end of period	375,000	$0.93	375,000	$0.93
Exercisable at end of period	375,000		375,000	

All options currently outstanding vest over two years and have a contractual life of five years. Options have an exercise price equal to the market value of the common shares on the date of issuance. No stock option expense has been recorded in the years ended August 31, 2016 and 2015.

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:

	2016				
	Canada	United States	Europe	Elimination	Total
Professional fees	12,260	43,170	2,188	-	57,618
Investment income	-	877	-	-	877
License fees	1,243	-	-	(990)	253
Revenues	13,503	44,047	2,188	(990)	58,748
Gross profit (loss)	4,408	11,029	(303)	(990)	14,144
General and administrative	(3,037)	(7,821)	(824)	-	(11,682)
Sales and marketing	(242)	(831)	(71)	-	(1,144)
Licensing fees	-	(990)	-	990	-
Foreign exchange loss	(7)	(7)	(26)	-	(40)
Operating profit (loss)	1,122	1,380	(1,224)	-	1,278
Investment income	404	-	-	-	404
Income tax	(366)	(496)	61	-	(801)
Net earnings (loss) for the period	1,160	884	(1,163)	-	881

	2015				
	Canada	United States	Europe	Elimination	Total
Professional fees	16,377	37,136	975	-	54,488
License fees	948	-	-	(909)	39
Revenues	17,325	37,136	975	(909)	54,527
Gross profit (loss)	5,801	9,247	132	(909)	14,271
General and administrative	(3,640)	(7,172)	(346)	-	(11,158)
Sales and marketing	(314)	(612)	(17)	-	(943)
Licensing fees	-	(909)	-	909	-
Foreign exchange gain (loss)	12	(6)	-	-	6
Operating profit (loss)	1,859	548	(231)	-	2,176
Investment income	63	-	-	-	63
Income tax	108	(371)	-	-	(263)
Net earnings (loss) for the period	2,030	177	(231)	-	1,976

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, 2016 corporate support costs totaled $4,289 (2015: $5,477) with $3,216 allocated to the US (2015: $3,734), $913 to Canada (2015: $1,645) and $160 to Europe (2015: $98). Intercompany license 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, 2016				At August 31, 2015			
	Canada	United States	Europe	Total	Canada	United States	Europe	Total
Property and equipment	628	1,168	42	1,838	729	1,056	33	1,818
Intangible assets	-	279	-	279	-	375	-	375
Goodwill	-	1,296	1,624	2,920	-	1,306	1,914	3,220
Total assets	12,293	19,860	2,546	34,699	18,006	17,381	2,444	37,831

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

	2016				2015			
	Canada	United States	Europe	Total	Canada	United States	Europe	Total
Depreciation expense	205	318	16	539	198	231	5	434
Amortization expense	-	94	-	94	-	86	-	86

17. Commitments

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

Twelve months ending August 31, 2017	3,376
Twelve months ending August 31, 2018	2,919
Twelve months ending August 31, 2019	2,652
Twelve months ending August 31, 2020	2,290
Twelve months ending August 31, 2021	1,737
September 1, 2021 and thereafter	1,505
	14,479

The operating lease commitments include gross obligations in connection with the New York, NY sublease as discussed in note 8. The Company expects to recoup $3,280 through September 30, 2021 which is not reflected in the above.

During the year ended August 31, 2016, the Company expensed $3,452 (2015: $3,072) 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, dependent 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, 2016 was $143 (2015: $195).

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. Occupancy costs within general and administrative expenses in the consolidated statements of earnings have been recognized for the year ended August 31, 2016 in the amount of $223 (2015: $223).

19. Financial Instruments

Classification of financial instruments

The classification of the financial instruments is shown in the table below.

	Classification	Measurement
Cash and cash equivalents	loans and receivables	amortized cost
Marketable securities	available-for-sale	fair value
Accounts receivable	loans and receivables	amortized cost
Restricted cash	loans and receivables	amortized cost
Accounts payable	other financial liabilities	amortized cost
Compensation payable	other financial liabilities	amortized cost
Accrued share purchase	other financial liabilities	amortized cost
Dividends payable	other financial liabilities	amortized cost
Contingent consideration	fair value through profit or loss	fair value

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 at August 31, 2016 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 as well as contingent consideration. At August 31, 2015 the Company's Financial Instruments measured at fair value consisted of marketable securities comprised entirely of managed funds and contingent consideration.

2016

	Level 1	Level 2	Level 3
Marketable securities	272	4,784	573
Contingent consideration (note 21)	-	-	289
	272	4,784	862

2015

	Level 1	Level 2	Level 3
Marketable securities	-	7,765	-
Contingent consideration (note 21)	-	-	533
	0	7,765	533

Fair value

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

The Company has designated marketable securities as available-for-sale and as a result, these marketable securities are recorded at fair value with unrealized gains and losses that are considered temporary in nature being recorded in other comprehensive income. The professionally managed fixed income funds within marketable securities 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. A portion of the marketable securities held for investment obtained through search fees being paid partially in equity trade on the NASDAQ and are measured at fair value using quoted prices and are included within level 1 of the fair value hierarchy. The remaining marketable securities are included within level 3 of the fair value hierarchy and are in a private company whose value is derived from estimates used in recent financings with discounts applied to factor in vesting and transferability restrictions on the units held. Other than temporary impairments of marketable securities are recorded within the Company's consolidated statements of earnings. Realized gains and losses are removed from accumulated other comprehensive income and recognized within the consolidated statements of earnings. A 5% depreciation or appreciation in the value of the marketable securities included within level 3 of the fair value hierarchy, assuming all other variables remained the same, would have resulted in an increase or decrease in other comprehensive income/(loss) of $29 recognized in the unrealized gain/(loss) on marketable securities in the Company's consolidated statements of comprehensive earnings for the year ended August 31, 2016 (2015: nil).

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 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 these in rates as the Company's financial results are reported in Canadian dollars.

At August 31, 2016, the Company has a net monetary asset exposure of $5,691 denominated in US dollars (2015: $5,157). 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 $285 recognized in the cumulative translation adjustment in the Company's consolidated statements of comprehensive earnings for the year ended August 31, 2016 (2015: $258).

At August 31, 2016, the Company has net monetary asset exposure of $2,079 denominated in British pound sterling (2015: $2,330). 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 $104 recognized in the cumulative translation adjustment in the Company's consolidated statements of comprehensive earnings for the year ended August 31, 2016 (2015: $116).

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, 2016			As at August 31, 2015		
	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	2,384	-	-	1,736	-	-
Compensation payable	16,125	-	687	16,614	-	1,064
Accrued share purchase	-	-	-	1,604	-	-
Dividends payable	403	-	-	425	-	-
Contingent consideration	289	-	-	271	-	262

Credit risk

Credit risk is the risk of an unexpected 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, marketable securities, restricted cash and accounts receivable. 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.

Accounts receivable were comprised of the following at August 31:

	As at August 31	
	2016	2015
Accounts receivable	10,049	8,768
Less: Allowance for doubtful accounts	(598)	(575)
	9,451	8,193
Other receivables	580	136
	10,031	8,329

No financial assets are past due except for a portion of accounts receivable. As at August 31, 2016, accounts receivable of $8,616 (2015: $7,290) were fully performing, $835 (2015: $903) were over 90 days but not impaired and $598 (2015: $575) were over 90 days and impaired.

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

	As at August 31	
	2016	2015
Start of year	575	389
Provision for impairment	419	1,097
Receivables written off during the year as uncollectible	(148)	(815)
Unused amounts reversed	(248)	(96)
End of year	598	575

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).

At August 31, 2016, the Company has $5,629 invested in marketable securities (2015: $7,765). 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 $281 (2015: $388).

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. Acquisition of Hawksmoor Search Limited

On October 1, 2014, the Company acquired all of the outstanding shares of Hawksmoor Search Limited (Hawksmoor), an executive search firm based in London, United Kingdom. The results of these operations have been consolidated with those of the Company from the date of acquisition. The purchase price consists of: (i) cash paid at close of £450; (ii) 275,000 shares of The Caldwell Partners International, Inc. newly issued at close; (iii) a net working capital adjustment of £322 paid in cash based on the value of assets acquired, net of liabilities assumed; and (iv) cash to be paid annually over the following two years subject to Hawksmoor's achieving certain revenue criteria and with a cumulative maximum payment of £300. For purposes of calculating the purchase price, the value per common share was $1.38 which was the closing share price on the date of close. The contingent consideration is measured at fair value based on Level 3 inputs. The contingent consideration is not based on observable inputs and is measured using a discounted cash flow analysis of expected payments in future periods. The contingent consideration amounts were recorded at their fair value using a discount rate of 4.0%. The movement in this balance is as follows:

Fair value at acquisition	512
Change in fair value	21
Value at August 31, 2015	533
less contingent consideration paid	(254)
Change in fair value	10
Value at August 31, 2016	289

Purchase price was first assigned to net tangible and intangible assets acquired and liabilities assumed. Potential intangible assets which were reviewed included tradename, software, customer related intangible assets and non-compete assets. Management determined that there was no supportable value to be attributed to these intangible asset categories. Purchase price was not attributed to work-in-progress as there were no ongoing assignments at the acquisition date. Accordingly, the excess of the purchase price over the net tangible assets acquired and liabilities assumed was recorded as goodwill and reflects synergies with the Company's operations through the value of acquired work force and value of geographic presence for further servicing to clients. It is not expected to be deductible for tax purposes.

Purchase price, net of cash acquired at October 1, 2014:

Cash paid at close	815
less cash acquired	(381)
Net cash paid at close	434
Value of common shares issued	380
Contingent consideration	512
Working capital adjustment	583
Total purchase price, net of cash acquired	1,909

Allocation of purchase price, net of cash acquired at October 1, 2014:

Accounts receivable	123
Income taxes receivable	59
Prepaid expenses and other current assets	80
Deferred income taxes	2
Accounts payable	(62)
Goodwill	1,707
Total purchase price, net of cash acquired	1,909

Acquisition related costs of $29 have been charged to general and administrative expenses in the consolidated statements of earnings for the year ended August 31, 2015.

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 the license fee payments, the licensees will have rights to use the Caldwell Partners brand, search processes, methodologies and related intellectual property. For the year ended August 31, 2016 license fees amounted to $253 (2015: $39).

On July 13, 2015, the Company entered into a licensing agreement with CPGroup LATAM Ltd. and its subsidiaries ("CPGroup"). CPGroup operates throughout Latin America. The affiliation agreement has an initial term of five years and provides for CPGroup to pay the Company 2.25% of Latin American revenue for the first two years of the agreement and 4.25% in subsequent years. Should there be a change of control of the Company during the first two years of the agreement, CPGroup will have the right to terminate the alliance agreement and will be entitled to a dislocation and rebranding fee of USD $2,000.

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

23. Subsequent Events

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.

On November 10, 2016, the Board of Directors declared a dividend of 2.0 cents per share, payable to holders of common shares of record on November 21, 2016 and to be paid on December 16, 2016.

CALDWELL PARTNERS

Caldwell Partners is one the world's premier providers of executive search and has been for more than 45 years. Our sterling reputation is built on our record of successful searches for board directors, chief and senior executives, and selected functional experts, and our focus on providing the highest quality client service.

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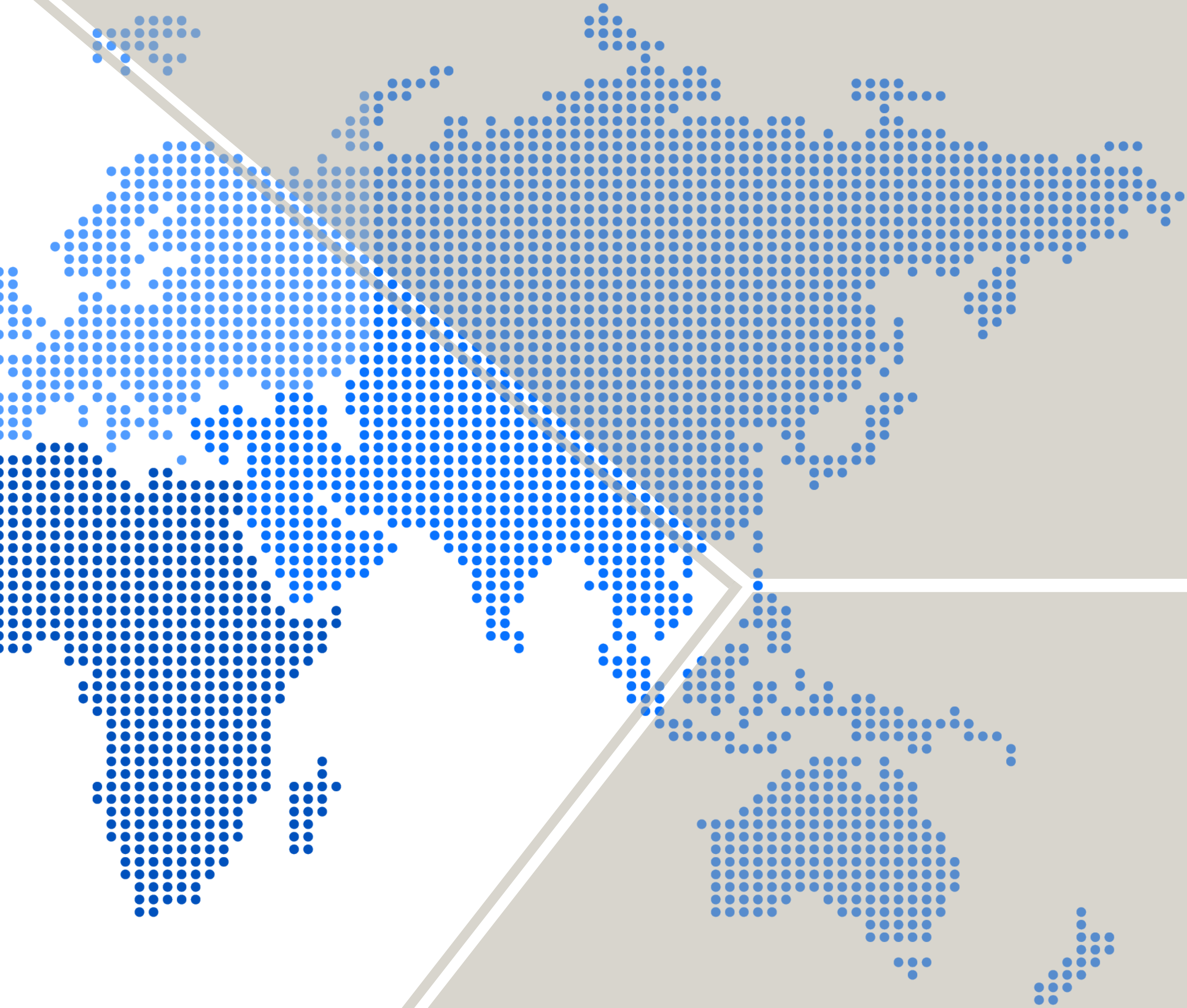

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