Caldwell 1970-2020 50 YEARS

ANNUAL REPORT 2020

Caldwell 1970-2020 50 YEARS

Dear Shareholders, Clients, and Friends:

Fiscal 2020 certainly was a year unlike any other. After a record start to the year, the world went in a completely unexpected direction when the pandemic and ensuing economic fallout hit in March. With that came a swift and material reduction in business, as new assignment levels fell and remained depressed throughout the summer.

Despite the daunting climate, we did what we do best – providing high quality service to our clients while ensuring the safety of our employees. With an impressive ability to adapt and innovate in new business development and search execution, our team has done a superlative job of delivering outstanding and transformative leadership talent for our clients throughout.

Through a combination of decisive cost management initiatives, coupled with the benefit of government stimulus grants, we are exiting this challenging year in a position of financial strength. We generated positive earnings for the year - $58.2 million in revenue and $3.8 million in operating profit – and have a balance sheet and a cash position with liquidity to manage through further twists and turns in the ongoing pandemic environment.

In the face of swirling uncertainty, we focused on serving our clients' needs and making continuous improvements in our ability to do so. We added several new executive search partners and teams in fiscal 2020 and established a presence in Richmond, VA. We launched Caldwell Analytics, our talent optimization solution that uses highly respected, results-driven assessments to drive better results for our clients. Additionally, Caldwell Advance, which leverages our proven search process to deliver emerging leaders and advancing professionals, continues to grow to positive reception from our clients.

Public awareness of the importance of diversity and inclusion grew in 2020, and we committed to champion change for ourselves, for our clients and for our industry at large. We signed pledges with CEO Action for Diversity & Inclusion™ and BlackNorth Initiative, two organizations committed to advancing diversity and inclusion in the workplace. We were also named to the Globe and Mail's *Women Lead Here* list, a new annual benchmark of executive gender diversity in corporate Canada. As one of just 75 companies to earn this honour for the percentage of female-identifying representation in the top three tiers of executive management, we are proud of the positive steps we've taken, and look forward to further initiatives ahead.

We celebrated our 50th anniversary on September 1 – an incredible milestone and a testament to the importance of the work we do. We've been making a real difference to the success of our clients and the lives of our candidates for 50 years, one search at a time. We here at Caldwell take great pride in this important work.

As we look ahead to Fiscal 2021, we intend to leverage our strong financial position to make strategic investments to expand and refine our ability to serve our clients' needs. Since the trough of the summer, we have seen monthly sequential increases in new search volumes and business development activity and are confident in our ability to garner market share throughout a recovering market. Circumstances will keep evolving, but we have the greatest team out there and will continue to thrive and succeed.

We are immensely grateful to our entire Caldwell team. They have proven beyond a shadow of a doubt that they are up to any challenge and can keep moving onward and upward in any circumstance. Their outstanding resourcefulness, commitment and fortitude have been a real inspiration and a source of great pride to us all.

Yours sincerely,

Elias Vamvakas
Chair of the Board

John Wallace
President & Chief Executive Officer

THE CALDWELL PARTNERS INTERNATIONAL INC

MANAGEMENT DISCUSSION AND ANALYSIS

For the years ended August 31, 2020 and August 31, 2019

Management Discussion and Analysis

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

COMPANY DESCRIPTION

The Caldwell Partners International Inc. (the “Company” or “we”) is a talent acquisition 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. Our core service offerings have historically been the placement of executives in full-time employed roles or an advisory capacity withing fiduciary governance boards.

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

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

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

FORWARD-LOOKING STATEMENTS

Forward-looking statements in this document are based on current expectations that are subject to the significant risks and uncertainties cited. These forward-looking statements generally can be identified by use of statements that include phrases such as “believe,” “expect,” “anticipate,” “intend,” “plan,” “foresee,” “may,” “will,” “likely,” “estimates,” “potential,” “continue” or other similar words or phrases. Similarly, statements that describe our objectives, plans or goals also are forward-looking statements. The Company is subject to many factors that could cause our actual results to differ materially from those contemplated by the relevant forward looking statement including, but not limited to, our ability to attract and retain key personnel; exposure to our partners taking our clients with them to another firm; the performance of the US, Canadian and international economies, including the impact of pandemic diseases; competition from other companies directly or indirectly engaged in executive search; liability risk in the services we perform; potential legal liability from clients, employees and candidates for employment; cybersecurity requirements, vulnerabilities, threats and attacks; damage to our brand reputation; our ability to align our cost structure to changes in our revenue; adverse tax law and other governmental rulings; our ability to generate sufficient cash flow from operations to support our growth while providing potential dividends; technological advances may significantly disrupt the labour market and weaken demand for human capital at a rapid rate; foreign currency exchange rate fluctuations; affiliation agreements may fail to renew or affiliates may be acquired; marketable securities valuation fluctuations; increasing dependence on third parties for the execution of critical functions; volatility of the market price and volume of our common shares; potential impairment of our acquired goodwill and intangible assets; and disruption as a result of actions of certain stockholders or potential acquirers of the Company. For more information on the factors that could affect the outcome of forward-looking statements, refer to the “Risk Factors” section of our Annual Information Form and other public filings (copies of which may be obtained at www.sedar.com). These factors should be considered carefully, and the reader should not place undue reliance on forward-looking statements. Although any forward-looking statements are based on what management currently believes to be reasonable assumptions, we cannot assure readers that actual results, performance or achievements will be consistent with these forward-looking statements, and management’s assumptions may prove to be incorrect. Except as required by Canadian securities laws, we do not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by us or on our behalf; such statements speak only as of the date made. The forward-looking statements included herein are expressly qualified in their entirety by this cautionary language.

PRESENTATION

The following discussion and analysis, prepared on November 12, 2020, should be read in conjunction with our consolidated annual audited financial statements and related notes and our Annual Information Form for the year ended August 31, 2020. Unless otherwise noted, all currency amounts are provided in thousands of Canadian dollars (except per share amounts). All references to quarters or years are for the fiscal periods unless otherwise noted. Unless otherwise noted as a non-GAAP financial measure or other operating measure, financial results are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

The significant impact COVID-19 has had on our business, which may continue in subsequent periods, is discussed below in the Impact of COVID-19 on Operating Results section and our Business Outlook and Risk Factors sections.

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

The Company’s Canadian parent legal entity holds the right to the Company’s brand and intellectual property. As discussed in note 23 to the consolidated financial statements, the Company has a licensing agreement with a non-owned entity, The Caldwell Partners International New Zealand Limited (“Caldwell NZ”). The licensing agreement provides for Caldwell NZ to pay the Company a licence fee based on a percentage of revenue. Caldwell NZ had three revenue-producing employees plus related staff operating out of Auckland as of August 31, 2020. In exchange for the licence fee payments, Caldwell NZ can use the Caldwell Partners brand, search processes, methodologies and related intellectual property. The Company also maintained a licensing agreement which commenced on July 13, 2015 with CPGroup Latam Ltd. (“CPGroup”) that was terminated by mutual agreement effective February 28, 2019, and a licensing agreement which commenced on February 7, 2019 with Hattonneale Pty Ltd. of Australia that was terminated by mutual agreement effective August 31, 2020. This is discussed further in the Revenue section of this document under License Fees.

NON-GAAP FINANCIAL MEASURES AND OTHER OPERATING MEASURES

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

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

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

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

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

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

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

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

ACCOUNTING PRONOUNCEMENTS IMPACTING OPERATING RESULTS

ADOPTION OF IFRS 16, LEASES

Effective September 1, 2019 we implemented IFRS 16, Leases (“IFRS 16”), as discussed in detail in our consolidated financial statements in the recently applied accounting standards section. IFRS 16 requires us to record most of our lease agreements as both a liability and an asset. The present value of future lease payment obligations is recorded as a lease liability using our incremental borrowing rate. A right-of-use (“ROU”) asset reflecting the benefit of using the leased space in the future is also recorded, initially at the same amount.

The lease liability is classified and treated as a financial liability, similar to debt. The balance is accreted each period at our incremental borrowing rate. The resulting lease liability interest expense is presented in our consolidated statement of earnings on a line item below operating profit.

The ROU asset is classified and treated as a long-term asset, similar to a fixed asset. The ROU is reduced over time through a straight-line depreciation matching the time we receive the benefit of using the premises or other leased assets or over the assets' expected useful life, whichever is shorter.

A summary of the most significant areas of impact from IFRS 16 are as follows:

Statement of Financial Position
Our total liabilities and our total assets have increased. We recognized a lease liability, classified between its current and non-current portions, and a corresponding ROU asset which is classified as non-current. Prior to IFRS 16, we disclosed the amounts payable in future periods on our leases in the notes to our consolidated financial statements, but we did not record liabilities or assets pertaining to future periods other than a deferred rent liability created by the straight-line recognition of expense relative to lease payments made, which are generally lower in early periods and escalate throughout the lease life. Prior to the implementation of IFRS 16, we carried an onerous lease provision equal to the net difference between the discounted future payments we were required to pay the landlord and the amount we expected to receive from our subtenant. These future payments are now reflected as a present valued lease liability on future amounts payable and a present valued lease receivable on future amounts receivable. The deferred rent liability is no longer applicable and was derecognized on the adoption of IFRS 16.

Statement of Earnings
As permitted by IFRS 16, we elected to exclude operating, maintenance and real estate tax expenses on our leases from the present value calculation of the lease liability and ROU asset. These operating costs are treated as period costs and included as occupancy expenses in arriving at operating profit. Prior to IFRS 16, these costs were comparably recorded as occupancy expenses.

Depreciation expense on ROU assets is recognized on a straight-line basis as an occupancy cost, and it is included in expenses in arriving at operating profit. Prior to IFRS 16, we recorded period lease expense on a straight-line basis over the lease's life, but there was not a present-value component to the calculation. Therefore, lease expense in occupancy expenses would have been higher in periods before the adoption of IFRS 16.

Interest expense is calculated on the discounted lease liability and included in arriving at earnings before tax. Prior to IFRS 16, lease liabilities were off the balance sheet, and no expense was recorded.

Statement of Cash Flows

Our lease agreements, including future payment obligations and rights to use the premises, have not changed. As such, the impact on our consolidated interim statement of cash flow in total has not changed. However, the classification of payments within the cash flow has changed. As the lease liability is now considered a financial liability, we add back ROU amortization and interest expense to our operating activities and reflect the principal payments on the lease liability, the receipt of sublease payments and the interest expense on lease liability as financing activities. Prior to adopting IFRS 16, all related lease costs were classified as operating activities. Current period operating costs on our leased facilities are included as operating activities, as they were before adopting IFRS 16.

IMPACT OF COVID-19 ON OPERATING RESULTS

On January 30, 2020, the World Health Organization (WHO) characterized the novel coronavirus (COVID-19) as a public health emergency. At that time, there had not been a direct negative impact seen within the regions we operate. On March 11, the WHO expanded its characterization of COVID-19 to a global pandemic. The effect of COVID-19 on us has been significant. Areas of impact include both decreased revenue and the resulting initiatives we took to control and reduce costs.

Employment levels and hiring at our clients were dramatically reduced. This is reflected in our operations by lower levels of new searches, increased competitive pricing pressure and delays in closing searches when face to face interviews were disrupted by travel and health restrictions. Revenue was additionally pressured by our taking a provision for professional fee adjustments based on our concerns regarding our clients' additional financial pressures.

In reaction to the immediate and anticipated continuing revenue impact, in the third quarter of 2020 we reduced our employee staffing levels through terminations and furloughs and reduced the base salary and draws of all employees, including management and the board of directors. Mitigating the immediate negative revenue impact, our quarterly results benefitted from the reversal of year-to-date bonus accruals, a reduction in share-based compensation accruals arising from a decline in our share price, a reduction in the average variable compensation paid to partners based on their respective revenue levels, office rationalization savings, reduced discretionary spending and the ability to obtain certain government stimulus grants (see below). To enhance immediate liquidity, we converted our managed bond funds to cash, which resulted in realized investment losses in the quarter and suspended dividend declarations.

As of the date of this MD&A, our business has seen some recovery from the revenue declines in the third and fourth quarters. We have generated profit in the third and fourth quarters and positive cashflow increasing our Unencumbered Cash, as a result of government stimulus grants, our cost savings initiatives and built-in variable compensation plans. Based on these trends, we announced we are returning to our employees, management and board of directors the amount of their remuneration cuts by making restoration payments in place of any short-term or discretionary bonus amounts for the year. The restoration amounts are fully provided for in our year-end accruals as of August 31, 2020.

These impacts are discussed in more detail in the following sections, and we reference our Business Outlook section for a discussion on anticipated future results.

GOVERNMENT STIMULUS GRANTS

We have participated in available stimulus grants offered by the governments in Canada and the United States to help offset the negative impact of the COVID-19 pandemic. The total amount of government stimulus grants recognized during 2020 was $2,839 ($241 and $2,598 in the third and fourth quarters, respectively).

Canada government stimulus grant

Within Canada, we participated in the Canada Emergency Wage Subsidy (“CEWS”). CEWS provides qualifying companies with a monthly financial support grant based on payroll, subject to certain caps. Eligibility is triggered by and scaled according to the reduction in year-over-year Canadian revenue on a month by month basis. We anticipate the CEWS will continue into the beginning of fiscal 2021, but at a reduced amount as our revenue begins to recover and the stimulus program ends or is altered to be of smaller or no continuing benefit.

We recognized government stimulus grant income as a reduction in cost of sales expenses of $241, $466 and $707 in the third quarter, fourth quarter and full year of 2020, respectively.

United States government stimulus grant

On April 22, 2020 we were granted a US dollar-denominated loan from TD Bank N.A. in the amount of USD $1,613 ($2,267 at the grant date exchange rate) pursuant to the Paycheck Protection Program ("PPP") established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") which was enacted on March 27, 2020 in the United States.

The loan, which is in the form of a note dated April 22, 2020 issued by the Company, matures on April 22, 2022 and bears interest at a rate of 1.0% per annum, payable monthly, but only if the government denies the application for loan forgiveness. The note may be prepaid at any time before maturity with no prepayment penalties. Subject to certain limitations, funds from the loan used for payroll costs, costs used to continue group health care benefits, rent and utilities are eligible for potential forgiveness upon review and approval by the lender per the CARES Act.

We believe we have complied with the relevant provisions of the program by validly using the entire proceeds of the loan for qualifying expenses during the coverage period and that forgiveness of the loan is therefore probable. As a result, we have recategorized the proceeds from the loan to a government stimulus grant, represented by deductions in cost of goods sold and selling, general and administrative expenses, respectively.

We applied for forgiveness review by our lender and the US government on September 21, 2020. It is unknown how long the loan forgiveness review process will take, with an indication from our lender of up to five months. Ultimate forgiveness is dependent on the bank review and a further review by the Small Business Administration of the United States (“SBA”). While management believes the forgiveness criteria have been achieved, no forgiveness guarantee can be given until the SBA grants formal forgiveness.

While other stimulus measures are being discussed in the United States, we do not anticipate obtaining additional grants.

The total government stimulus grant recognized was $2,132 based on exchange rates in effect when recognized in the fourth quarter as a reduction of cost of sales expenses ($1,739) and selling, general and administrative expenses ($393).

SELECTED FINANCIAL INFORMATION

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

($000s except dividends and earnings per share)		2020		2019		2018
Total revenue	$	**58,193**	$	72,138	$	66,883
Revenue, Net of Reimbursements[1]	$	**56,867**	$	70,449	$	66,883
Period end number of partners		**38**		40		39
Average Number of Partners[1]		**38.4**		39.5		38.1
Annualized Professional Fees per Partner[1]	$	**1,476**	$	1,766	$	1,746
Number of Assignments[1]		**408**		439		453
Number of Assignments per Partner[1]		**10.6**		11.1		11.9
Average Fee per Assignment[1]	$	**139**	$	159	$	147
Operating profit	$	**3,766**	$	1,640	$	3,966
Net earnings for the year attributable to owners of the Company	$	**2,846**	$	325	$	2,015
Basic earnings per share	$	**0.139**	$	0.016	$	0.099
Diluted earnings per share	$	**0.139**	$	0.016	$	0.099
Total assets	$	**40,871**	$	40,608	$	39,781
Total non-current financial liabilities	$	**7,666**	$	1,068	$	1,615
Unencumbered Cash[1]	$	**11,069**	$	7,326	$	9,553
Cash dividends per share	$	**0.0450**	$	0.0875	$	0.0800

[1] Please refer to the section on Non-GAAP Financial Measures and Other Operating Measures on page 6 of this document

DISCUSSION OF FACTORS IMPACTING THE COMPANY'S RESULTS

The adoption of a new accounting pronouncement in fiscal 2019 required us to reflect on a gross basis certain revenue and costs from direct expenses incurred in the performance of our search work and billed to our clients for reimbursement. Previously, these had been shown netted within cost of sales expenses. This caused an increase in revenue and cost of sales expenses in fiscal 2020 and 2019 of $1,326 and $1,689, respectively compared to the 2018 presentation. To provide consistency of presentation, results are discussed as Revenue, Net of Reimbursements defined in the above Non-GAAP Financial Measures.

Revenue, Net of Reimbursements decreased by 19.3% to $56.9 million during 2020. The first half of the year was up 14% while the back half of the year, which was significantly impacted by the COVID-19 pandemic, was down 44%. The decrease in Revenue, Net of Reimbursements from 2019 to 2020 was the result of decreases in our Average Fee of 12.6% (13.4% excluding the impact of foreign exchange rate fluctuations), Number of Assignments per partner of 4.5% and Average Number of Partners of 2.8% and a decrease in license fees as a result of the termination of our Latin America license agreement.

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

Our Average Fee is impacted by economic conditions and related competitive pricing pressures and the seniority level of searches undertaken. We attempt to protect our Average Fee by maintaining a strategic focus towards securing high-level executive placements within our core business, which, in turn, have higher compensation levels upon which our fees are based.

Yearly average foreign exchange rate movements have the potential to have a significant impact on our Average Fee. The average US dollar rate has been relatively consistent during the reported periods, increasing 3.9% from 2018 to 2019 and then increasing 0.8% from 2019 to 2020 relative to the Canadian dollar. The average British Pound rate has also been relatively stable over the three years, decreasing 1.2% from 2018 to 2019 relative to the Canadian Dollar, then increasing 0.6% from 2019 to 2020.

The following table summarizes the approximate foreign exchange rates impacting the business during fiscal 2020, 2019 and fiscal 2018 according to the geographic segment:

	Exchange Rates to the Canadian Dollar		
Functional Currency	**Fiscal 2020**	**Fiscal 2019**	**Fiscal 2018**
United States			
US dollar – average	1.34	1.33	1.28
US dollar – period end	1.30	1.33	1.31
Canada			
Canadian dollar – average	1.00	1.00	1.00
Canadian dollar – period end	1.00	1.00	1.00
Europe			
British pound – average	1.71	1.70	1.72
British pound – period end	1.74	1.62	1.69

The Number of Assignments per Partner was down 6.6% from 2018 to 2019 to 11.1 and then down a further 4.5% from 2019 to 2020 to 10.6. The partner headcount metric increased from 39 to 40 from 2018 to 2019 with 6 additions during the year being offset by 5 partner departures. From 2019 to 2020, partner headcount decreased from 40 to 38 with 4 new additions and 6 departures. There is often a lag in revenue from the time a new partner is hired to the time they are considered to be at full capacity. This is caused by factors such as non-solicit or non-compete periods, new brand communication and the nature of staged billing once new searches are awarded.

In fiscal 2020, net earnings increased $2,521 to $2,846 from $325 in the prior year. The net earnings increase resulted from a $2,126 increase in operating profit and a $1,399 decrease in income tax expense from $1,526 in 2019 to $127 in 2020. The decrease in tax expense relative to pre-tax earnings is due to an intercompany loan cancellation between the United States and Europe, resulting in a tax benefit in the United States and the taxable earnings in Europe being shielded from tax due to the utilization of previously unrecognized loss carryforwards from prior years. The increase in net earnings was partially offset by investment losses in 2020 of $605, versus gains of $211 last year and interest expense on the lease liability on the implementation of IFRS 16 in the current year of $324.

Operating profit from 2019 to 2020 increased by $2,126. Excluding i) the 2019 $1,521 impairment expense to write off the goodwill from our European entity and ii) the government stimulus grants in 2020 totalling $2,839, operating profit decreased $2,234. This decrease was driven by a 19.3% decrease in Revenue, Net of Reimbursement, partially offset by a 16.4% decrease in cost of sales and a 17.7% decrease in selling, general and administrative expenses. The reduction in cost of sales is primarily the result of declines in partner compensation which is variable with revenue. The reduction in expenses is mostly the result of lower management and support bonus accruals because of not meeting targeted performance and lower share-based compensation costs on unachieved targets and a reduction in the share price, combined with cost containment measures implemented in the third quarter.

In fiscal 2019, net earnings decreased $1,690 to $325 from $2,015 in the prior year. The net earnings decrease resulted from the $2,326 decrease in operating profit partially offset by an increase in investment income of $197 and a $439 decrease in income tax expense on lower pre-tax profit. Of the $2,326 decrease in operating profit from 2018 to 2019, $1,521 related to the write off of goodwill from our European entity. Excluding the goodwill expense, operating profit decreased $805, driven by higher direct costs more than offsetting the corresponding increase in Revenue, Net of Reimbursements. A 2.1% increase in expenses largely resulted from $350 in municipal tax expenses arising from an assessment levied related primarily to prior periods and $450 in legal fees related to the unsuccessful pursuit of a claim against a former client. These expense increases were partially offset by reductions in share-based compensation expense caused by a decrease in the share price in the current year and the performance factor because of not meeting incentive compensation performance targets.

Unencumbered cash was $11,069 at the end of fiscal 2020 compared to $7,326 at the end of fiscal 2019. As defined in the Non-GAAP Financial Measures section of this document, we use Unencumbered Cash to identify cash available beyond that required to fund short term obligations. The increase in Unencumbered Cash from 2019 to 2020 of $3,743 resulted from the proceeds of government stimulus grants, the tax recovery from US forgiveness of the UK intercompany loan, the suspension of the dividend in light of the pandemic's impact on the Company and cash generated from operations during the year. As defined in the calculation, the decrease in short-term liabilities needing funding of $10,242 outpaced the reduction in short-term liquid assets available of $6,499.

Unencumbered cash was $7,326 at the end of fiscal 2019 compared to $9,553 at the end of fiscal 2018. The decrease in Unencumbered Cash from 2018 to 2019 of $2,227 was due to dividends, and the sign-on costs from investments in new partner hires exceeding cash generated from operations during the year. As defined in the calculation, short-term liquid assets available decreased $2,558, offset by a decline in short-term liabilities needing funding of $331.

A reconciliation of Unencumbered Cash and further discussion of the drivers from 2019 to 2020 and from 2018 to 2019 are included in the Liquidity and Capital Resources section of this Management Discussion and Analysis and the prior year's Management Discussion and Analysis, respectively.

Fiscal 2020 results are discussed more fully in this document, and 2019 results are more fully discussed under Operating Results within the 2019 Management Discussion and Analysis documents as filed on SEDAR (www.sedar.com). Additionally, the Business Outlook section discusses our current views on future operating profit performance.

OPERATING RESULTS BY SEGMENT

The following provides a reconciliation of the Company's consolidated statements of earnings by geographic segment to the consolidated results for the fourth quarter ended August 31, 2020:

	Three months ended August 31, 2020				
	Canada	United States	Europe	Elimination	Total
Professional fees	2,304	7,541	1,283	-	11,128
Licence fees	192	-	-	(168)	24
Direct expense reimbursements	34	68	-	-	102
Revenues	2,530	7,609	1,283	(168)	11,254
Cost of Sales	1,451	6,538	707	-	8,696
Government stimulus grants	(466)	(1,739)	-	-	(2,205)
Reimbursed direct expenses	34	68	-	-	102
Gross profit	1,511	2,742	576	(168)	4,661
Selling, general and administrative	665	1,775	312	-	2,752
Licence fees	-	168	-	(168)	-
Government stimulus grants	-	(393)	-	-	(393)
Operating profit	846	1,192	264	-	2,302
Interest expense on lease liability	51	96	-	-	147
Investment loss (income)	(7)	-	-	-	(7)
Intercompany loan cancellation	-	2,416	(2,416)	-	-
Foreign exchange (gain) loss	32	40	(200)	-	(128)
Earnings before tax	770	(1,360)	2,880	-	2,290
Income taxes	204	(486)	-	-	(282)
Net earnings (loss) for the year	566	(874)	2,880	-	2,572

	Three months ended August 31, 2019				
	Canada	United States	Europe	Elimination	Total
Professional fees	4,496	15,950	56	-	20,502
Licence fees	559	-	-	(488)	71
Direct expense reimbursements	89	308	1	-	398
Revenues	5,144	16,258	57	(488)	20,971
Cost of Sales	3,612	10,761	465	-	14,838
Reimbursed direct expenses	89	308	1	-	398
Gross profit (loss)	1,443	5,189	(409)	(488)	5,735
Selling, general and administrative	960	3,475	25	-	4,460
Goodwill impairment	-	-	1,521	-	1,521
Licence fees	-	488	-	(488)	-
Operating profit (loss)	483	1,226	(1,955)	-	(246)
Investment income	(67)	-	-	-	(67)
Foreign exchange (gain) loss	8	-	97	-	105
Earnings before tax	542	1,226	(2,052)	-	(284)
Income taxes	207	463	-	-	670
Net earnings (loss) for the year	335	763	(2,052)	-	(954)

The following provides a reconciliation of the Company's consolidated statements of earnings by geographic segment to the consolidated results for the fiscal year ended August 31, 2020:

	Twelve months ended August 31, 2020				
	Canada	United States	Europe	Elimination	Total
Professional fees	10,607	42,842	3,241	-	56,690
Licence fees	1,141	-	-	(964)	177
Direct expense reimbursements	345	980	1	-	1,326
Revenues	12,093	43,822	3,242	(964)	58,193
Cost of Sales	7,325	34,589	2,438	-	44,352
Government stimulus grants	(707)	(1,739)	-	-	(2,446)
Reimbursed direct expenses	345	980	1	-	1,326
Gross profit	5,130	9,992	803	(964)	14,961
Selling, general and administrative	2,876	7,891	821	-	11,588
Licence fees	-	964	-	(964)	-
Government stimulus grants	-	(393)	-	-	(393)
Operating profit	2,254	1,530	(18)	-	3,766
Interest expense on lease liability	105	262	-	-	367
Investment loss (income)	605	-	-	-	605
Intercompany loan cancellation	-	2,416	(2,416)	-	-
Foreign exchange (gain) loss	14	39	(232)	-	(179)
Earnings before tax	1,530	(1,187)	2,630	-	2,973
Income taxes	564	(437)	-	-	127
Net earnings (loss) for the year	966	(750)	2,630	-	2,846

	Twelve months ended August 31, 2019				
	Canada	United States	Europe	Elimination	Total
Professional fees	15,497	53,282	970	-	69,749
Licence fees	2,030	-	-	(1,330)	700
Direct expense reimbursements	455	1,224	10	-	1,689
Revenues	17,982	54,506	980	(1,330)	72,138
Cost of Sales	11,259	39,743	2,044	-	53,046
Reimbursed direct expenses	455	1,224	10	-	1,689
Gross profit (loss)	6,268	13,539	(1,074)	(1,330)	17,403
Selling, general and administrative	3,448	10,205	421	-	14,074
Goodwill impairment	-	-	1,521	-	1,521
Licence fees	-	1,330	-	(1,330)	-
Operating profit (loss)	2,820	2,004	(3,016)	-	1,808
Investment income	(211)	-	-	-	(211)
Foreign exchange (gain) loss	(27)	(2)	197	-	168
Earnings before tax	3,058	2,006	(3,213)	-	1,851
Income taxes	824	702	-	-	1,526
Net earnings (loss) for the year	2,234	1,304	(3,213)	-	325

REVENUE

		Q1	Q2	Q3	Q4	Annual
2020	Canada	$ 3,729	$ 3,310	$ 1,264	$ 2,304	**$ 10,607**
	United States	$ 12,885	$ 12,442	$ 9,974	$ 7,541	**$ 42,842**
	Europe	$ 884	$ 1,089	$ (15)	$ 1,283	**$ 3,241**
	Consolidated Professional fees	$ 17,498	$ 16,841	$ 11,223	$ 11,128	**$ 56,690**
	License fees	$ 59	$ 55	$ 39	$ 24	**$ 177**
	Revenue, Net of Reimbursements[2]	$ 17,557	$ 16,896	$ 11,262	$ 11,152	**$ 56,867**
	Direct expense reimbursements	$ 519	$ 411	$ 294	$ 102	**$ 1,326**
	Revenue	$ 18,076	$ 17,307	$ 11,556	$ 11,254	**$ 58,193**
	Period end number of partners	39	40	37	38	**38**
	Average Number of Partners[2]	39.0	39.5	38.3	37.3	**38.5**
	Annualized Professional Fees per Partner[2]	$ 1,795	$ 1,705	$ 1,172	$ 1,193	**$ 1,472**
	Number of Assignments[2]	113	124	61	110	**408**
	Number of Assignments per Partner[2]	2.9	3.1	1.6	2.9	**10.6**
	Average Fee per Assignment[2]	$ 155	$ 136	$ 184	$ 101	**$ 139**
2019	Canada	$ 3,813	$ 3,763	$ 3,425	$ 4,496	**$ 15,497**
	United States	$ 10,886	$ 10,594	$ 15,852	$ 15,950	**$ 53,282**
	Europe	$ 470	$ 186	$ 258	$ 56	**$ 970**
	Consolidated Professional fees	$ 15,169	$ 14,543	$ 19,535	$ 20,502	**$ 69,749**
	License fees	$ 217	$ 374	$ 38	$ 71	**$ 700**
	Revenue, Net of Reimbursements[2]	$ 15,386	$ 14,917	$ 19,573	$ 20,573	**$ 70,449**
	Direct expense reimbursements	$ 506	$ 411	$ 374	$ 398	**$ 1,689**
	Revenue	$ 15,892	$ 15,328	$ 19,947	$ 20,971	**$ 72,138**
	Period end number of partners	39	39	40	40	**40**
	Average Number of Partners[2]	39.3	39.3	39.3	40.0	**39.5**
	Annualized Professional Fees per Partner[2]	$ 1,544	$ 1,480	$ 1,988	$ 2,050	**$ 1,766**
	Number of Assignments[2]	108	89	115	127	**439**
	Number of Assignments per Partner[2]	2.7	2.3	2.9	3.2	**11.1**
	Average Fee per Assignment[2]	$ 140	$ 163	$ 170	$ 161	**$ 159**

(1) The above chart is after the elimination of intercompany license fees charged by Canada to the United States.
(2) Please refer to the section on Non-GAAP Financial Measures and Other Operating Measures on page 6 of this document.

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

Our capacity to generate revenue increases with the number of partners we employ and affiliate with and depends on the fees we can charge and our partners' productivity which is 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 considerably from quarter to quarter. The preceding chart sets forth select revenue and operating measures. We believe these measures help explain our revenue and its variation from period to period.

PROFESSIONAL FEES

Fourth Quarter Consolidated Professional Fees

Professional fees for the fourth quarter of fiscal 2020 decreased 45.7% (46.5% excluding a favourable 0.8% variance from exchange rate fluctuations) from the comparable period last year to $11,128 (2019: $20,502).

The decrease in professional fees is attributable to reductions in the Number of Assignments to 110 (2019: 127) and Average Fee per Assignment to $101 ($100 excluding exchange rate fluctuations; 2019: $161). The decrease in both factors is primarily the result of the pandemic's economic impact on our clients and related pricing pressures among executive search firms. The Number of Assignments decreased due to a lower Number of Assignments per Partner at 2.9 (2019: 3.2) and a lower Average Number of Partners at 37.3 (2019: 40.0).

Year-to-Date Consolidated Professional Fees

Professional fees for 2020 decreased 18.7% (19.5% excluding a favourable 0.8% variance from exchange rate fluctuations) over the comparable period last year to $56,690 (2019: $69,749).

The decrease in professional fees is attributable to a reduction in the Number of Assignments to 408 (2019: 439) and a lower Average Fee per Assignment of $139 ($138, excluding exchange rate fluctuations; 2019: $159). Similar to the above, both factors were negatively impacted by the pandemic in the second half of the year. The Number of Assignments decreased on a lower Number of Assignments per Partner at 10.6 (2019: 11.1) and a lower Average Number of Partners at 38.5 (2019: 39.5).

The pandemic’s impact on our business commenced in early March, approximately halfway through fiscal 2020. Reviewing our first half’s performance with our second half’s performance highlights this impact.

In the first half of the year, the Average Fee per Assignment was down 3.9% year-over-year at $145 (2019: $151) with the Number of Assignments up 20.3% at 237 (2019: 197), on a higher annualized Number of Assignments per Partner at 12.0 (2019: 10.0) on a steady Average Number of Partners at 39.3.

In the second half of the year, the Average Fee per Assignment decreased 21.0% to $131 (2019: $165) and the Number of Assignments fell by 29.3% to 171 (2019: 242), on a lower annualized Number of Assignments per Partner at 9.0 (2019: 12.2) and lower Average Number of Partners at 37.9 (2019: 39.4).

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

United States:

Fourth quarter professional fees in the US were down 52.7% (down 53.6% excluding a favourable 0.6% variance from exchange rate fluctuations) to $7,541 (2019: $15,950). The decrease resulted from decreases in the Average Fee per Assignment and the Number of Assignments from reductions in the Number of Assignments per Partner and Average Number of Partners.

Year to date professional fees in the US were down 19.6% (down 20.6% excluding a favourable 1.0% variance from exchange rate fluctuations) to $42,842 (2019: $53,282). The decrease was also the result of decreases in Average Fee per Assignment and Number of Assignments resulting from reductions in the Number of Assignments per Partner and Average Number of Partners.

Canada:

Fourth quarter professional fees in Canada were down 48.8% to $2,304 (2019: $4,496). The decrease resulted from decreases in the Average Fee per Assignment and the Number of Assignments arising from reductions in the Number of Assignments per Partner and Average Number of Partners.

Year to date professional fees in Canada were down 31.6% to $10,607 (2019: $15,497). The decrease was also the result of declines in Average Fee per Assignment and Number of Assignments resulting from reductions in the Number of Assignments per Partner and Average Number of Partners.

Europe:

Despite the pandemic, business activity in Europe was up significantly over the prior year, with all of the partners fully integrated, each having been with us for over a year now and who successfully secured assignments from clients with hiring needs not impacted by the pandemic. However, given the low number of partners in the region, we expect ongoing quarterly revenue fluctuations.

Fourth quarter professional fees in Europe were up significantly from $56 last year to $1,283. The increase came from increases in both the Average Fee per Assignment and the Number of Assignments. The increase in the number of assignments results from a significant increase in the Number of Assignments per Partner, partially offset by a lower Average Number of Partners.

Year to date professional fees in Europe were up 234.1% (234.2% excluding a 0.1% unfavourable variance from exchange rate fluctuations) to $3,241 (2019: $970). The increase was the result of a significant increase in the Number of Assignments. This was driven by a higher Number of Assignments per Partner with a stable Average Number of Partners. A lower Average Fee per Assignment partially offset these favourable movements.

LICENCE FEES

Our Canadian entity collects license fees from our licensee in New Zealand to use the Caldwell brand and intellectual property. For the year ended August 31, 2020, license fees from The Caldwell Partners International New Zealand Limited were $104 and for the year ended August 31, 2019 they were $127.

The decrease in fees beginning with Q3 fiscal 2019 primarily results from the agreement between the Company and CPGroup Latam to end our licensing relationship effective February 28, 2019. License fees from CPGroup LatAm last year were $497. The licensing agreement with Hattonneale Pty Ltd. ("Hattonneale") of Australia was also terminated effective August 31, 2020 as Hattonneale withdrew from the executive search market due to the pandemic impact on their search business. For the year ended August 31, 2020, license fees from Hattonneale were $73 (2019: $76).

License fees are based on percentages of revenue and were therefore also negatively impacted this year by revenue pressures from COVID-19 faced by our affiliate in New Zealand and former affiliate in Australia.

Additionally, intercompany licence fees, which are eliminated on consolidation are charged from our Canadian parent company to our US subsidiary. Intercompany licence fees to the European subsidiary continue to be waived as we evolve to consistent profitability in the region.

		Q1	Q2	Q3	Q4	Annual
2020	Third parties	$ 59	$ 55	$ 39	$ 24	**$ 177**
	United States	$ 290	$ 281	$ 225	$ 168	**$ 964**
	Eliminations	$ (290)	$ (281)	$ (225)	$ (168)	**$ (964)**
	Consolidated	$ 59	$ 55	$ 39	$ 24	**$ 177**
2019	Third parties	$ 217	$ 374	$ 38	$ 71	**$ 700**
	United States	$ 246	$ 238	$ 358	$ 488	**$ 1,330**
	Eliminations	$ (246)	$ (238)	$ (358)	$ (488)	**$ (1,330)**
	Consolidated	$ 217	$ 374	$ 38	$ 71	**$ 700**

DIRECT EXPENSE REIMBURSEMENTS

Direct expenses incurred and billed to clients during the fiscal 2020 fourth quarter were $102 (2019: $398). Year to date direct expenses incurred and billed to clients were $1,326 (2019: $1,689). Although presented separately in the revenue and cost of sales expenses sections, these amounts are pass-through expenses billed at cost and therefore offset to zero.

COST OF SALES

		Q1	Q2	Q3	Q4	Annual
2020	Canada	$ 2,640	$ 2,398	$ 836	$ 1,451	**$ 7,325**
	United States	$ 10,307	$ 9,918	$ 7,826	$ 6,538	**$ 34,589**
	Europe	$ 520	$ 707	$ 504	$ 707	**$ 2,438**
	Consolidated[2]	$ 13,467	$ 13,023	$ 9,166	$ 8,696	**$ 44,352**
	% of professional fees	77.0%	77.3%	81.7%	78.1%	78.2%
2019	Canada	$ 2,508	$ 2,673	$ 2,466	$ 3,612	**$ 11,259**
	United States	$ 8,571	$ 8,709	$ 11,702	$ 10,761	**$ 39,743**
	Europe	$ 499	$ 544	$ 536	$ 465	**$ 2,044**
	Consolidated	$ 11,578	$ 11,926	$ 14,704	$ 14,838	**$ 53,046**
	% of professional fees	76.3%	82.0%	75.3%	72.4%	76.1%

(1) The above chart is after the elimination of intercompany license fees charged by Canada to the United States.
(2) Cost of sales does not reflect the impact of government stimulus grants.

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

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

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

Fourth Quarter Consolidated Cost of Sales

Relative to the professional fee decrease of 45.7%, fourth quarter cost of sales decreased 41.4% (42.1% excluding an unfavourable 0.7% variance from exchange rate fluctuations) or $6,142 to $8,696.

On a segment basis, the cost of sales decrease came from decreases in the US ($4,223) and Canada ($2,161), partially offset by an increase in Europe ($242). The decline in cost of sales was caused by lower commissions on reduced revenue and cost savings initiatives.

As cost and staffing reduction initiatives did not fully offset the pace of revenue decline, cost of sales, as a percentage of professional fees increased 5.8% to 78.1% from 72.4% in the same period last year. The increase was due to partner support personnel compensation, which is semi-fixed, on the lower revenue (6.4% of professional fees), higher deficits (3.4% of professional fees), accruals taken to provide for the retroactive return of employee salary cuts made in the third quarter (2.4% of professional fees) and higher search delivery materials expenses, which are primarily fixed (1.6% of professional fees) partially offset by lower commission tiers on lower Annualized Professional Fees per Partner (8.0% of professional fees).

Year-to-Date Consolidated Cost of Sales

Relative to the professional fee decrease of 18.7%, year to date cost of sales decreased 16.4% (17.2% excluding an unfavourable 0.8% variance from exchange rate fluctuations) or $8,694 to $44,352.

On a segment basis, the variance in cost of sales came from decreases in the US ($5,154), Canada ($3,934) and partially offset by an increase in Europe ($394).

As a percentage of professional fees, cost of sales increased 2.1% to 78.2%, up from 76.1% in the same period last year. The increase as a percentage of professional fees was again due to partner support personnel compensation, which is semi-fixed, on the lower revenue (up 3.5% of professional fees),higher fixed search delivery materials expenses, which are largely fixed (up 1.0% of professional fees) and higher deficits (0.5% of professional fees). These increases were partially offset by lower partner compensation due to lower commission tiers on lower Annualized Professional Fees per Partner (2.9% of professional fees).

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

United States:

Fourth quarter

Relative to the US professional fees decrease of 52.7%, fourth quarter cost of sales in the US decreased by 39.2% or $4,223 to $6,538 (2019: $10,761). As a percentage of professional fees, cost of sales represented 86.7% compared to 67.5% in the prior year, an increase of 19.2%. The increase was due to relatively fixed partner support personnel compensation on lower revenue (15.1% as a percentage of professional fees), higher partner compensation with a small number of partners billing more than anticipated and earning commission tier grid jumps during the quarter (2.2% of professional fees) and an increase in search delivery materials (1.9% as a percentage of professional fees).

Year-to-date

Relative to the US professional fees decrease of 19.6%, annual cost of sales in the US decreased 13.0% or $5,154 to $34,589 (2019: $39,743). As a percentage of professional fees, cost of sales represented 80.7% compared to 74.6% in the prior year, an increase of 6.1%. The increase resulted from relatively fixed partner support personnel compensation on lower revenue (5.5% as a percentage of professional fees) and search delivery materials (1.1% as a percentage of professional fees). These increases were partially offset by lower partner compensation on lower commission tiers on lower Annualized Professional Fees per Partner (0.5% of professional fees).

Canada:

Fourth quarter

Relative to the professional fees decrease of 48.8%, fourth quarter cost of sales in Canada decreased by 59.8% or $2,161 to $1,451 (2019: $3,612). As a percentage of professional fees, these costs represented 63.0% compared to 80.3% in the prior year, a decrease of 17.3%. The reduction was from lower partner compensation caused by lower commission tiers on lower Annualized Professional Fees per Partner (15.8% of professional fees) and lower partner support personnel compensation (2.9% of professional fees), due to lower Associate and Consultant commissions resulting from the decrease in revenue. These increases were partially offset by fixed search delivery materials (1.4% of professional fees).

Year-to-date

Relative to the professional fees decrease of 31.6%, annual cost of sales in Canada decreased by 34.9% or $3,934 to $7,325 (2019: $11,259). As a percentage of professional fees, these costs represented 69.1% compared to 72.7% in the prior year, a 3.6% decrease. The decrease is from lower partner compensation caused by lower commission tiers on lower Annualized Professional Fees per Partner (5.1% of professional fees). This decrease was partially offset by higher search delivery materials (0.9% of professional fees) and higher partner support personnel compensation being semi-fixed in nature (0.6% of professional fees).

Europe:

Fourth quarter

Fourth quarter cost of sales in Europe increased by 52.0% or $242 to $707 (2019: $465), which was less than the rate of increased revenue. This is primarily the result of decreased partner compensation as a percentage of professional fees due to recouping deficits from prior periods. Additional benefits came from Partner support personnel compensation and search delivery materials, which are both semi-fixed in nature, relative to the increase in revenue.

Year-to-date

Relative to the professional fees increase of 234.1%, annual cost of sales in Europe increased by 19.3% or $394 to $2,438 (2019: $2,044). As a percentage of professional fees, these costs represented 78.4% compared to 210.7% in the prior year, an improvement of 132.4%. This improvement resulted from very low revenue for the previous year resulting in significant draw deficits compared to the current year when increased revenue resulted in lower deficits (86.7%). Partner support personnel compensation being semi-fixed in nature on much higher revenue (44.0% of professional fees) and lower search delivery materials (1.7% of professional fees) also contributed to improved percentage results in the current period.

GROSS PROFIT AND MARGIN

(as a percentage of Revenue, Net of Reimbursements)

		Q1	Q2	Q3	Q4	Annual
2020	Canada[1]	$ 1,148	$ 967	$ 708	$ 1,343	**$ 4,166**
	United States[11]	$ 2,578	$ 2,524	$ 2,148	$ 2,742	**$ 9,992**
	Europe	$ 364	$ 382	$ (519)	$ 576	**$ 803**
	Consolidated[1]	$ 4,090	$ 3,873	$ 2,337	$ 4,661	**$ 14,961**
		23.3%	22.9%	20.8%	41.8%	26.3%
2019	Canada	$ 1,522	$ 1,464	$ 997	$ 955	**$ 4,938**
	United States	$ 2,315	$ 1,885	$ 4,150	$ 5,189	**$ 13,539**
	Europe	$ (29)	$ (358)	$ (278)	$ (409)	**$ (1,074)**
	Consolidated	$ 3,808	$ 2,991	$ 4,869	$ 5,735	**$ 17,403**
		24.7%	20.1%	24.9%	27.9%	24.7%

(1) During fiscal 2020, The Company received government stimulus grants to offset cost of sales expenses. The full year consolidated impact to gross profit was an increase of $2,446, recognized in Canada with $241 in the third quarter and $466 in fourth quarter, and in the United States in the fourth quarter of $1,739. This stimulus represents 19.8% and 4.3% of consolidated Revenue, Net of Reimbursements in the fourth quarter and year, respectively.

Fourth Quarter Gross Profit and Margin:

The fourth quarter's gross profit decreased 18.7% (19.6%, excluding an unfavourable 0.9% variance from exchange rate fluctuations) to $4,661 (2019: $5,735), with gross profit margin increasing to 41.8% from 27.9%. Exclusive of $2,205 in government stimulus subsidies, gross profit margin was 22.0%, down 5.9% from 27.9% during the same period a year ago. This decrease came from the rate of decline in Revenue, Net of Reimbursements (45.8%) exceeding the decline in cost of sales (41.4%).

Year-to-Date Gross Profit and Margin:

Gross profit for 2020 decreased 14.0% (14.8% excluding a favourable 0.8% variance from exchange rate fluctuations) to $14,961 (2019: $17,403) with gross profit margin increasing to 26.3% from 24.7%. Exclusive of $2,446 in government stimulus subsidies, the gross profit margin was 22.0%, down 2.7% from 24.7% during the same period a year ago. This decrease came from the rate of decrease in Revenue, Net of Reimbursements (19.3%) exceeding the decline in cost of sales (16.4%).

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

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

(as a percentage of Revenue, Net of Reimbursements)

		Q1	Q2	Q3	Q4	Annual
2020[1,2]	Canada	$ 861	$ 873	$ 477	$ 665	**$ 2,876**
	United States	$ 2,457	$ 2,503	$ 1,156	$ 1,775	**$ 7,891**
	Europe[3]	$ 377	$ 165	$ (33)	$ 312	**$ 821**
	Consolidated	$ 3,695	$ 3,541	$ 1,600	$ 2,752	**$ 11,588**
		21.0%	21.0%	14.2%	24.7%	20.4%
2019	Canada	$ 983	$ 657	$ 848	$ 960	**$ 3,448**
	United States	$ 2,190	$ 2,190	$ 2,350	$ 3,475	**$ 10,205**
	Europe	$ 195	$ 171	$ 30	$ 25	**$ 421**
	Consolidated	$ 3,368	$ 2,979	$ 3,330	$ 4,460	**$ 14,074**
		21.9%	20.0%	17.0%	21.7%	20.0%

(1) Effective September 1, 2019 we implemented IFRS 16 as discussed in the Presentation section of this MD&A.
(2) Selling, general and administrative expenses do not reflect the impact of government stimulus grants
(3) Q3 2020 selling, general and administrative expenses in Europe were favourably impacted by a recovery of intercompany management fees expensed in prior periods

Fourth Quarter Expenses

Selling, general and administrative expenses for the fourth quarter decreased $1,708 (38.3%), from $4,460 to $2,752. Excluding unfavourable exchange rate variances of $15 (0.3%), expenses decreased $1,723 (38.6%). This constant currency decrease was the result of the following:

- Management bonus accrual reversals as a result of not meeting targeted performance ($604);
- Decreased share-based compensation expense, the result of a lower share price and a reduction in performance factors, as targeted performance was not achieved ($439);
- Lower marketing and business development expenses due to our consultants' inability to travel as a result of COVID-19 travel restrictions and reduced marketing spend ($381);
- A municipal tax assessment in Q4 2019 primarily related to prior years ($350); and
- Offsetting favourable variances across other smaller cost categories (-$51).

Year-to-Date Expenses:

Selling, general and administrative expenses for the full year decreased $2,486 (17.7%), to 11,588 from $14,074. Excluding unfavourable exchange rate variances of $74 (0.5%), expenses decreased $2,560 (18.2%). This constant currency decrease was the result of the following:

- Lower share-based compensation expense as a result of a lower share price and a reduction in performance factors as a result of not meeting targeted performance in the current period ($804);
- Management bonus accrual reversals as a result of not meeting targeted performance ($670);

- Lower marketing and business development expenses ($532);
- Lower office expenses as a result of adoption of IFRS 16 ($456), largely offset by the interest on lease liability (see below);
- A municipal tax assessment in Q4 2019 primarily related to prior years ($350);
- Lower legal expenses with last year's expenses being higher than usual due to our pursuit of a claim against a former client ($265);
- Lower costs of annual practice meetings, held last year but not in the current year ($188);
- Lower partner recruitment expenses ($111);
- Offsetting investment costs in our Caldwell Analytics growth initiative through higher consulting fees (-$501);
- Higher office expenses on the early termination of and losses on disposition related to Dallas lease (-$292); and
- Unfavourable variances across other smaller cost categories (-$23).

OPERATING PROFIT

(as a percentage of Revenue, Net of Reimbursements)

		Q1	Q2	Q3	Q4	Annual
2020[3]	Canada[4]	$ 287	$ 94	$ 231	$ 678	**$ 1,290**
	United States[4]	$ 121	$ 21	$ 992	$ 1,360	**$ 2,494**
	Europe	$ (13)	$ 217	$ (486)	$ 264	**$ (18)**
	Consolidated	$ 395	$ 332	$ 737	$ 2,302	**$ 3,766**
		2.2%	2.0%	6.5%	20.6%	**6.6%**
2019	Canada	$ 539	$ 807	$ 149	$ (5)	**$ 1,490**
	United States	$ 125	$ (305)	$ 1,800	$ 1,714	**$ 3,334**
	Europe[2]	$ (224)	$ (529)	$ (308)	$ (1,955)	**$ (3,016)**
	Consolidated	$ 440	-$ 27	$ 1,641	$ (246)	**$ 1,808**
		2.9%	(0.2%)	8.4%	(1.2%)	**2.6%**

(1) The above chart is after the elimination of intercompany license fees charged by Canada to the United States.
(2) Q4 2019 operating loss in Europe includes a $1,521 goodwill impairment expense.
(3) Effective September 1, 2019 we implemented IFRS 16 as discussed in the Presentation section of this MD&A.
(4) During fiscal 2020, The Company received government stimulus grants to offset cost of sales and selling, general and administrative expenses. The full year consolidated impact was an increase to operating profit of $2,839, recognized in Canada with $241 in the third quarter and $466 in fourth quarter, and in the United States in the fourth quarter of $2,132. This stimulus represents 23.3% and 5.0% of consolidated Revenue, Net of Reimbursements in the fourth quarter and year, respectively.

Fourth Quarter Operating Profit (Loss):

The fourth quarter's operating profit increased $2,548 to $2,302 (2019: loss of $246). The increase was the result of lower Revenue, Net of Reimbursements ($9,421) being more than offset by lower cost of sales ($6,142), lower selling, general and administrative expenses ($1,708), government stimulus grants received in 2020 ($2,598) and the impairment expense taken in the fourth quarter of fiscal 2019 to write-off the goodwill balance of our European segment ($1,521).

Excluding the net favourable impact of exchange rate changes on our operations of for the quarter of $33, operating profit on a constant currency basis increased $2,515 to $2,269.

Year-to-Date Operating Profit:

Operating profit for the full year increased $1,958 to $3,766 (2019: $1,808). The increase was the result of lower Revenue, Net of Reimbursements ($13,582) being more than offset by lower cost of sales ($8,694), lower selling, general and administrative expenses ($2,486), government stimulus grants received in 2020 ($2,839), and the impairment expense taken in the fourth quarter of fiscal 2019 to write-off the goodwill balance of our European segment ($1,521).

Excluding the net favourable impact of exchange rate changes on our operations for the year of $72, operating profit on a constant currency basis increased $1,886 to $3,694.

INTEREST EXPENSE ON LEASE LIABILITY

Effective September 1, 2019 we implemented IFRS 16 as discussed in the Accounting Pronouncements Impacting Operating Results section of this MD&A. An interest expense on lease liability of $104 (2019: $nil) was recognized during the quarter per IFRS 16. For 2020 an interest expense on lease liability of $324 (2019: $nil) was recognized. During periods before fiscal 2020, all lease-related expenses were recognized as occupancy costs and included in selling, general and administrative expenses in arriving at operating profit.

INVESTMENT INCOME FROM MARKETABLE SECURITIES

	Q1	Q2	Q3	Q4	Annual
2020	$ 71	$ 65	$ (748)	$ 7	**$ (605)**
2019	$ (41)	$ 97	$ 88	$ 67	**$ 211**

We typically invest excess cash balances and manage market risk by using third-party investment managers to follow the specific investment criteria established and approved by the Investment Committee of the Board of Directors designed to reduce exposure to market risk. All managed funds were sold during 2020 to maximize liquidity and eliminate further market risk because of the pandemic's economic uncertainty. As a result, at August 31, 2020, managed funds balances were nil (August 31, 2019: $5,832). The portfolio of illiquid equity investments obtained through search fees that are classified as long-term had a balance of $71 at August 31, 2020 (August 31, 2019: $85).

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

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

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

For the fourth quarter of 2020, we reported investment income from marketable securities of $7 (2019: income of $67) consisting of interest income of on term deposits of $7 (2019: $8). Last year's investment income from marketable securities also included $59 in gains on managed investment funds. For 2020, we reported investment losses from marketable securities of $605 (2019: income of $211) consisting of $625 in losses on the disposition of managed investment funds (2019: unrealized gains of $177) and interest income on term deposits of $20 (2019: $34).

INTERCOMPANY LOAN CANCELLATION

We have established intercompany loan agreements between each of our legal entities. These agreements provide for funding our international operations and managing cash balances across our geographies. Over time, our US entity funded a substantial amount to our Europe entity to fund its operating losses during its establishment. Effective August 31, 2020 the intercompany loan between these two entities was cancelled in order to better capitalize our Europe entity for its ongoing operations. The loan cancellation resulted in a $2,416 loss recognized in the US and a comparable gain in the UK during the fourth quarter.

FOREIGN EXCHANGE GAINS AND LOSSES

We maintain cash and intercompany loan balances across our geographies. These balances are not intended to be permanent investments. Accordingly, changes in exchange rates impact the value of these accounts from period to period and these changes are recognized in our Consolidated Statements of Earnings as foreign exchange gains and losses. Changes on other balance sheet accounts that are of a permanent nature are recognized within Other Comprehensive Earnings. In the fourth quarter and year we recognized a foreign exchange gain of $128 (2019: loss of $105) and $179 (2019: loss of $168), respectively through our Consolidated Statements of Earnings. We recognized a cumulative translation adjustment loss of $662 (2019: $140) and a loss $372 (2019: gain of $197), for the fourth quarter and year, respectively through Other Comprehensive Earnings.

EARNINGS

EARNINGS BEFORE INCOME TAXES

	Q1	Q2	Q3	Q4	Annual
2020	$ 553	$ 323	$ (193)	$ 2,290	**$ 2,973**
2019	$ 388	$ 120	$ 1,627	$ (284)	**$ 1,851**

INCOME TAXES

	Q1	Q2	Q3	Q4	Annual
2020	$ 91	$ 7	$ 311	$ (282)	**$ 127**
2019	$ 177	$ 87	$ 592	$ 670	**$ 1,526**

Our effective tax rate on a consolidated basis has been historically higher than the statutory tax rates we experience in each of our geographies. This is primarily the result of earnings before tax generated in the US and Canada, where we are in tax-paying situations, and historical losses before tax in the UK where, due to the uncertainty of using losses against future taxable income, we have not recognized deferred tax assets on the UK net operating losses. Our income tax expense effectively represents the tax on our US and Canada operations, without the benefit of tax shelters created by any current period UK losses. In periods when the UK is profitable, we do not need to recognize tax expense until our historical tax loss carryforwards have been utilized, or until we recognize UK deferred tax assets on the loss carryforwards once we can demonstrate sustainable taxable income in the UK. Therefore, in periods where the UK generates profit, such as 2020, we will incur lower than expected taxes based on statutory tax rates.

There was a net income tax recovery of $282 in the fourth quarter of 2020 (2019: expense of $670). On a segment basis, the US had an income tax recovery of $486 (2019: expense of $463) partially offset by income tax expense of $204 (2019: $207) in Canada. No income tax expense was recognized on profit in the UK due to its available tax loss carry-forwards.

For the full year, there was net income tax expense of $127 (2019: $1,526). On a segment basis, Canada had income tax expense of $564 (2019: $824) and the US had income tax recovery of $437 (2019: expense of $702). No income tax expense was recognized in the UK which were not previously recognized.

The US recognized a net tax recovery for the fourth quarter and year in 2020. The loss from loan cancellation was deductible in the US, creating a tax loss. The tax loss was able to shelter current year earnings with the excess loss amount carried back and applied against taxable income paid in prior years, resulting in a recovery. In the UK, the gain on intercompany loan cancellation was fully offset by tax loss carry-forwards, resulting in no net tax expense in the UK.

NET EARNINGS

	Q1	Q2	Q3	Q4	Annual
2020	$ 462	$ 316	$ (504)	$ 2,572	**$ 2,846**
2019	$ 211	$ 33	$ 1,035	$ (954)	**$ 325**

BASIC EARNINGS PER SHARE

	Q1	Q2	Q3	Q4	Annual
2020	$ 0.023	$ 0.015	$ (0.025)	$ 0.126	**$ 0.139**
2019	$ 0.010	$ 0.002	$ 0.051	$ (0.047)	**$ 0.016**

Fourth quarter net income was $2,572 ($0.126 per share), as compared to a net loss of $954 ($0.047 per share) in the comparable period a year earlier. Full-year net income was $2,846 ($0.139 per share) compared to $325 ($0.016 per share) last year.

DIVIDENDS

The Board of Directors believes that when current and projected cash flows exceed the Company's operational and strategic investment needs, payment of regular dividends can be in the best interests of the Company and its shareholders. In determining quarterly dividend payments, the Board of Directors considers many factors, including current earnings results, future earnings projections, cash needs for operational growth, capital needs for potential acquisitions and new service line initiatives and current and projected 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.

In light of the uncertainty surrounding the pandemic's ongoing economic impact and based on cash needs projected for both operational and strategic investment purposes, and after careful consideration, the Board of Directors concluded that it would not declare a dividend payment in the current quarter.

LIQUIDITY AND CAPITAL RESOURCES

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

At August 31, 2020, the Company had $14,526 of cash and cash equivalents, including restricted cash and no current marketable securities. At year-end 2019 the total cash and current marketable securities balance was $16,500. The $1,974 decrease is primarily the result of bonus and commission payments due from 2019, two quarterly dividend payments and the $625 loss realized on the sale of marketable securities partially offset by the results of operations, including the government stimulus grants of $2,839.

Our cash and compensation payable balances fluctuate significantly from period to period based on commission payments' timing per our compensation plans. Compensation payable is generally at its lowest after the largest deferred compensation payments are made at the end of each February and generally grows during subsequent periods. The compensation payable is funded by our 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, considering non-operating sources and uses of cash. At August 31, 2020, current compensation payable was $12,812 (August 31, 2019: $21,222), and total cash and current marketable securities were $14,526 (August 31, 2019: $16,500) and accounts receivable were $7,316 (August 31, 2019: $11,915). As a result of these trends, we use the non-GAAP measure of Unencumbered Cash as a more consistent measure for the cash we have available beyond that needed for short-term obligations. Unencumbered Cash was positively impacted by the $1,557 reduction in current liabilities because of the derecognition of deferred rent on the implementation of IFRS 16 in the first quarter.

Unencumbered Cash is defined in the Non-GAAP Financial Measures and Other Operating Measures on page 6 of this document. The following chart sets forth the calculation of Unencumbered Cash and provides a reconciliation to cash and cash equivalents:

	as at		
	August 31 2020	***August 31 2019***	***increase/ (decrease)***
Cash and cash-equivalents	$14,481	$10,623	$3,858
Restricted cash	45	45	-
Marketable securities - current	-	5,832	(5,832)
Accounts receivable	7,316	11,915	(4,599)
Income taxes receivable	928	-	928
Net deferred tax assets on compensation payable	1,660	2,514	(854)
Total current assets within unencumbered cash	24,430	30,929	(6,499)
Current liabilities	(16,449)	(25,646)	9,197
Excluding			
Accrued compensation on unbilled revenue	1,215	2,043	(828)
Current portion of lease liability	1,873	-	1,873
Total net current liabilities within unencumbered cash	(13,361)	(23,603)	10,242
Total Unencumbered Cash	$11,069	$7,326	$3,743

Accounts receivable were $7,316 at August 31, 2020, down $4,599 from $11,915 at the end of fiscal 2019, due primarily to the sequential decrease in quarterly revenue. Days outstanding based on quarterly revenue were 53 days at August 31, 2020 up slightly from 52 days as at August 31, 2019. Additionally, due to the anticipated economic impact on our clients by the pandemic, we increased our allowance for professional fee adjustments to $1,315 from $501 at August 31, 2019.

Our investment in property and equipment at August 31, 2020 was $2,128 up $749 from $1,379 at the end of 2019. This reflects additions of $1,320, depreciation expense of $461, dispositions of $103 and negative exchange rate fluctuations of $7. Additions primarily consist of leasehold improvements and furniture for our new Toronto and Chicago offices. The remaining additions were for computer hardware.

An ROU asset of $5,676 was established upon the adoption of IFRS 16 on September 1, 2019. At August 31, 2020, the ROU asset was $7,691, reflecting additions of $3,720 ($4,087, less a tenant improvement allowance of $367), depreciation expense of $1,565, dispositions of $87 and negative exchange rate fluctuations of $53.

A lease liability of $6,523 was established upon the adoption of IFRS 16 on September 1, 2019. At August 31, 2020, the lease liability was $8,805, reflecting additions of $4,087, lease payments of $2,021, interest accretion of $367, dispositions on early termination of $91 and negative exchange rate fluctuations of $60.

Total liabilities were $24,115 at August 31, 2020, a decrease of $2,648 from $26,763 at the end of fiscal 2019 primarily reflecting payment of bonuses and compensation payable offset by establishing a lease liability accrual on the implementation of IFRS 16.

On April 22, 2020 we were granted a US dollar-denominated loan from TD Bank N.A. in the amount of USD $1,613 ($2,267 at the grant date exchange rate and $2,104 at the August 31, 2020 exchange rate) under the Paycheck Protection Program ("PPP") established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") which was enacted on March 27, 2020 in the US. The loan, which was in the form of a note dated April 22, 2020 issued by the Company, matures on April 22, 2022 and bears interest at a rate of 1.0% per annum, payable monthly commencing on November 22, 2020. We believe we have complied with the program's relevant provisions by validly using the entire proceeds of the loan for qualifying expenses and have therefore concluded forgiveness of the loan is reasonably assured. As a result, we have recharacterized the proceeds as deductions in cost of goods sold and general and administrative expenses at current exchange rates of $1,739 and $393, respectively and reflected the loan payable as forgiven. The Company applied for forgiveness review by its lender and the US government on September 21, 2020. It is unknown how long the loan forgiveness review process will take, with an indication from our lender of up to five months.

Shareholders' equity at August 31, 2020 was $16,756, an increase of $2,911 from $13,845 at the end of 2019. The increase reflects net earnings for the year of $2,846, the opening retained earnings balance adjustment resulting from the implementation of IFRS 16 of $1,137, unrealized gains on marketable securities of $210 and stock compensation of $8 less dividends declared of $918 and currency translation losses on consolidation of $372.

Despite the COVID-19 pandemic, liquidity improved in 2020. The Unencumbered Cash balance increased $3,743 over prior year and our revolving line of credit limit was increased from $3,000 to $5,000. We believe we have sufficient liquidity to operate our business and implement our strategic plan.

CONTRACTUAL OBLIGATIONS

	Total	2021	2022	2023	2024	2025	Thereafter
Lease liability	$ 8,805	$ 1,873	$ 1,713	$ 1,586	$ 786	629	$ 2,218
Accounts payable	1,764	1,764	-	-	-	-	-
Compensation payable	13,546	12,812	128	268	-	-	338
Total	$ 24,115	$ 16,449	$ 1,841	$ 1,854	$ 786	$ 629	$ 2,556

The lease liability commitments are in respect to the base rent component of the office space's cost required to operate our business and do not include expected operating expenses that we will be required to pay. They also do not reflect offsetting sublease payments from which the Company expects to recoup of $385 through September 30, 2021. Cash outlays for our contractual obligations and commitments identified above are expected to be funded by cash on hand and cash generated by operating activities in the outlay's respective year. The Company does not have any material commitments to purchase property and equipment.

OUTSTANDING SHARES

At November 12, 2020 the Company's authorized share capital consists of an unlimited number of Common Shares of which 20,404,555 are issued and outstanding (August 31, 2020: 20,404,555; August 31, 2019: 20,404,555). The holders of Common Shares are entitled to share equally, share for share, in all dividends declared by the Company and equally in the event of a liquidation, dissolution or winding-up of the Company or other distribution of the assets among shareholders.

On September 14, 2017, options to purchase 250,000 shares of the Company were issued to an employee of the Company. On April 11, 2018 options to purchase 100,000 shares of the Company expired unexercised. On April 2, 2020, options to purchase 250,000 shares of the Company were issued to an employee. As of August 31, 2020 options to purchase 500,000 common shares of the Company were outstanding (August 31, 2019: 250,000; August 31, 2018: 250,000).

BUSINESS OUTLOOK

The COVID-19 pandemic significantly impacted the economies our business operates in and the clients we serve. Since COVID-19’s characterization as a global pandemic on March 11, we experienced a swift and material reduction in business with new assignment levels falling and remaining low during the third and into the fourth quarter.

However, through a combination of cost reductions, the benefit of government stimulus grants and compensation plans having high variability that naturally adjust downwards with decreased revenue, we generated positive earnings through the pandemic and for the year. As a result, we have come out of a challenging 2020 with a balance sheet and a cash position with liquidity to operate during the current pandemic environment and to make strategic investments if the opportunity arises.

New search bookings began to stabilize in July, and monthly sequential increases in new search volumes and business development activity have continued into the first quarter of 2021. There remains much uncertainty about whether a deepening or second wave of the pandemic will dampen hiring activity again for our clients. We do not expect that to end until the pandemic passes entirely. Until then, we will continue to manage costs actively, preserve capital and liquidity and make strategic investments as opportunities arise.

RELATED PARTY TRANSACTIONS

Under our lease agreements, we paid rent for our Toronto office to an affiliated company owned by a shareholder, C. Douglas Caldwell, registered as owning more than 10% of the Company. The amount of consideration agreed to 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. The lease term expired effective March 31, 2020 and the Toronto office relocated.

Occupancy costs within general and administrative expenses in the consolidated statements of earnings have been recognized for the year ended August 31, 2020 in the amount of $130 (2019: $223).

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

Revenue recognition

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

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

Further information on unbilled and deferred revenue is included in note 12 in the Consolidated Financial Statements.

Allowance for professional fee adjustments and doubtful accounts

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance model in determining the loss for all accounts receivable. Accounts receivable have been grouped based on shared credit risk characteristics and the days past due to measure expected credit losses. Substantial judgment is involved based on the circumstances of individual accounts and the estimated performance of the portfolio. The majority of accounts provided for result from client concessions to maintain a positive brand in the marketplace and relationships with client contacts based on circumstances unique to each search. While there are some accounts that are provided for due to credit reasons, it is often difficult to completely isolate provisions between client concessions and credit risk. Provision amounts are therefore aggregated as Professional Fee Adjustments.

Compensation accruals

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

Valuation of equity interests in clients

It can be difficult to obtain valuation information on equity interests held in clients. 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 6 of the Consolidated Financial Statements. Future results that differ from management’s current estimates would affect the results of operation in future periods.

RECENT ACCOUNTING PRONOUNCEMENTS

Accounting standards issued but not yet applied

Conceptual Framework

On March 29, 2018, the IASB issued its revised Conceptual Framework for Financial Reporting. The revised Conceptual Framework does not constitute a substantial revision from the previously effective guidance but does provide additional guidance on topics not previously covered, such as presentation and disclosure. This amendment is effective on January 1, 2020. The Company intends to adopt this amendment in its consolidated financial statements for the annual period beginning September 1, 2020. The extent of the impact of the adoption of this amendment has not yet been determined.

Definition of Material

On October 31, 2018, the IASB issued amendments to IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors. These amendments clarify and align the definition of material and provide guidance to help improve consistency in the application of materiality when used in other IFRS standards. These amendments are effective on January 1, 2020. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning September 1, 2020. The adoption of these amendments is not expected to have a significant impact.

Classification of Liabilities as Current or Non-current

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify the classification of liabilities as current or non-current. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning September 1, 2023. The extent of the impact of the adoption of these amendments has not yet been determined.

Annual Improvements to IFRS Standards 2018-2020

On May 14, 2020, the IASB issued narrow-scope amendments to certain standards as part of its annual improvement process. Amendments were made to clarify which fees an entity includes when it applies the ‘10 per cent’ test in assessing whether to derecognize a financial liability in accordance with IFRS 9. There is also an amendment to IFRS 16 Leases to remove from an example the illustration of the reimbursement of leasehold improvements by the lessor. Lastly, an amendment was made to IFRS 1 First-time Adoption of International Financial Reporting Standards for subsidiaries as a first-time adopter. The Company intends to adopt these amendments prospectively in its consolidated financial statements for the annual period beginning September 1, 2022. The extent of the impact of the adoption of these standards has not yet been determined.

RISKS AND UNCERTAINTIES

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

COVID-19, pandemics and outbreaks

On January 30, 2020, the World Health Organization (WHO) characterized the novel coronavirus (COVID-19) as a public health emergency. At that time, there had not been a direct negative impact on the regions where we operate (Canada, the United States and the United Kingdom). On March 11, the WHO expanded its characterization of COVID-19 to a global pandemic. To-date the pandemic has had a significant impact on our operations, with year-over-year revenues down materially. We believe that this situation will likely continue to have an adverse impact on our operating results for the balance of calendar 2020 and the first half of fiscal 2021 or possibly longer. Given these circumstances' dynamic nature, it is unknown how our clients, and therefore our revenue, may continue to be affected if such an epidemic persists for an extended period.

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

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

Exposure to departing partners taking our clients to another firm

Our success depends upon our ability to develop and maintain strong, long-term relationships with our clients. In many cases, one or two partners have primary responsibility for a client relationship. When a partner leaves one executive search firm and joins another, clients who have established relationships with the departing partner may move their business to the partner's new employer. We may also lose clients if the departing partner has widespread name recognition or a reputation as a specialist in executing searches in a specific industry or management function. If we fail to retain important client relationships when a partner departs our firm, our business, financial condition, and operations results may be adversely affected. During 2020, approximately 15% (2019: 12%) of consolidated revenue was attributed to one revenue-generating employee of the Company. We attempt to mitigate this risk by maintaining strong relationships with our partners and providing contractual client and employee non-solicitation covenants in our offer of employment letters with our partners.

Performance of the US, Canadian and international economies

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

Competition from other companies directly or indirectly engaged in executive search

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

Liability risk in the services we perform

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

Potential legal liability from clients, employees and candidates for employment

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

Cybersecurity requirements, vulnerabilities, threats and attacks

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

Brand Reputation

We depend on our overall professional reputation and brand name recognition to secure new engagements and hire qualified consultants. Our success also depends on the individual reputations of our consultants. We obtain many of our new engagements from existing clients or referrals by those clients. A client who is dissatisfied with our work can adversely affect our ability to secure new engagements. Additionally, there has been a marked increase in the use of social media platforms, including blogs, social media websites and other forms of Internet-based communications, which allow individuals access to a broad audience of consumers and other interested persons. The inappropriate or unauthorized use of such media vehicles by our clients or employees could increase our costs, cause damage to our brand, lead to litigation or result in information leakage, including the improper collection or dissemination of personally identifiable information of candidates and clients. In addition, negative or inaccurate posts or comments about us on any social networking platforms could damage our reputation, brand image and goodwill. If any of these factors, including poor performance, hurt our reputation, we may experience difficulties competing successfully for new engagements and qualified consultants. Failure to maintain our professional reputation and brand name could seriously harm our business, financial condition, and operations results. We attempt to mitigate this risk by using a client feedback process utilizing the third-party product Net Promoter Score®, which provides us with feedback on our engagements and highlighting dissatisfied clients so that we may respond.

Alignment of our cost structure with revenue

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

Unfavourable tax law changes and tax authority rulings or other governmental audits or rulings may adversely affect results

We are subject to income taxes in Canada, the United States and various other foreign jurisdictions. Domestic and international tax liabilities are subject to the allocation of income among various tax jurisdictions. Our effective tax rate could be adversely affected by changes in the mix of earnings among countries with differing statutory tax rates or changes in the valuation allowance of deferred tax assets or tax laws. We attempt to mitigate this risk by working with our third-party income tax consultants to review our tax structure and advise optimal tax structures regularly. As described in note 11 to our annual financial statements, we received a United States government stimulus grant in the form of a forgivable loan. While we believe we received the funds with a good faith need and have subsequently met the use criteria and terms to enable forgiveness, the loan's forgiveness is subject to the review of our lender and possible governmental audit. It is possible the loan will not be forgiven and will need to be repaid.

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

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

Foreign currency exchange rate risks may affect our financial results

With operations in Canada, the United States and the United Kingdom, we do business in multiple currencies. During the most recently completed fiscal year, 81% of our revenue was generated outside of Canada and transacted in a currency other than the Canadian dollar. Translation of foreign currency financial statements into the Canadian dollar impacts our profitability. Fluctuations in relative currency values, particularly the Canadian dollar strengthening, could hurt our profitability and financial condition. When we have a significant short-term net cash or intercompany loan balance, we will, on occasion, hedge our currency exposure by buying or selling the exposed currency on a forward basis.

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

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

We invest in marketable securities whose valuations fluctuate

When we build large enough excess cash balances relative to the current liquidity need and economic cycles, we may invest in marketable securities. Marketable securities consist of investments in professionally managed fixed-income funds and certain equity securities obtained through search fees paid partially in the client's equity. The securities are subject to market risk. Should they decline in value, the unrealized losses and potential realized losses could negatively impact our financial position and aggregate operations results. We mitigate the risk in managed funds by investing in relatively conservative investments and engaging professional investment fund advisors independent from us with added oversight from the Board of Directors' Investment Committee. We mitigate the risk in equity securities by liquidating our positions as soon as practicable and consider the potential use of hedging derivatives if applicable. As a result of the economic uncertainty created by the COVID-pandemic, our managed fixed-income funds were liquidated to eliminate any further risk exposure. Reinvestment of such funds will be reviewed based on evolving market conditions and our liquidity position.

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

We do not maintain all our technology infrastructure components, and we have outsourced certain critical applications or business processes to external providers, including cloud-based services. The failure or inability to perform on the part of one or more of these critical suppliers or partners could cause significant disruptions and increased costs. We attempt to mitigate this risk by using large, well-capitalized service providers, when reasonably possible relative to our technology needs.

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 specific companies' performance, which could impact the Common Shares' market price. 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 Company's share price and can significantly fluctuate. The impact of share price movements on compensation is encompassed in the plan design as payments are linked to profitability after accounting for such equity value fluctuations.

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

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

Our ability to access credit could be limited

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

Significant Shareholders

Ewing Morris & Co. Investment Partners Ltd. ("Ewing Morris") is reported to own, directly or indirectly, 18.6% of the outstanding Common shares. Mr. Darcy D. Morris, CEO of Ewing Morris, is also a director of the Company. Mr. C. Douglas Caldwell, the founder of The Caldwell Partners International Inc., is reported to own, directly or indirectly, 13.6% of the Company's outstanding Common shares. Either of these parties' shares could have a material impact on the outcome of any matters brought forth to the shareholders for a vote.

We may be subject to the actions of activist shareholders

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

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

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

DISCLOSURE CONTROLS AND PROCEDURES

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

The Chief Executive Officer and the Chief Operating and Financial Officer, after evaluating the effectiveness of the Company's disclosure procedures as at August 31, 2020, 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 evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting as at August 31, 2020. Based on that evaluation, the Chief Executive Officer and the Chief Operating and Financial Officer concluded that internal controls over financial reporting are effective as at August 31, 2020.

Management has also evaluated whether there were changes in the Company's internal controls over financial reporting during the reporting period ended August 31, 2020 that materially affected, or are reasonably likely to affect, our internal controls over financial reporting. Management has determined that no changes occurred during the year ended August 31, 2020 that would have a material impact.

OTHER INFORMATION

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

THE CALDWELL PARTNERS INTERNATIONAL INC.

Consolidated Financial Statements
for the years ended August 31, 2020 and August 31, 2019

The Caldwell Partners International Inc.
Years Ended August 31, 2020 and August 31, 2019

MANAGEMENT'S REPORT TO SHAREHOLDERS

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

KPMG LLP, an independent firm of chartered professional accountants, has been appointed by the Board of Directors as the external auditor of the Company, effective, March 6, 2020. The Independent Auditor's Report to the Shareholders, which describes the scope of their examination and expresses their opinion, is presented herein. The Audit Committee of the Board of Directors, whose members are not employees of the Company, meets with management and the independent auditors to satisfy itself that the responsibilities of the respective parties are properly discharged and to review the consolidated financial statements before they are presented to the Board of Directors for approval.

John N. Wallace
PRESIDENT AND CHIEF EXECUTIVE OFFICER

C. Christopher Beck
CHIEF OPERATING AND FINANCIAL OFFICER

November 12, 2020

KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto, ON M5H 2S5
Telephone (416) 777-8500
Fax (416) 777-3969
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of The Caldwell Partners International Inc.

Opinion

We have audited the consolidated financial statements of The Caldwell Partners International Inc. (the Entity), which comprise:

- the consolidated statement of financial position as at August 31, 2020;
- the consolidated statement of earnings for the year then ended;
- the consolidated statement of comprehensive earnings for the year then ended;
- the consolidated statements of cash flows for the year then ended;
- the consolidated statements of changes in equity for the year then ended; and
- notes to the consolidated financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at August 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditor' report.

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

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

Other Matter – Comparative Information

The financial statements for the year ended August 31, 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on November 18, 2019.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Glossy Annual Report".

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

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

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Glossy Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The engagement partner on the audit resulting in this auditors' report is Elliot Marer.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada
November 12, 2020

THE CALDWELL PARTNERS INTERNATIONAL INC.

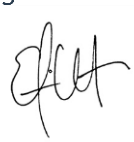
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

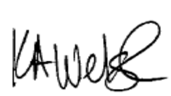
(in $000s Canadian)

	As at August 31 2020	*As at August 31 2019*
Assets		
Current assets		
Cash and cash equivalents	14,481	10,623
Marketable securities (note 4)	-	5,832
Accounts receivable (note 20)	7,316	11,915
Income taxes receivable	928	-
Unbilled revenue (note 12)	2,430	4,086
Prepaid expenses and other assets	2,553	2,320
	27,708	34,776
Non-current assets		
Restricted cash	45	45
Marketable securities (note 4)	71	85
Advances	695	1,047
Property and equipment (note 5)	2,128	1,379
Right-of-use assets (notes 3 and 10)	7,691	-
Goodwill (note 6)	1,288	1,313
Deferred income taxes (note 13)	1,245	1,963
Total assets	40,871	40,608
Liabilities		
Current liabilities		
Accounts payable	1,764	3,389
Compensation payable (notes 8, 9 and 12)	12,812	21,222
Lease liability (notes 3 and 10)	1,873	-
Dividends payable (note 15)	-	459
Income taxes payable	-	576
	16,449	25,646
Non-current liabilities		
Compensation payable (note 9)	734	1,068
Provisions (note 3)	-	49
Lease liability (notes 3 and 10)	6,932	-
	24,115	26,763
Equity attributable to owners of the Company		
Share capital (note 15)	7,515	7,515
Contributed surplus (note 15)	15,013	15,005
Accumulated other comprehensive income	419	581
Deficit	(6,191)	(9,256)
Total equity	16,756	13,845
Total liabilities and equity	40,871	40,608

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

Signed on behalf of the Board:





Elias Vamvakas
Chair of the Board

Kathryn A. Welsh
Chair of the Audit Committee

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF EARNINGS

(in $000s Canadian, except per share amounts)	*Twelve months ended August 31* 2020	2019
Revenues		
Professional fees (note 12)	56,690	69,749
Licence fees (note 23)	177	700
Direct expense reimbursements	1,326	1,689
	58,193	72,138
Cost of sales expenses		
Cost of sales (notes 7, 8 and 12)	44,352	53,046
Government stimulus grants (note 11)	(2,446)	-
Reimbursed direct expenses	1,326	1,689
	43,232	54,735
Gross profit	14,961	17,403
Operating expenses		
Selling, general and administrative (notes 7, 8 and 9)	11,588	14,074
Goodwill impairment (note 6)	-	1,521
Government stimulus grants (note 11)	(393)	-
	11,195	15,595
Operating profit	3,766	1,808
Finance expenses (income)		
Interest expense on lease liability (note 10)	367	-
Investment loss (income) (note 4)	605	(211)
Foreign exchange (gain) loss	(179)	168
Earnings before income tax	2,973	1,851
Income tax expense (note 13)	127	1,526
Net earnings for the year attributable to owners of the Company	2,846	325
Earnings per share (note 14)		
Basic & Diluted	$0.139	$0.016

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

(in $000s Canadian)

	Twelve months ended August 31 2020	2019
Net earnings for the year	2,846	325
Other comprehensive income:		
Items that may be reclassified subsequently to net earnings		
Gain (loss) on marketable securities (note 4)	210	(55)
Cumulative translation adjustment	(372)	197
Comprehensive earnings for the year attributable to owners of the Company	2,684	467

Certain comparative figures have been restated to conform with current year presentation.

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)

				Accumulated Other Comprehensive Income (Loss)		
	Deficit	Share Capital	Contributed Surplus	Cumulative Translation Adjustment	Unrealized Gains (Loss) on Marketable Securities	Total Equity
Balance - August 31, 2018	**(9,854)**	**7,515**	**15,002**	**770**	**487**	**13,920**
Adoption of IFRS 9	818	-	-	-	(818)	0
Adoption of IFRS 15	1,291	-	-	-	-	1,291
Net earnings for the year	325	-	-	-	-	325
Dividend payments declared (note 15)	(1,836)	-	-	-	-	(1,836)
Share-based payment expense (note 15)	-	-	3	-	-	3
Change in unrealized loss on marketable securities available for sale	-	-	-	-	(55)	(55)
Change in cumulative translation adjustment	-	-	-	197	-	197
Balance - August 31, 2019	**(9,256)**	**7,515**	**15,005**	**967**	**(386)**	**13,845**
Adoption of IFRS 16 (note 3)	1,137	-	-	-	-	1,137
Net earnings for the year	2,846	-	-	-	-	2,846
Dividend payments declared (note 15)	(918)	-	-	-	-	(918)
Share-based payment expense (note 15)	-	-	8	-	-	8
Change in unrealized loss on marketable securities available for sale	-	-	-	-	210	210
Change in cumulative translation adjustment	-	-	-	(372)	-	(372)
Balance - August 31, 2020	**(6,191)**	**7,515**	**15,013**	**595**	**(176)**	**16,756**

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 2020	2019
Cash flow provided by (used in)		
Operating activities		
Net earnings for the year	2,846	325
Add (deduct) items not affecting cash		
Depreciation of property and equipment	461	520
Amortization of intangible assets	-	94
Depreciation of right-of-use assets (note 10a)	1,565	-
Amortization of advances	1,128	898
Gain on government stimulus grants (note 11)	(2,132)	-
Loss on disposition of assets	103	20
Loss on disposition of right-of-use assets	87	-
Reduction in lease liability due to early termination	(91)	-
Interest expense on lease liabilities (note 10b)	367	-
Fees received in shares	(23)	-
Loss (gain) on marketable securities classified as FVPL	625	(177)
Share based payment expense	8	3
(Gain) loss on unrealized foreign exchange on subsidiary loans	(262)	136
Decrease in provisions	-	(44)
Decrease in deferred revenue	-	(449)
Decrease (increase) in unbilled revenue	1,623	(558)
Decrease (increase) in deferred income taxes	520	(541)
Decrease in cash settled share-based compensation	(334)	(547)
Decrease in goodwill	-	1,521
Changes in working capital (note 16)	(5,102)	(1,160)
Net cash provided by operating activities	1,389	41
Investing activities		
Proceeds from sale of marketable securities	5,207	-
Tenant inducement on right-of-use assets	367	-
Payment of advances	(576)	(2,260)
Proceeds from release of restricted cash	-	94
Purchase of property and equipment	(1,320)	(564)
Proceeds from the disposition of property and equipment	-	38
Net cash used in investing activities	3,678	(2,692)
Financing activities		
Dividend payments	(1,377)	(1,836)
Payment of lease liabilities	(2,021)	-
Sublease payments received	310	-
Proceeds from government loan (note 11)	2,267	-
Net cash provided by (used in) financing activities	(821)	(1,836)
Effect of exchange rate changes on cash and cash equivalents	(388)	225
Net increase (decrease) in cash and cash equivalents	3,858	(4,262)
Cash and cash equivalents, beginning of year	10,623	14,885
Cash and cash equivalents, end of year	14,481	10,623

The net impact of opening balance sheet adjustments as a result of implementing IFRS 15 and 16 have been eliminated in the creation of the consolidated statements of cash flow.

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

THE CALDWELL PARTNERS INTERNATIONAL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND AUGUST 31, 2019

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

1. General Information

The Caldwell Partners International Inc. (the "Company" or "Caldwell") is a talent acquisition 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. Our core service offerings have historically been the placement of executives in full-time employed roles or an advisory capacity within fiduciary governance boards. The Company has recently expanded its service offerings to encompass mid-management professional roles.

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 79 Wellington Street West, Suite 2410, Toronto, Ontario. The Company operates in Canada, the United States, Europe and, through a licence agreement, New Zealand.

2. Basis of Presentation

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

The Board of Directors approved these consolidated financial statements for issue effective November 12, 2020.

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

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

Basis of measurement

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

Consolidation

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

All intercompany transactions and balances are eliminated on consolidation.

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

The acquisition 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 up to 36 months from their start date. The advances are amortized to cost of sales on a straight-line basis over the life of the contractual recoupment period.

Financial instruments

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

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

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

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

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

(i) Financial assets

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

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

Accounts receivable

For accounts receivable, the Company applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognized at the time of initial recognition of the accounts receivable. The Company's expected credit loss model involves a component of price concession provided to customers.

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

Marketable securities

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

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

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

(ii) Financial liabilities

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

Property and equipment

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

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

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

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

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

Impairment of non-financial assets

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

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

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

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

Commission and bonus plans (short-term incentive plans)

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

Stock-based compensation (long-term incentive plans)

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

Performance stock units (PSUs) are notional common shares of the Company that cliff vest three years from the date of grant and are settled in cash. The amount to be paid on vesting is generally dependent on notional dividends received on the holdings, the Company’s share price at the vesting date and a performance factor, as applicable. Prior to 2020, all grants were considered standard PSU grants having 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 (“Standard Grants”).

Beginning fiscal 2020, there are two categories of PSU awards—a reduced Standard Grant and a new Special Grant. For each of fiscal 2020, 2021 and 2022 the normal Standard Grant was reduced to 50% of the previous allotment. The remaining 50% of the allotments for fiscal 2020, 2021 and 2022 were aggregated and accelerated into a special grant (the “Special Grant”). The Special Grant has the same vesting and settlement features as the Standard Grant, but with a performance factor ranging between 0% and 200% based on Board of Directors-established revenue targets set for fiscal 2022.

Compensation expense is recognized on a straight-line basis over the three-year vesting period. Any notional dividend awards and changes in performance factors and fair value are reflected in current period compensation expense in proportion to the amount of the vesting period that has lapsed, with the balance being amortized straight-line over the remaining vesting period.

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

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

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

Provisions

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

Income taxes

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

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

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

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

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

Revenue

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

(i) Professional fees

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

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

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

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

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

3. Third, the total revenue for each search engagement to be recognized is estimated which will then be recognized over the performance period and in proportion to the work effort. Estimated total professional fees for the life of each search include total retainer payments outlined in engagement letters and, an estimate of uptick revenue expected to be received at the time of successful placement of a candidate and an estimate of price concessions provided to customers through the expected credit loss model. The uptick revenue amount is estimated, in aggregate, by looking at the total amount of uptick revenue during the trailing 24-month period relative to the amount of retained revenue billed following our contracts.

Deferred Revenue and Unbilled Revenue

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

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

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

Professional fees involving equity

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

(ii) Licence fees

Licence fee revenue is comprised of the licence and technical assistance fees paid by the Company's affiliates, as discussed in note 23. The licence fee revenue is recognized as earned, based on the revenue of the affiliates during the respective periods.

(iii) Direct expense reimbursements

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

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

At the inception of a contract, the Company assesses whether it is or contains a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A right-of-use asset and a corresponding lease liability are recognized at the date a leased asset is available for use by the Company. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove or restore the underlying asset, less any lease incentives received. The lease liability is initially measured at the present value of the lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate is used to calculate present value. The lease term determined by the Company is comprised of the non-cancellable period of the lease contract, as well as options to terminate or extend the lease term if the exercise of either option is reasonably certain.

Right-of-use assets are subsequently measured at cost less depreciation on a straight-line basis and reduced to reflect impairment losses (if any) and adjusted for any remeasurement of the lease liability. After the lease commencement date, lease liabilities are measured at amortized cost using the effective interest method, which increases the liability amount to reflect interest on the lease liability, reduces the liability carrying amount to reflect lease payments made and also reflects any remeasurement or lease modifications. If a remeasurement to the lease liability is deemed necessary, a corresponding adjustment is also made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. Payments related to short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss over the respective lease terms. Short-term leases are leases with a lease term of 12 months or less.

The Company sub-leases some of its properties. Under IAS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to IFRS 16, the right-of-use assets recognized from the head leases are presented in non-current assets and measured at fair value on transition to IFRS 16. The sub-lease contracts are classified as finance leases under IFRS 16.

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.

Change in judgments and estimation uncertainty due to COVID-19

On January 30, 2020, the World Health Organization (WHO) characterized the novel coronavirus (COVID-19) a public health emergency. At that time, there had not been a direct negative impact seen within the regions the Company operates. On March 11, the WHO expanded its characterization of COVID-19 to a global pandemic. The duration and intensity of the impact of COVID-19 and resulting disruption to the Company's operations have been significant, and the ultimate impact remains uncertain. Given the dynamic nature of these circumstances, it is unknown how the Company may be affected if such an epidemic persists for a continuing extended period. The Company has evaluated subsequent events through November 12, 2020, the date the consolidated financial statements were available to be issued. The Company believes this situation will continue to have a significant impact to its operating results in the short-term and will continue to assess the financial impact. Changes in judgments and estimation uncertainties directly impacted include an increase in the provision for professional fee adjustments, with reserves being increased to reflect greater uncertainty on client concessions and client credit positions.

Recently Adopted Accounting Standards

- IFRS 16, Leases ("IFRS 16")

IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees, thereby removing the distinction between operating and finance leases. IFRS 16 generally requires a lessee to recognize an asset (right-of-use of the leased asset) and a financial liability on the consolidated statements of financial position. The standard permits either a full retrospective or a modified retrospective approach for adoption.

The Company adopted IFRS 16 on September 1, 2019 using the modified retrospective approach which results in recognizing the cumulative effect of applying the guidance at the date of initial application with no restatement of the comparative periods presented.

On transition to IFRS 16, the Company elected to apply certain practical expedients:

- To not recognize an asset or liability for any lease with a remaining term of fewer than 12 months as at August 31, 2019.
- To use a single discount rate on its portfolio of leases with reasonably similar characteristics.
- To place reliance on previous assessments on whether a lease was onerous
- To reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Company has relied on its assessment

made applying IAS 17, Leases ("IAS 17") and IFRIC 4, "Determining whether an Arrangement contains a Lease."

The Company recognized the cumulative effects of initially applying IFRS 16 as adjustments to its opening interim consolidated statements of financial position on September 1, 2019. On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases, which had previously been classified as operating leases under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as at September 1, 2019. The incremental borrowing rate applied to the lease liabilities on September 1, 2019 was 4.95%.

A reconciliation of the Company's lease commitments as at August 31, 2019 and the lease liabilities recognized as at September 1, 2019 is presented below:

Operating lease commitments as at August 31, 2019	15,014
Less:	
Leases with terms fewer than 12 months	(296)
Lease with future commencement date	(4,614)
Variable non-lease components	(2,823)
	7,281
Discounted using the Company's incremental borrowing rate of 4.95%	(722)
FX impact	(36)
Lease liability recognized as at September 1, 2019	6,523

During fiscal 2016 the Company entered into agreements to sublease its existing premises in New York, NY and lease new space. The cumulative proceeds to be received from the sublease are less than the Company's contracted lease obligations. Effective with the implementation of IFRS 16 on September 1, 2019, the remaining net sublease cost provision of $95 was derecognized, and a lease-liability of $847 and a sublease receivable asset of $752 were established.

The increase (decrease) to opening balances from adopting IFRS 16 on the opening interim consolidated statements of financial position is as follows:

	August 31, 2019	IFRS 16 Adjustments	September 1, 2019
Prepaid expenses and other current assets	2,320	752	3,072
Right-of-use assets	-	5,676	5,676
Deferred income taxes	1,963	(420)	1,543
Total assets	40,608	6,008	46,616
Current portion of lease liability	-	1,680	1,680
Accounts payable	3,389	(1,603)	1,786
Provisions	49	(49)	-
Non-current portion of lease liability	-	4,843	4,843
Total liabilities	26,763	4,871	31,634
Deficit	(9,256)	1,137	(8,119)
Total equity	13,845	1,137	14,982
Total liabilities and equity	40,608	6,008	46,616

- IFRIC 23, Uncertainty over Income Tax Treatments ("IFRIC 23")

  In June 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments (IFRIC 23) with a mandatory effective date for annual periods beginning on or after January 1, 2019. The interpretations guide how to value uncertain income tax positions based on the probability of whether the relevant tax authorities will accept a company's tax treatments. A company is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. IFRIC 23 is to be applied by recognizing the cumulative effect of initially applying these guidelines in opening retained earnings without adjusting comparative information.

  Beginning September 1, 2019, the Company adopted IFRIC 23. The interpretations provide guidance on how to value uncertain income tax positions based on the probability of whether the relevant tax authorities will accept a company's tax treatments. The adoption of IFRIC 23 did not have a financial impact to the Company.

- IAS 20, Accounting for Government Grants and Disclosure of Government Assistance ("IAS 20")

  As a result of the receipt of government stimulus measures during the year, the Company has adopted IAS 20, Accounting for Government Grants and Disclosure of Government Assistance ("IAS 20"). A government grant is recognized only when it is probable that it will be received and that the Company will comply with the conditions associated with the grant. Where stimulus is received in the form of a forgivable loan, such as the Paycheck Protection Program ("PPP") (see note 11), the Company has opted to apply government grant accounting and has recognized the proceeds as a reduction of the related expense upon concluding that forgiveness of the loan is probable and that the Company has complied with the relevant provisions of the program. If forgiveness of the loan is not probable, it is presented as a loan on the balance sheet as of the end of the reporting period.

Accounting standards issued but not yet applied

Conceptual Framework
On March 29, 2018, the IASB issued its revised Conceptual Framework for Financial Reporting. The revised Conceptual Framework does not constitute a substantial revision from the previously effective guidance but does provide additional guidance on topics not previously covered, such as presentation and disclosure. This amendment is effective on January 1, 2020. The Company intends to adopt this amendment in its consolidated financial statements for the annual period beginning September 1, 2020. The extent of the impact of the adoption of this amendment has not yet been determined.

Definition of Material
On October 31, 2018, the IASB issued amendments to IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors. These amendments clarify and align the definition of material and provide guidance to help improve consistency in the application of materiality when used in other IFRS standards. These amendments are effective on January 1, 2020. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning September 1, 2020. The adoption of these amendments is not expected to have a significant impact.

Classification of Liabilities as Current or Non-current
On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify the classification of liabilities as current or non-current. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning September 1, 2023. The extent of the impact of the adoption of these amendments has not yet been determined.

Annual Improvements to IFRS Standards 2018–2020
On May 14, 2020, the IASB issued narrow-scope amendments to certain standards as part of its annual improvement process. Amendments were made to clarify which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability in accordance with IFRS 9. There is also an amendment to IFRS 16 Leases to remove from an example the illustration of the reimbursement of leasehold improvements by the lessor. Lastly, an amendment was made to IFRS 1 First-time Adoption of International Financial Reporting Standards for subsidiaries as a first-time adopter. The Company intends to adopt these amendments prospectively in its consolidated financial statements for the annual period beginning September 1, 2022. The extent of the impact of the adoption of these standards has not yet been determined.

Critical accounting estimates and judgments

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

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

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

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

Allowance for doubtful accounts
The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance model in determining the loss for all accounts receivable. Accounts receivable have been grouped based on shared credit risk characteristics and the days past due to measure expected credit losses. Substantial judgment is involved based on the circumstances of individual accounts and the estimated performance of the portfolio. The majority of accounts provided for result from client concessions to maintain a positive brand in the marketplace and relationships with client contacts based on circumstances unique to each search. While there are some accounts that are provided for due to credit reasons, it is often difficult to completely isolate provisions between client concessions and credit risk. Provision amounts are therefore aggregated as professional fee adjustments.

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

period. Full year partner collection results, actual operating results and changes in share price that differ from management's current estimates would affect the results of operations in future periods.

Valuation of equity interests in clients
It can be difficult to obtain valuation information on equity interests held in clients. 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 6. 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 at August 31, 2020 are comprised of equity securities obtained through search fees being paid partially in equity of the client and which are held for long-term investment until there is a market for sale (classified as fair value through OCI).

As at August 31, 2019, marketable securities also contained managed bond funds (classified as fair value through profit or loss) and held for long-term investment. Due to the uncertainty created by the COVID-19 pandemic, the Company liquidated its managed bond funds to cash and cash equivalents during the third quarter of 2020 to maximize available liquidity and eliminate further market risk.

As at August 31, 2020, there were no managed funds, and client equity investments were $71. As at August 31, 2019 managed funds and client equity investments were $5,832 and $85, respectively.

August 31,	Fair value	Current portion (FVPL)	Non-current portion (FVOCI)
2020	71	-	71
2019	5,917	5,832	85

Investment income consisted of the following:

	12 months ended August 31,	
	2020	2019
Interest	20	34
(Loss) gain on marketable securities	(625)	177
	(605)	211

During fiscal 2020, a net unrealized gain of $210 was recognized as part of other comprehensive income (2019: $55). Included in the total is a gain of $245 on the reversal of previously recognized deferred tax liabilities.

5. Property and Equipment

	Furniture and equipment	Computer equipment	Computer application software	Leasehold improvements	Total
Year ended August 31, 2019:					
Opening net book value	504	420	1	453	1,378
Additions	97	157	-	310	564
Disposals	(56)	-	-	(1)	(57)
Depreciation for the year	(101)	(149)	(1)	(269)	(520)
Exchange differences	5	4	-	5	14
Closing net book value	449	432	-	498	1,379
At August 31, 2019:					
Cost	2,710	3,035	762	3,939	10,446
Accumulated depreciation	(2,261)	(2,603)	(762)	(3,441)	(9,067)
Net book value	449	432	-	498	1,379
Year ended August 31, 2020:					
Opening net book value	449	432	-	498	1,379
Additions	231	84	-	1,005	1,320
Disposals	(54)	-	-	(49)	(103)
Depreciation for the year	(78)	(149)	-	(232)	(459)
Exchange differences	(2)	(2)	-	(5)	(9)
Closing net book value	546	365	-	1,217	2,128
At August 31, 2020:					
Cost	2,885	3,117	762	4,890	11,655
Accumulated depreciation	(2,339)	(2,752)	(762)	(3,673)	(9,526)
Net book value	546	365	-	1,217	2,128

Effective August 31, 2020, the Company entered into an agreement to early terminate its lease in Dallas, Texas ahead of its scheduled term of May 31, 2021. The landlord's release was made in exchange for a one-time buyout payment of $104. In connection with the buyout, fixed assets with a cost of $579 and accumulated depreciation of $476 were disposed of, resulting in a loss of $103 recorded within general and administrative expenses in the consolidated statements of earnings. The remaining right-of-use asset of $87 associated with the lease was disposed of as shown in note 10a and the outstanding lease liability of $91 was reversed, as shown in note 10b.

6. Goodwill

In assessing goodwill for impairment as at August 31, 2020 and 2019, the Company compared the aggregate recoverable amount of the assets included in the CGU in its United States segment to its respective carrying amount. In each case, the recoverable amount has been determined based on the estimated value in use of the CGU using cash flow forecasts which were determined based upon Board of Directors-approved budgets for the next year and forecasts for an additional four years, and using the following assumptions to extend the cash flows into future periods:

United States

	2020	2019
Average growth rate	5%	5%
Expected gross margin	24%	24%
Discount rate	8%	8%

Europe

	2020	2019
Average growth rate	-	3%
Expected gross margin	-	10%
Discount rate	-	8%

The impairment tests performed over the United States goodwill resulted in no impairment as at August 31, 2020 or 2019.

In assessing goodwill for impairment as at August 31, 2019, the carrying value for the Europe segment exceeded the aggregate recoverable amount of the assets of the CGU and an impairment expense of $1,521 was recorded.

7. Nature of Expenses

	12 months ended August 31, 2020	2019
Compensation costs	45,998	56,557
Occupancy costs, including ROU asset depreciation	4,484	4,759
Professional services	1,348	1,049
Reimbursed direct expenses	1,326	1,689
Sales and marketing	928	1,456
Search execution materials	868	582
Depreciation of property and equipment	461	520
Staff training and meetings	429	602
Goodwill impairment	-	1,521
Amortization	-	94
Foreign exchange loss (gain)	(179)	168
Government stimulus grants (note 11)	(2,839)	-
Other	1,424	1,501
Total directs costs and expenses	54,248	70,498

8. Compensation of Key Management

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

Compensation expense pertaining to key management included:

	12 months ended August 31, 2020	2019
Salaries, bonuses and short-term benefits	1,775	2,397
Share-based compensation expense	(16)	940
	1,759	3,337

The decrease in salaries, bonuses and short-term benefits was the result of a reduction in bonus accruals as a result of not meeting targeted performance. The reduction in share-based compensation is due to a lower share price and a reduction in performance factors, as a result of not meeting targeted performance.

9. 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, 2020	August 31, 2019
Commissions and bonuses	12,425	20,069
Performance Stock Units	387	1,153
	12,812	21,222

Non-current compensation payable

	As at August 31, 2020	August 31, 2019
Performance Stock Units	396	718
Deferred Stock Units	338	350
	734	1,068

Commissions and bonuses

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

Share-based compensation plans

Performance stock units (PSUs)

The estimated cost of the PSU plan is being amortized on a straight-line basis over the three-year vesting period. The forms of PSU grants are discussed in note 3. Standard Grants are valued with a weighted average performance factor estimated at 69% (2019: 108%) of target. Special Grants are valued with a weighted average performance factor of 100% (2019: not applicable). PSU expense for the year ended August 31, 2020 of $68 (2019: $872) was recorded within general and administrative expenses in the consolidated statements of earnings.

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

	Twelve months ended August 31, 2020	2019
	Notional units (000s)	Notional units (000s)
Outstanding at beginning of year	1,808	1,850
Granted	1,090	402
Adjustment for dividends paid	120	119
Settled	(787)	(563)
Outstanding at end of year	2,231	1,808

Deferred stock units (DSUs)

DSU recovery of $12 (2019: expense of $68) for the year ended August 31, 2020 has been recorded within general and administrative expenses in the consolidated statements of earnings.

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

	Twelve months ended August 31, 2019	2019
	Notional units (000s)	Notional units (000s)
Outstanding at beginning of year	276	352
Granted	138	58
Adjustment for dividends paid	15	25
Settled	-	(159)
Outstanding at end of year	429	276

10. Leases

a. Right-of-Use Assets

As discussed in Note 3, the Company adopted IFRS 16 effective September 1, 2019, recording right-of-use assets for leased premises.

A summary of the Company's right-of-use assets is below:

As at August 31, 2020		As at September 1, 2019	
Cost	9,256	Cost	5,676
Accumulated depreciation	(1,565)	Accumulated depreciation	-
	7,691		5,676

Twelve months ended August 31, 2020	
Opening net book value	5,676
Additions	4,087
Tenant improvement allowance	(367)
Disposal	(87)
Foreign exchange	(53)
Depreciation	(1,565)
	7,691

During the year, the Company adjusted the opening net book value of the right-of-use assets due to additional information provided by the lessors.

On March 2, 2020, the Company commenced a new lease in Toronto, Ontario with a 10.1 year term expiring March 31, 2030. A right-of-use asset of $3,585, a tenant inducement receivable of $367 netted against the right-of-use-asset and a lease liability equal to the total discounted future cash outflows using an incremental borrowing rate of 4.95%, which are anticipated to be $3,585, were recorded and included as additions to the lease liability in note 10b. Total undiscounted commitments for the lease are $4,614.

On June 26, 2020, the Company commenced a new lease in Chicago, Illinois with a 5.5 year term expiring December 31, 2025. A right-of-use asset and a lease liability of $502 equal to the total discounted future cash outflows using an incremental borrowing rate of 4.95% were recorded and included as additions to the lease liability in note 10b. Total undiscounted commitments for the lease are $580.

b. Lease Liability

As discussed in Note 3, the Company adopted IFRS 16 effective September 1, 2019, recording a right-of-use asset for its leases. During the year, the Company adjusted the amount of the lease liability outstanding at adoption as a result of additional information supplied by the lessors. A summary of the Company's lease liability is below:

Outstanding at beginning of period	-
Adoption of IFRS 16	6,523
Additions (note 10a)	4,087
Lease payments	(2,021)
Reduction in liability due to early termination of lease	(91)
Foreign exchange	(60)
Interest and accretion expense	367
Outstanding at end of period	8,805

Current portion	1,873
Non-current portion	6,932
Total lease liabilities August 31, 2020	8,805

c. Leases as a Lessor

As discussed in Note 3, the Company adopted IFRS 16 effective September 1, 2019, recording sublease receivable assets for leased premises. During the year the Company recognized $33 in interest income on lease receivables (2019: nil). The undiscounted lease payments to be received as at August 31, 2020 are $455 (2019: nil) and the unearned finance income is $16.

11. Government Stimulus Grants

The Company has participated in available stimulus grants offered by the governments in Canada and the United States to help offset the negative impact of the COVID-19 pandemic.

Canada government stimulus grant

Within Canada, the Company participated in the Canada Emergency Wage Subsidy (“CEWS”). CEWS provides qualifying companies with a monthly financial support grant based on payroll, subject to certain caps. Eligibility is triggered by and scaled according to the reduction in year-over-year Canadian revenue on a month by month basis. The Company recognized government stimulus grant income as a reduction in cost of sales expenses ($707).

United States government stimulus grant

On April 22, 2020, the Company was granted a US dollar-denominated loan from TD Bank N.A. in the amount of USD $1,613 ($2,267 at the grant date exchange rate) pursuant to the Paycheck Protection Program ("PPP") established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") which was enacted on March 27, 2020 in the United States.

The loan, which is in the form of a note dated April 22, 2020 issued by the Company, matures on April 22, 2022 and bears interest at a rate of 1.0% per annum, payable monthly, but only if the application for loan forgiveness is denied by the government. The note may be prepaid at any time prior to maturity with no prepayment penalties. Subject to certain limitations, funds from the loan used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations are eligible for potential forgiveness upon review and approval by the lender in accordance with the CARES Act.

The Company utilized the loan proceeds during the third and fourth quarter and believes it has complied with the relevant provisions of the program by validly using the entire proceeds of the loan for qualifying expenses during the coverage period and has therefore concluded that forgiveness of the loan is probable. As a result, the Company has recategorized the proceeds from a loan to that of a government grant, represented by deductions in cost of goods sold and general and administrative expenses, respectively.

The Company applied for forgiveness review by its lender and the US government on September 21, 2020. It is unknown how long the loan forgiveness review process will take, with indication from the Company’s lender of up to five months. Ultimate forgiveness is dependent on the bank review and a further review by the Small Business Administration of the United States. While management believes the forgiveness criteria has been achieved, no guarantee of forgiveness can be given until formal forgiveness is received.

The total government stimulus grant recognized was $2,132 based on exchange rates in effect when recognized in the fourth quarter as a reduction of cost of sales expenses ($1,739) and general and administrative expenses ($393).

12. Unbilled Revenue and Deferred Revenue

As at August 31, 2020 aggregate amounts billed to clients were less than the calculated revenue to be recognized. As a result, the Company recorded a net unbilled revenue asset of $2,430 (August 31, 2019: $4,086) and a related increase to compensation payable of $1,215 (August 31, 2019: $2,043). A summary of the gross unbilled and deferred revenue amounts is below:

	12 months ended August 31,	
	2020	2019
Unbilled revenue	3,106	4,984
Deferred revenue	(676)	(898)
	2,430	4,086

13. Income Taxes

	Twelve months ended August 31,	
	2020	2019
Current tax:		
Current tax on net earnings for the year	(411)	2,052
Deferred tax:		
Origination and reversal of temporary differences	538	(526)
	127	1,526

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:

	2020	2019
Canadian statutory income tax rate	26.5%	26.7%
Current year losses for which no deferred tax asset is recognized	0.0%	32.4%
Recognition of previously unrecognized tax losses	(16.9%)	0.0%
Non-deductible expenses	6.8%	4.8%
Prior years taxes	(9.4%)	10.5%
Foreign Rate differences	(6.2%)	13.7%
Rate change	3.0%	(5.8%)
Other	0.5%	0.1%
	4.3%	82.4%

The analysis of deferred tax assets and liabilities is as follows:	2020	2019
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	2,341	285
Deferred tax assets to be recovered within 12 months	1,938	3,033
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 12 months	(2,401)	(541)
Deferred tax liabilities to be recovered within 12 months	(633)	(814)
Deferred tax assets (net)	1,245	1,963

The movement of the deferred income tax account is as follo	2020	2019
Outstanding at beginning of year	1,963	1,897
Adjustments on initial application of IFRS 15	-	(493)
Adjustments on initial application of IFRS 16	(474)	-
(Debit)/Credit to statement of earnings	(538)	526
(Debit)/Credit to statement of comprehensive earnings	245	-
Exchange differences	49	33
Outstanding at end of year	1,245	1,963

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

Deferred tax assets

	Compensation payable	Lease Liabilily	Other	Total
At August 31, 2018	2,256	-	272	2,528
Adjustments on initial application of IFRS 15	493	-		493
(Charged)/credited to the statement of earnings	150	-	241	391
Exchange differences	(100)	-	6	(94)
At August 31, 2019	2,799	-	519	3,318
Adjustments on initial application of IFRS 16	-	2,515	(474)	2,041
(Charged)/credited to the statement of earnings	(946)	(280)	243	(983)
Exchange differences	(35)	(16)	(46)	(97)
At August 31, 2020	1,818	2,219	242	4,279

	Excess Carrying Value of PP&E over tax base	Revenue not Taxable until a future year	Other	Total
At August 31, 2018	251	238	142	631
Adjustments on initial application of IFRS 15	-	986	-	986
(Charged)/Credited to statement of earnings	(4)	(184)	53	(135)
Exchange differences	34	(133)	(28)	(127)
At August 31, 2019	281	907	167	1,355
Adjustments on initial application of IFRS 16	2,255	-	260	2,515
Charged/(credited) to the statement of earnings	(78)	(238)	(129)	(445)
Charged/(Credited) to statement of comprehensive earnings	-	(245)	-	(245)
Exchange differences	(116)	(24)	(6)	(146)
At August 31, 2020	2,342	400	292	3,034

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 $213 (2019: $672) that can be carried forward against future taxable income.

As at August 31, 2020, the Company has non-capital losses of $1,119 with indefinite expiry dates available to reduce income of future years in the United Kingdom.

The Company also has capital losses of $2,480 in Canada that can only be utilized against capital gains in Canada and are without expiry date. In addition, the Company has a $425 unrealized capital loss on marketable securities in the US. No deferred tax assets have been recognized for these capital losses.

14. Earnings Per Share

(i) Basic

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

	12 months ended August 31, 2020	12 months ended August 31, 2019
Net earnings for the period attributable to owners of the Company	2,846	325
Weighted average number of common shares outstanding	20,404,555	20,404,555
Basic earnings per share	$0.139	$0.016

(ii) Diluted

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

	12 months ended August 31,	
	2020	2019
Net earnings for the period attributable to owners of the Company	2,846	325
Weighted average number of common shares outstanding	20,404,555	20,404,555
Adjustment for stock options	56,706	51,953
Weighted average number of common shares for diluted earnings per share	20,461,261	20,456,508
Diluted earnings per share	$0.139	$0.016

15. Share Capital

Common shares

As at August 31, 2020 the authorized share capital of the Company consists of an unlimited number of common shares of which 20,404,555 are issued and outstanding (August 31, 2019: 20,404,555). The holders of common shares are entitled to participate equally, share for share, in all dividends declared by the Company and equally in the event of a liquidation, dissolution or winding up of the Company or other distribution of the assets among shareholders.

The Company had declared quarterly dividends since May 1, 2012. The dividend was suspended on April 2, 2020 because of the economic uncertainty arising out of the COVID-19 pandemic. A summary of dividends declared during fiscal 2019 and 2020 to date is as follows:

Declaration Date	Payment Date	Dividend Per Share	Aggregate dividends declared
November 13, 2018	December 14, 2018	$0.0225	$459
January 10, 2019	March 18, 2019	$0.0225	$459
April 3, 2019	June 10, 2019	$0.0225	$459
July 10, 2019	September 13, 2019	$0.0225	$459
November 18, 2019	December 19, 2019	$0.0225	$459
January 9, 2020	March 16, 2020	$0.0225	$459

Stock options

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

	August 31, 2020		August 31, 2019	
	Number of options outstanding (000s)	Weighted average exercise price	Number of options outstanding (000s)	Weighted average exercise price
Outstanding at beginning of period	250	$1.05	250	$1.05
Issued during the period	250	$0.80	-	-
Expired during period	-	-	-	-
Outstanding at end of period	500	$0.93	250	$1.05
Exercisable at end of period	250		125	

All options currently outstanding have a contractual life of five years with half vesting one year after the date of grant and the remainder vesting two years after the date of grant. Options have an exercise price equal to the fair value of the common shares on the date of issuance. Stock option expense of $8 has been recorded in the year ended August 31, 2020 (2019: $3).

16. Changes in Working Capital

Changes in working capital balances on the consolidated statements of cash flow are summarized as follows:

	Twelve months ended August 31	
	2020	*2019*
Decrease (increase) in accounts receivable	4,703	(849)
Increase in income taxes receivable	(939)	-
Increase in prepaid expenses and other assets	(8)	(148)
(Decrease) increase in accounts payable	(4)	712
(Decrease) increase in compensation payable	(7,122)	947
Decrease in income taxes payable	(577)	(879)
Payment of cash settled share-based compensation	(1,155)	(943)
	(5,102)	(1,160)

17. 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 page provides a reconciliation of the Company’s consolidated statements of earnings by geographic segment to the consolidated results.

	Twelve months ended August 31, 2020				
	Canada	United States	Europe	Elimination	Total
Professional fees	10,607	42,842	3,241	-	56,690
Licence fees	1,141	-	-	(964)	177
Direct expense reimbursements	345	980	1	-	1,326
Revenues	12,093	43,822	3,242	(964)	58,193
Cost of Sales	7,325	34,589	2,438	-	44,352
Government stimulus grants	(707)	(1,739)	-	-	(2,446)
Reimbursed direct expenses	345	980	1	-	1,326
Gross profit	5,130	9,992	803	(964)	14,961
Selling, general and administrative	2,876	7,891	821	-	11,588
Licence fees	-	964	-	(964)	-
Government stimulus grants	-	(393)	-	-	(393)
Operating profit	2,254	1,530	(18)	-	3,766
Interest expense on lease liability	105	262	-	-	367
Investment loss (income)	605	-	-	-	605
Intercompany loan cancellation	-	2,416	(2,416)	-	-
Foreign exchange (gain) loss	14	39	(232)	-	(179)
Earnings before tax	1,530	(1,187)	2,630	-	2,973
Income taxes	564	(437)	-	-	127
Net earnings (loss) for the year	966	(750)	2,630	-	2,846

	Twelve months ended August 31, 2019				
	Canada	United States	Europe	Elimination	Total
Professional fees	15,497	53,282	970	-	69,749
Licence fees	2,030	-	-	(1,330)	700
Direct expense reimbursements	455	1,224	10	-	1,689
Revenues	17,982	54,506	980	(1,330)	72,138
Cost of Sales	11,259	39,743	2,044	-	53,046
Reimbursed direct expenses	455	1,224	10	-	1,689
Gross profit (loss)	6,268	13,539	(1,074)	(1,330)	17,403
Selling, general and administrative	3,448	10,205	421	-	14,074
Goodwill impairment	-	-	1,521	-	1,521
Licence fees	-	1,330	-	(1,330)	-
Operating profit (loss)	2,820	2,004	(3,016)	-	1,808
Investment income	(211)	-	-	-	(211)
Foreign exchange (gain) loss	(27)	(2)	197	-	168
Earnings before tax	3,058	2,006	(3,213)	-	1,851
Income taxes	824	702	-	-	1,526
Net earnings (loss) for the year	2,234	1,304	(3,213)	-	325

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, 2020 corporate support costs totaled $4,866 (2019: $6,857) with $3,708 allocated to the US (2019: $5,241), $889 to Canada (2019: $1,520) and $269 to Europe (2019: $96). Intercompany licence fee revenues have been eliminated on consolidation.

The Company and its subsidiaries maintain intercompany loan agreements between each other used to fund advances to and from the different geographical subsidiaries. Due to funded losses in Europe, the US legal entity developed a substantial receivable balance from the Europe legal entity which the parties determined was unlikely to be repaid. Effective August 31, 2020 the intercompany loan was cancelled with the US operations recognizing a deductible loss on cancellation and the Europe operations recognizing a taxable gain on cancellation which utilized previously unrecognized tax loss carryforwards. The cancellation gain and loss eliminate in consolidation.

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

	At August 31, 2020				At August 31, 2019			
	Canada	United States	Europe	Total	Canada	United States	Europe	Total
Property and equipment	1,566	533	29	2,128	642	704	33	1,379
Right-of-use assets	3,633	4,058	-	7,691	-	-	-	-
Goodwill	-	1,288	-	1,288	-	1,313	-	1,313
Total assets	14,063	25,813	995	40,871	11,656	28,274	678	40,608

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

	2020				2019			
	Canada	United States	Europe	Total	Canada	United States	Europe	Total
Depreciation expense:								
Property and equipement	240	210	11	461	229	280	11	520
Right-of-use assets	292	1,273	-	1,565	-	-	-	-
Amortization expense	-	-	-	-	-	94	-	94

18. Commitments

The Company's undiscounted future lease commitments for premises excluding explicitly identified operating costs, are as follows:

Twelve months ending August 31, 2021	3,130
Twelve months ending August 31, 2022	2,365
Twelve months ending August 31, 2023	2,253
Twelve months ending August 31, 2024	1,026
Twelve months ending August 31, 2025	791
September 1, 2025 and thereafter	2,487
	12,052

19. Related Party Transactions

Pursuant to its lease agreements, the Company paid rent for its Toronto office to an affiliated company owned by a shareholder, C. Douglas Caldwell, registered as owning more than 10% of the Company. The amount of consideration agreed to by the parties was determined to be the fair market rental rates at the inception of the lease by an independent commercial real estate counselor and was approved by the independent Members of the Board of Directors. The lease term expired effective March 31, 2020. Occupancy costs within general and administrative expenses in the consolidated statements of earnings have been recognized for the year ended August 31, 2020 in the amount of $130 (2019: $223). The Toronto office was relocated at the end of this lease term as referenced in note 10.

20. Financial Instruments

Classification of financial instruments

A summary of the classifications of financial instruments as at August 31, 2020 and August 31, 2019 is shown below:

Financial instruments	Financial assets at amortized cost	Liabilities at amortized cost	FVOCI	As at August 31, 2020
Cash and cash equivalents	14,481	-	-	14,481
Accounts receivable	7,316	-	-	7,316
Other receivables[1]	385	-	-	385
Restricted cash	45	-	-	45
Accounts payable	-	(1,764)	-	(1,764)
Compensation payable	-	(12,812)	-	(12,812)
Non-current marketable securities	-	-	71	71
	22,227	(14,576)	71	7,722

[1] Included within prepaids and other assets in the consolidated statements of financial position

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

Fair value hierarchy

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

- **Level 1**: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

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

The Company's financial instruments measured at fair value as at August 31, 2020 consist of marketable securities, which are comprised of certain equity securities held for investment obtained through search fees being paid partially in equity of the client. The Company's financial instruments measured at fair value as at August 31, 2019 consist of marketable securities, which are comprised of managed funds and certain equity securities held for investment obtained through search fees being paid partially in equity of the client as discussed in note 4.

August 31, 2020

	Level 1	Level 2	Level 3
Marketable securities	71	-	-

August 31, 2019

	Level 1	Level 2	Level 3
Marketable securities	-	5,832	85

Fair value

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

The professionally managed fixed income funds held a combination of government and corporate bonds and are included within level 2 of the fair value hierarchy. Since there is only an 'Over the Counter' market for fixed income securities, such securities owned and sold short are valued using independent prices obtained directly from third-party pricing vendors and the investment fund's prime brokers. The prices obtained from these sources usually reflect recent trading activity and therefore are indicative of fair value. The Company's professionally managed fixed income funds were recorded initially at their fair value and subsequently measured at fair value through profit and loss. As at August 31, 2020, the Company no longer held investments in these securities (2019: $5,832).

The equity securities held at August 31, 2020 were obtained through search fees being paid partially in equity of the client are included within level 1 of the fair value hierarchy and are in a publicly traded company whose value is based on unadjusted quotes from the NASDAQ. The equity securities held at August 31, 2019 were also obtained through search fees being paid partially in equity of the client are included within level 3 of the fair value hierarchy and were in a private company whose value is derived from estimates used in recent financings with discounts applied to factor in vesting and transfer restrictions on the units held. These investments are subsequently measured at fair value through OCI. As at August 31, 2020, the Company has $71 invested in these securities (2019: $85). A 5% variation in the market price of underlying securities would have resulted in an increase or decrease in the value of this asset of $4 (2019: $4).

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

Foreign currency risk

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

As at August 31, 2020, the Company has US dollar net monetary asset exposure of $10,332 (2019: $10,180). 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 $517 recognized in the cumulative translation adjustment in the Company's consolidated statements of comprehensive earnings for the year ended August 31, 2020 (2019: $509). As these are long-term investments and not expected to be liquidated to Canadian dollars, they are not hedged.

As at August 31, 2020, the Company has British pound sterling net monetary asset exposure of $297 (2019: $2,184). 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 $15 recognized in the cumulative translation adjustment in the Company's consolidated statements of comprehensive earnings for the year ended August 31, 2020 (2019: $109). As these are long-term investments and not expected to be liquidated to Canadian dollars, they are not hedged.

Liquidity risk

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

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

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

	As at August 31, 2020			As at August 31, 2019		
	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	1,764	-	-	3,389	-	-
Compensation payable	12,812	-	734	21,222	-	1,068
Lease liability	921	952	6,932	-	-	-
Dividends payable	-	-	-	459	-	-
	15,497	952	7,666	25,070	-	1,068

Credit risk

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

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

As discussed in the Significant Accounting Policy section under Revenue Recognition, there are certain accounts that are provided for due to client concession reasons and other accounts for credit reasons. It is often difficult to completely isolate provisions between client concessions and credit concerns. Provision amounts are therefore aggregated and applied against professional fees. As a result of the anticipated economic impact on clients by the COVID-19 pandemic, collection reserves were increased to reflect greater uncertainties on client concessions and client credit positions. Specific reserves were increased, and judgment was applied to the overall accounts receivable portfolio to maintain a level of days of sales outstanding, net of provision, consistent with prior periods.

Accounts receivable comprised the following as at August 31:

	As at August 31	
	2020	2019
Trade receivables	7,802	12,146
Less: loss allowance	(1,315)	(501)
	6,487	11,645
Other receivables	829	270
Accounts receivable	7,316	11,915

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

	Twelve months ended August 31,	
	2020	2019
Beginning of year	501	718
Increase in loss allowance	1,595	870
Unused loss allowance reversed	(16)	(116)
Provision for professional fee adjustments	1,579	754
Receivables written off during the year as uncollectible	(765)	(971)
End of year	1,315	501

As at August 31, 2020, accounts receivable of $6,487 (2019: $11,645) were estimated to be fully performing. The allowance account of $1,315 (2019: $501) consists of $735 (2019: $501) of over 90 day accounts and $580 (2019: $0) of under 90 day accounts. Of the under 90 day balance, $186 was for known performance issues and $394 was for an estimation of performance issues based on expanding days of sales outstanding and the pandemic's impact on lengthening collection cycles and pressures from clients on concessions and credit concerns.

Interest rate risk and market price risk

The Company has outstanding debt in the way of the government loan received pursuant to the Paycheck Protection Program ("PPP") established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") which was enacted on March 27, 2020 in the United States. It carries a fixed interest rate of 1.0%. The loan is forgivable and the Company believes it has complied with the relevant provisions required for forgiveness. As a result, the Company recharacterized the proceeds from a loan to that of a government grant (see note 11).

The Company has not currently drawn on its credit facility with TD Bank (see note 22). Therefore, exposure to interest rate risk 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 include equities which are also subject to market price risk (i.e. fair value fluctuates based on changes in market prices).

21. Capital Management

The Company's capital is comprised of common shares of the Company, contributed surplus and deficit. The Company manages its capital to ensure financial flexibility, to increase shareholder value through organic growth and selective acquisitions, as well as to allow the Company to respond to changes in economic or market conditions. Because the Company's Government loan payable and Credit Facility do not have specific covenants or restrictions, they are not subject to any externally imposed capital requirements.

22. Credit Facility

On September 28, 2016 the Company entered into an agreement with TD Bank to establish a $3,000 revolving demand, floating-rate credit facility (the "Credit Facility") for future working capital needs. The Credit Facility maximum limit was increased to $5,000 effective May 28, 2020. The facility is limited based on 80.0% 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 net amount the Company is eligible to borrow at August 31, 2020 is $4,656. The facility bears variable interest on drawn amounts based on the Canadian prime rate plus 1.0% per annum. As at August 31, 2020, no amounts were outstanding on the credit facility (August 31, 2019: $nil) and letters of credit of $344 (August 31, 2019: $271) have been issued against the facility.

23. Affiliation Relationships

The Company enters into licensing arrangements with certain entities to provide executive search services in markets not directly served by the Company. In exchange for licence fee payments, the licencees have rights to use the Caldwell brand, search processes, methodologies and related intellectual property. For the year ended August 31, 2020 licence fees amounted to $177 (2019: $700).

Effective July 13, 2015, the Company entered into a five-year licensing agreement with CPGroup LATAM Ltd. and its subsidiaries (CPGroup), having operations throughout Latin America. The Company and CPGroup announced they had mutually agreed to end their licensing relationship, effective February 28, 2019. There were no license fees from CPGroup in the year ended August 31, 2020 (2019: $497).

Effective November 8, 2015, the Company entered into a five-year licensing agreement with Simon Monks and Partners Limited, a New Zealand corporation, which subsequently changed its name to The Caldwell Partners International New Zealand Limited ("Caldwell New Zealand"), operating in New Zealand. Effective February 10, 2020, the Company and Caldwell New Zealand agreed to renew their existing agreement for an additional five year period, provided the extension now allows either party to terminate the agreement with six months' notice unilaterally. For the year ended August 31, 2020, license fees from The Caldwell Partners International New Zealand Limited were $104 and for the year ended August 31, 2019 they were $127.

Effective January 14, 2019, the Company entered into a five-year licensing agreement with Hattonneale Pty Ltd. ("Hattoneale"), an Australian corporation, operating in Australia. Due to the global pandemic's impact on Hattonneale's business, Hattonneale ceased its executive search operations to focus on board advisory services, and the Company's affiliation agreement with Hattonneale was mutually terminated effective August 31, 2020. For the year ended August 31, 2020, license fees from Hattonneale were $73 and for the year ended August 31, 2019 they were $76.

Directors

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

Paul R. Daoust
Corporate Director

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

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

Kathryn A. Welsh
Corporate Director

John Young
Chief Executive Officer, Boat Rocker Media Inc.

Officers

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

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

Michael Falagario, CPA, CFA
Director, Finance, Systems & Planning and
Corporate Secretary
The Caldwell Partners International Inc.

Shareholder Information

Auditors

KPMG LLP (Canada)
Chartered Accountants, Toronto, Ontario

Counsel

Miller Thomson LLP
Barristers and Solicitors, Toronto, Ontario

Stock Exchange Listing

The Toronto Stock Exchange (symbol: CWL)

Transfer Agent

Computershare Limited

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

Correspondence may be addressed to:

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

for other information, please contact:

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

79 Wellington Street West
TD South Tower Suite 2410, P.O. Box 75
Toronto, ON M5K 1E7
+1 416 920 7702 fax +1 416 920 8533
leaders@caldwellpartners.com

TALENT TRANSFORMS

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

Understanding that transformative talent is not limited to executive levels, our Caldwell Advance solution focuses on emerging leaders and advancing professionals who can also have a profound impact on a company's ability to turn potential into success. We also leverage our skills and networks to provide agile talent solutions in the form of flexible and on-demand advisory solutions for companies looking for support in strategy and operations. Caldwell Analytics is a talent optimization solution that uses highly respected, results-driven assessments to align our clients' talent and business strategies, driving better business results.

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