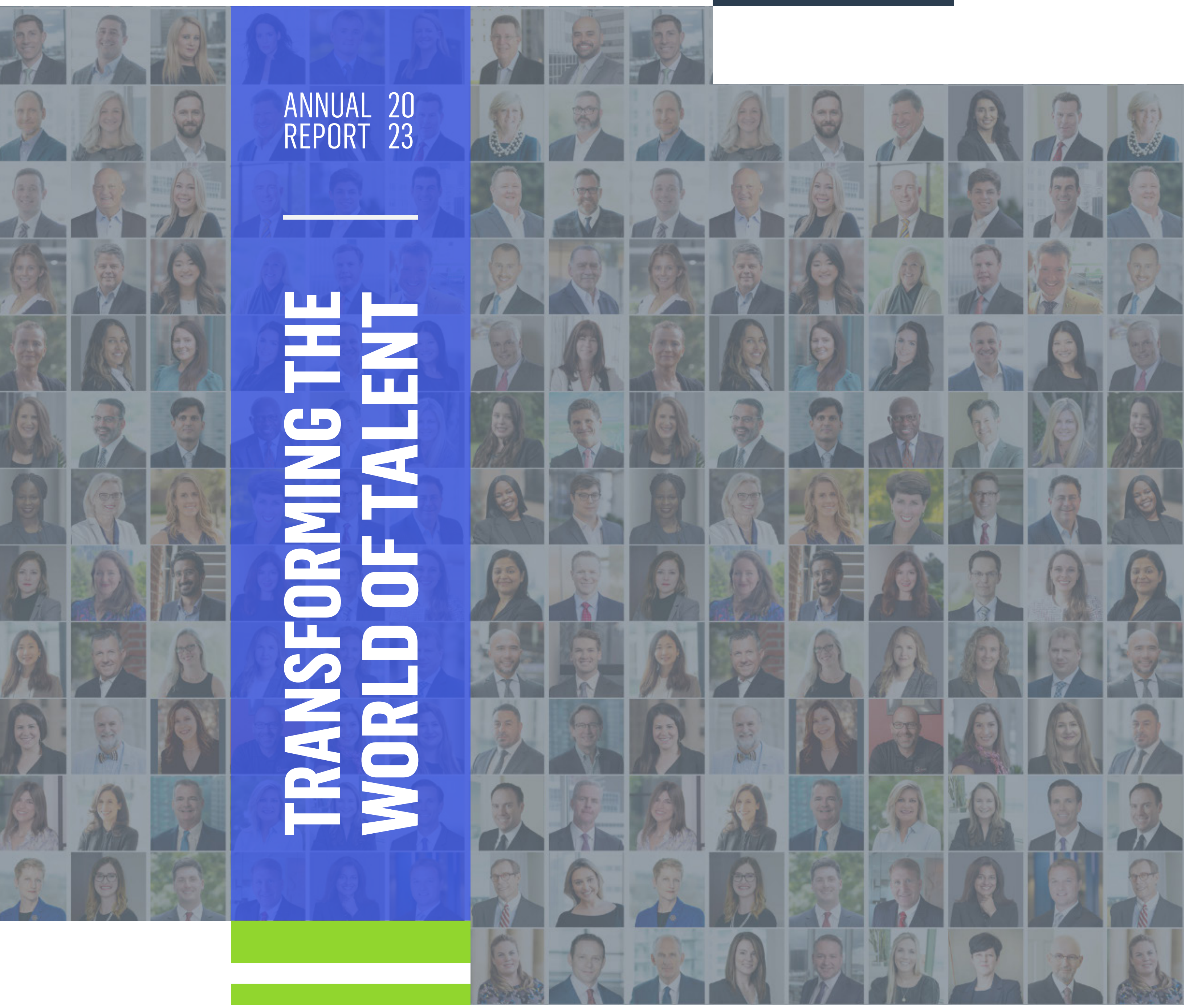
Caldwell

IQTALENT®

ANNUAL REPORT 2023

TRANSFORMING THE WORLD OF TALENT



WE BELIEVE TALENT TRANSFORMS

Caldwell Partners is a technology-powered talent acquisition firm specializing in recruitment at all levels. Through two distinct brands – Caldwell and IQTalent – the firm leverages the latest innovations in AI to offer an integrated spectrum of services delivered by teams with deep knowledge in their respective areas. Services include candidate research and sourcing through to full recruitment at the professional, executive and board levels, as well as a suite of talent strategy and assessment tools that can help clients hire the right people, then manage and inspire them to achieve maximum business results.

Caldwell Partners' common shares are listed on The Toronto Stock Exchange (TSX: CWL) and trade on the OTCQX Market (OTCQX: CWLPF).

www.caldwell.com @CaldwellSearch

Dear Shareholders, Clients, and Friends:

Fiscal 2023 turned out to be a challenging year, in a number of respects. Our organization is fueled by hiring demand, and the increased economic uncertainty driven by inflation, interest rates and other macroeconomic factors led to lower hiring trends and a significant pullback in talent acquisition at our clients, which impacted both of our businesses.

In our executive search segment, Caldwell's professional fees for the year represent a 26% decrease over the previous record-breaking year. Positively, we did generate an operating profit of $2.2 million in a very uncertain market for the year and our last two quarters experienced sequential increases in professional fees. The Caldwell executive search team continues to leverage their experience and expertise to push through a slower market and show their mettle. We look forward to leveraging our all-time high partner count team once hiring demand returns to normal levels.

In our on-demand talent acquisition support segment, IQTalent had the dual challenge of being an on-demand business with a heavy weighting in the tech sector, which has been the hardest hit sector by the negative economic cycle. Consequently, we saw a significant decrease in revenue for the year. As hiring demand fell, we implemented significant restructuring initiatives to downsize our staff to match revenue levels. We also adjusted our IQTalent leadership team structure for a leaner team and stronger go-to-market strategy by expanding our offering to accommodate full-service recruitment process outsourcing. With these measures, we are positioned for profitable growth with a return of hiring demand as the macro business environment improves.

While pushing through the headwinds of the last twelve months of economic uncertainty, this was a year that highlighted the professionalism and incredible commitment of our team.

Finding great candidates – no matter the market conditions - is something that takes a lot of time and effort to do well, and we continue to do it really well. We love the work we do and the impact we can have on our clients' success – a fact that is clearly reflected in our industry-leading satisfaction scores. We track our client and candidate satisfaction using Net Promoter® Score methodology – it is a measure of client satisfaction based on responses to a single question: *How likely is it that you would recommend our company/product/service to a friend or colleague?* Scores range from negative 100 to positive 100 to gauge customer satisfaction. Any score above positive 80 is considered 'world-class,' making our Fiscal 2023 score of 98 a tangible attestation to the commitment we as a firm have to our clients and candidates.

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The themes we regularly see in our client feedback revolve around our professionalism, our depth of understanding, our responsiveness, and our excellent results. By integrating outcome-oriented service with innovative technology, our team can efficiently deliver a wide range of talent acquisition solutions to our clients in support of our driving principle, that “Talent Transforms.”

We have weathered through a very choppy past year. Clients remain tentative regarding additional human resources, as they look for signs that the economy may be recovering. As we work through these ongoing economic uncertainties, we are confident in the strength of our company, our team, our service offerings, our balance sheet, and our future. Our clients value our ability to provide seamless support for their talent acquisition needs at all levels, and by continuing to diversify our mix of services and cross-collaborating between our two business segments, we expect to continue to grow both businesses, profitably, together.

As always, we thank the entire Caldwell/IQTalent team for their tireless work on behalf of our shareholders, our clients, our candidates, and each other. Their energy, professionalism, and love for what they do is what drives this company, and it makes us grateful to be a part of such an incredible team and organization.

Yours sincerely,

Elias Vamvakas
Chair of the Board

John Wallace
Chief Executive Officer

THE CALDWELL PARTNERS INTERNATIONAL INC

For the years ended August 31, 2023 and August 31, 2022

Management Discussion & Analysis ("MD&A")

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

PRESENTATION

The following discussion and analysis, prepared on November 28, 2023, 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, 2023. 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).

FORWARD-LOOKING STATEMENTS

Forward-looking statements in this document are based on current expectations subject to the significant risks and uncertainties cited. These forward-looking statements generally can be identified by the 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.

We are subject to many factors that could cause our actual results to differ materially from those contemplated by the relevant forward looking statement including, but not limited to, the impact of pandemic diseases, 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; risks related to deposit-taking institutions; foreign currency exchange rate fluctuations; competition from other companies directly or indirectly engaged in talent acquisition; cybersecurity requirements, vulnerabilities, threats and attacks; damage to our brand reputation; our ability to align our cost structure to changes in our revenue; liability risk in the services we perform; potential legal liability from clients, employees and candidates for employment; reliance on software that we license from third parties; reliance on third-party contractors for talent acquisition support; the classification of third-party labour as contractors versus employee relationships; our ability to successfully recover from a disaster or other business continuity issues; adverse governmental and tax law rulings; successfully integrating or realizing the expected benefits from our acquisitions, adverse operating issues from acquired businesses; volatility of the market price and trading volume of our common shares; technological advances may significantly disrupt the labour market and weaken demand for human capital at a rapid rate; affiliation agreements may fail to renew or affiliates may be acquired; the impact on profitability from marketable securities valuation fluctuations; increasing dependence on third parties for the execution of critical functions; our ability to generate sufficient cash flow from operations to support our growth and fund any dividends; 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. 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.

COMPANY DESCRIPTION

The Caldwell Partners International Inc. (the "Company") is a technology-powered talent acquisition firm specializing in recruitment at all levels. We leverage the latest innovations in artificial intelligence to offer an integrated spectrum of services delivered by teams with deep knowledge in their respective areas, allowing us to have a more significant impact on our clients' long-term success. Services include candidate research and sourcing through to full lifecycle recruitment at the professional, executive and board levels, as well as a suite of talent strategy and assessment tools that can help clients hire the right people, then manage and inspire them to achieve maximum business results.

We operate through two distinct segments – retained executive search and analytics solutions are conducted as ***Caldwell***, and on-demand talent acquisition augmentation solutions are conducted as ***IQTalent Partners*** or ***IQTalent***. Collectively, we believe talent transforms, and our purpose is to enable organizations to thrive and succeed by helping them identify, recruit and retain the best people.

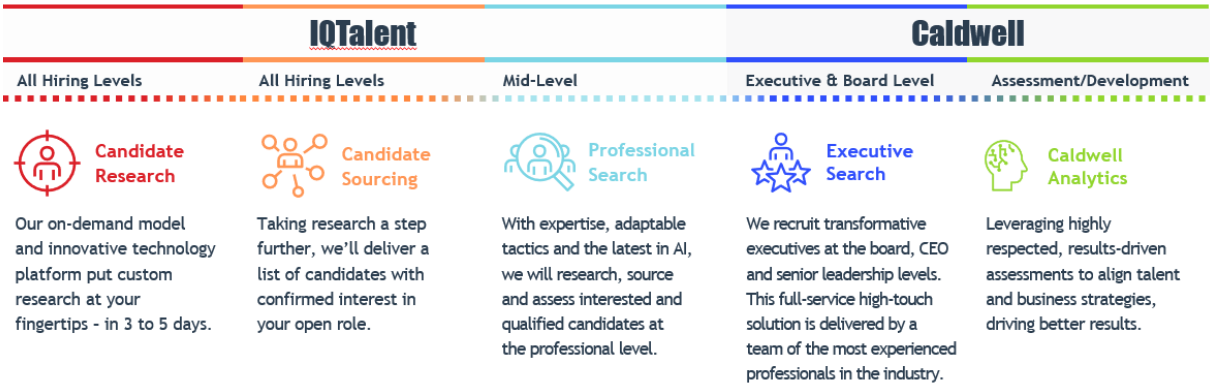
The Company's common shares are listed on the Toronto Stock Exchange (TSX: CWL) and also trade on the OTCQX Market in the United States (OTCQX: CWLPF). Please visit our website at www.caldwell.com for further information.

BUSINESS SEGMENTS

Identification of Segments

We operate through two distinct segments – retained executive search and analytics solutions are conducted as ***Caldwell***, and on-demand talent acquisition augmentation solutions are conducted as ***IQTalent***. The services Caldwell offers, the nature of its clients and its pricing and delivery model are uniform across geographies, and those geographies are largely interconnected in economic cycles. We therefore measure the key metrics and reporting of Caldwell as one segment. IQTalent's business is managed and measured separately from Caldwell with unique branding, operations and pricing. As a result, we operate with two distinct business segments differentiated by brand, services, operations and pricing models.

The following chart explains the spectrum of services we offer our clients:



Together, Caldwell and IQTalent are transforming the world of talent. IQTalent's unique service model and innovative use of technology - paired with Caldwell's expertise, network and resources - allows us to have a greater impact on our clients' long-term success.

Our vision for our two segments working in tandem is for IQTalent to be a constant presence at our clients, providing recurring talent acquisition support, with Caldwell engaged for higher-end retained executive searches not undertaken by our clients' in-house teams. Together we will provide seamless support for the talent acquisition needs at all levels for our clients who will benefit from an increasingly diversified mix of products and services, with cross-collaboration opportunities between the two business segments expected to amplify our long-term success. We will continue to review business and technology acquisition opportunities that align with client-driven talent offerings and our belief that Talent Transforms.

Segment Operating Characteristics Revenue

Caldwell

Caldwell operates with partners in Canada, the United States and Europe, with functional currencies being the Canadian dollar, US dollar and British pound. We take pride in delivering an unmatched level of service and expertise to our clients from 17 locations throughout the world, including Atlanta, Calgary, Charleston, Chicago, Dallas, Houston, London, Los Angeles, Miami, Nashville, New York, Philadelphia, San Francisco, Stamford, Toronto, Vancouver, and Zurich.

Caldwell's executive search revenue and operating income are difficult to predict and have historically varied significantly from quarter to quarter. There is no discernible seasonality in our business on a quarterly basis, although historically, we have usually seen lower revenue in the first and second quarters compared to the third and fourth quarters.

Our capacity to generate revenue increases with the number of partners and affiliates in our network and depends on the fees we are able to 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 may fluctuate significantly from quarter to quarter. We provide fully-retained executive search and bill our clients based on a fee of approximately one-third of a placed executive's compensation.

IQTalent

Our IQTalent segment was formed with our acquisition of IQTalent Partners, Inc. ("IQTalent") on December 31, 2020. IQTalent operates from a single leased location in Nashville, TN, while also leveraging a virtual, work-from-home workforce primarily across the United States.

IQTalent provides on-demand talent acquisition augmentation as a managed service to our clients, who are typically in-house talent acquisition departments. We provide candidate research and sourcing at all talent levels and full lifecycle recruiting services at the professional level, with revenue generated per labour hour. Services are on-demand with no long-term contractual commitments and can vary significantly from quarter to quarter and with economic cycles or events as experienced with the global pandemic and the current hiring demand downturn. IQTalent's clients were historically heavily weighted to those in the technology sector which magnified cyclicality to economic conditions. However, over the past year, we have diversified our client base, and reduced our exposure to this sector. As services are billed to clients on an hourly basis, revenue fluctuates based on the number of business days. There are 251 business days in each of fiscals 2023 and 2022, with 62 days (24.7%) in the first quarter, 59 days (23.5%) in the second quarter, 65 days (25.9%) in the third quarter and 65 days (25.9%) in the fourth quarter.

IQTalent's capacity to generate revenue increases with the size of fully trained research, sourcing and recruitment staff. Third-party contractors are used to manage fluctuations in customer demand. Staffing needs are dependent on the pipeline of active and potential business opportunities available to generate billable hours. Active accounts and potential new business in the pipeline are managed by senior leadership and are influenced significantly by competition and general economic hiring conditions.

Caldwell is a client of IQTalent. IQTalent provides certain research services to support Caldwell's executive search teams. The pricing of these services is in-line with other third parties of similar size. IQTalent and Caldwell recognize these fees in their revenue and cost of sales, respectively. Such amounts are eliminated upon consolidation.

Cost of Sales

Caldwell

Cost of sales for executive search pertains to professional fees. It comprises partner compensation, related search delivery personnel compensation and the direct costs of providing our search services, much of which relates to candidate databases and research tools. Compensation costs include fixed salaries, variable incentive compensation and related employee benefits and payroll taxes.

Our partners are paid a set level of base compensation referred to as draws. Variable incentive compensation is based on a percentage of collected professional fees attributed to each partner, based on a tiered commission grid. The higher a partner's collected professional fees in a fiscal year, the higher the partner's earning percentage. In aggregate, as Annualized Professional Fees per Partner increases, compensation tiers and expense also increase. Please see the discussion on Non-GAAP measures for further details on this metric. The partners' variable compensation incentives are credited first to draw amounts already paid as an advance, with any excess due as a commission payment. A deficit occurs when a partner's variable compensation earned is less than their draw. The full draw amount is expensed each period. Additionally, any excess variable compensation is expensed and accrued for future payment. Deficit amounts within a fiscal year may be recouped in subsequent quarters if a partner earns enough variable compensation over the remainder of the year to credit against any deficit which has already been expensed. Deficits at the end of each fiscal year are 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, these costs are largely variable to professional fees, with fluctuations arising from changes in incentive compensation based on the Average Professional Fee per Partner and the leverage impact of certain fixed support costs during periods of rapid growth or decline. Please see the discussion on Non-GAAP measures for further details on the Average Professional Fee per Partner metric.

Costs associated with direct expense reimbursements are recorded separately as reimbursed direct expenses.

IQTalent

Cost of sales for on-demand recruiting services is comprised of research, sourcing and recruitment staff compensation, including benefits and payroll taxes and third-party contractor fees. Employees are primarily salaried with traditional bonus plans tied to company and individual performance. As a result, in the short term, IQTalent's cost of sales is more fixed in nature than Caldwell's. Other direct costs of providing our services are primarily related to candidate databases and research tools.

Staffing levels are actively managed with the utilization of hourly capacity, a key managerial metric. To help manage demand fluctuations, we also maintain a network of experienced non-employee contracted professionals. Although the overall cost of contracted professionals is higher than employees, when demand exceeds the available hours of employed staff, the contracted professional network allows us to scale to meet our clients' service delivery needs. During periods of significant revenue growth, margins may be compressed as contracted professional costs increase while additional in-house staff are hired and trained.

Contractors are generally paid for actual hours worked which will fluctuate each period relative to the number of working business days. In contrast to salaried employees, the cost of contractors is variable to revenue.

Selling, general and administrative

Selling, general and administrative expenses are similar in nature across Caldwell and IQTP, consisting of items such as occupancy, information technology, marketing, professional and other operating costs. We have consolidated certain support functions such as finance, accounting, payroll, information technology and select administrative functions. We allocate shared support costs from Caldwell to IQTP in the segmented statements of earnings based on the incremental direct cost of managing IQTalent. Costs related to our status and operation as a public company are not allocated to IQTalent.

NON-GAAP FINANCIAL MEASURES AND OTHER OPERATING MEASURES

Certain non-GAAP financial measures and other operating measures are used to manage the business and explain the results of 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:

Caldwell

- Average Fee per Assignment: Professional fees reported as revenue from executive search 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 in executive search. It is impacted by both economic and competitive conditions as well as the seniority level of searches undertaken.

- Average Number of Partners: The number of active executive search revenue-producing partners and principals at the beginning of a period plus the number of active executive search revenue-producing partners and principals 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 in executive search.

- Annualized Professional Fees per Partner: Professional fees divided by the Average Number of Partners; and if an interim period, annualized to a full year. The Annualized Revenue per Partner is indicative of how well our Partners are performing taken as a whole. This performance is driven by the Number of Assignments performed and the Average Fee per Assignment. Annualized Professional Fees per Partner also impacts our cost of sales as the more an individual partner bills, the higher commission tier they are paid. So as the Annualized Professional Fees per Partner rises, compensation expense as a percentage of professional fees also generally rises.

- 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 in executive search.

- 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 in executive search as one of the key drivers of our professional fees.

IQTalent

- Average Fees Billed per Business Day: IQTalent professional fees for a given period divided by the Number of Business Days in the period. This metric is used to identify and track volume trends in on-demand talent acquisition augmentation managed services as one of the key drivers of professional fees. It is impacted by our productivity, resource management and market pricing.

- Number of Business Days: The aggregate number of weekday days in a period less any US holidays. This metric represents days of work that can be performed for and billed to IQTalent clients in a period and is a key driver of professional fees in the on-demand talent acquisition augmentation managed services business.

- Proportion of Contract Professionals: A measure used to identify and track the proportion of labour in cost of sales performed by non-employee contract professionals in the IQTalent business. This is a driver of direct costs and gross margin as contracted professionals in the United States typically cost more than employees.

- Capacity Utilization Rate: The total number of hours IQTalent clients are billed during a period divided by the total number of labour hours paid. The metric is used to identify and track how efficiently resources are being deployed in the IQTalent on-demand talent acquisition augmentation managed services business.

- Average Number of Active Clients: The sum of the number of unique IQTalent clients, for which there have been billable services performed, in each period divided by the total number of periods. The metric is used to identify and track the size of our customer base.

Consolidated

- Unencumbered Cash: A measure used to identify cash available for growth and strategic initiatives, calculated as the net of (i) total current assets, less (ii) total current liabilities and non-current acquisition-related compensation not considered a permanent capital structure component.

- Average Period End Share Price: The volume-weighted average share price in Caldwell stock for the last ten busiess days of the month. This metric drives the Share Price Impact on Operating Profit.

- Share Price Impact on Operating Profit: The change in operating profit during a period resulting from the increase or decrease in share-based expenses solely the result of changes in share price during the period.

ACQUISITIONS AND INVESTMENTS

IQRECRUIT

As discussed in note 5 to the consolidated annual financial statements, the Company announced the spin-off of its software business, IQRecruit from its IQTalent business segment on March 1, 2023. IQTalent contributed its proprietary software and its dedicated product and development team into a newly formed entity, IQRecruit, Inc. in exchange for approximately 41.9% of the new entity. An insider and director of Caldwell, Mr. David Windley, invested an aggregate of $250 USD into IQRecruit, Inc. in exchange for 8.7% of the shares of IQRecruit, Inc., with a third party and IQRecruit's employees holding the remainder of the shares. IQTalent will remain a user and marquis client of the IQRecruit platform through a licensing arrangement that is at the same terms as an arm's length client.

While the Company owns 41.9% of the economic interest in IQRecruit Inc., its voting rights are limited to 20%. As a result, the Company has concluded that it does not have control but does have significant influence over this investment, and accounts for it using the equity method as an investment in associate. In the third quarter of 2023, the Company recognized an equity investment and a gain of approximately $1,204 USD ($1,625 CAD as at August 31, 2023), which is equal to the fair value of its proportionate ownership share of IQRecruit Inc., net of any related book value. The fair valuation is derived from the amount paid by the third party investor for their share of IQRecruit. As required by the equity method of accounting, the carrying amount of the equity investment has been adjusted to reflect the Company's share of IQRecruit's loss, which amounted to a loss of $226 USD ($302 CAD) for the twelve months ended August 31, 2023.

THE COUNSEL NETWORK

As discussed in note 4 to the consolidated annual financial statements, on October 1, 2022, the Company acquired 100% of the shares of The Counsel Network Inc ("TCN"), a Canada-based executive search firm specializing in the Canadian legal market.

The acquisition of TCN was an all-cash transaction, funded with cash on hand for total consideration of $2,179, net of cash acquired.

The purchase equation is based on management's best estimate of the fair value of the assets and liabilities acquired. The preliminary purchase price allocation at the acquisition date is as follows:

Net Assets Acquired	***October 1, 2022***
Accounts Receivable	676
Goodwill	2,000
Accounts Payable & Accrued Expenses	(336)
Income Taxes Payable	(161)
Total Net Assets Acquired	2,179

Goodwill arising from this acquisition is attributable primarily to the skills and technical talent of TCN's workforce as well as the synergies expected to be realized in integrating the operations of the two companies. Goodwill is not deductible for tax purposes. Management has allocated this goodwill to the Caldwell segment for impairment testing.

TCN's results have been included in the Caldwell segment in our statements of earnings since the October 1, 2022 acquisition date.

For twelve months ended August 31, 2023, the Company incurred costs totaling $68, related to the acquisition of TCN which were recorded as part of acquisition-related expenses in the consolidated statements of earnings.

APPLIED BEHAVIORAL ACADEMY

As discussed in note 4 to the consolidated annual financial statements, on November 22, 2021, the Company acquired certain assets and the operations of Stratus Holding Company Inc., a corporation incorporated under the laws of the State of Michigan and doing business as Applied Behavioral Academy ("ABA"), a behavioral and cognitive psychometrics consultancy that leverages scientifically-validated, results-driven tools to assess talent and to align people and business strategies, driving better business results.

The acquisition-related consideration was funded with cash on hand as follows:

- $250 USD ($314 CAD) in cash paid at close on November 22, 2021, and
- $250 USD ($315 CAD) in cash paid on November 22, 2022

The entire purchase price of $500 USD or $629 was allocated to goodwill attributable to the skills and technical talent of ABA's workforce, the ability to leverage ABA's know-how with Caldwell's executive search process and the ability to sell analytics services to our clients in the United States, Canada and the UK. This goodwill is tax-deductible on a straight-line basis over 15 years. Management has allocated this goodwill to the Caldwell segment for impairment testing. The operating costs pertaining to ABA are included in the Caldwell segment, as is any revenue derived from the use of analytics in the executive search process include direct sales to clients.

IQTALENT

As discussed in note 4 to the consolidated annual financial statements, on December 31, 2020, the Company acquired 100% of the shares of IQTalent. Based in Nashville, Tennessee and operating primarily in the United States, IQTalent is a technology-driven talent acquisition firm offering candidate research and sourcing at all levels, and full lifecycle recruiting at the professional level.

Consideration reflected as purchase price without a future service requirement included the issuance of 5,101,138 new shares of the Company's common stock for a value of approximately $3,600 USD ($4,642 CAD) and $3,000 USD ($3,817 CAD) in cash paid on January 15, 2021.

Consideration dependent on employees and selling shareholders remaining employed included $750 USD aggregate recognition and retention bonus pool allocated to the non-selling shareholder employees of IQTalent who remained employed one year post-acquisition that was paid on January 15, 2022, $3,000 USD payable at the end of two years and $600 USD cash contingent on revenue and profitability performance of IQTalent business during the second year following close and dependent on the respective selling shareholders remaining employed. As there were future employment requirements, these consideration components were expensed on a straight-line basis over the required service periods and recorded as acquisition-related expenses in the consolidated statement of earnings. In addition, as the amounts are treated as compensation expense, these amounts are fully deductible for income tax purposes when paid.

Minimum revenue, profitability and employment requirements were achieved. As at December 31, 2022, all consideration amounts had been fully amortized. The purchase price structured as compensation expense for the year ended August 31, 2023, was $811 (2022: $2,575). These amounts are reported as acquisition-related expenses in the consolidated statements of earnings and the acquisition-related compensation accruals are included in compensation payable in the consolidated statements of financial position, as set forth in note 12 of the consolidated annual financial statements.

In the second quarter of 2023 the Company entered into an amendment to the purchase agreement of IQTalent whereby $3,456 USD ($4,703 CAD) of the $3,600 USD accrued purchase price and earnout payments due January 15, 2023 were deferred. The remaining $144 USD was paid out as scheduled on January 15, 2023. Of the deferred amount, $1,080 USD ($1,470 CAD) plus accrued interest was paid on April 15, 2023, and $2,376 USD ($3,211 CAD) was deferred until September 15, 2023. In the fourth quarter of 2023, $1,098 USD ($1,482 CAD) was further deferred until September 15, 2024. Interest of 10% per year is being accrued on deferred amounts. Deferred amounts may be paid sooner at the option of the Company. This arrangement pertains to existing employees of the Company who are considered related parties.

SKYMINYR, INC.

As discussed in note 5 to the consolidated financial statements, on November 23, 2021, we invested $500 USD ($677 CAD at August 31, 2023 and $655 CAD at August 31, 2022) in Skyminyr, Inc. ("Skyminyr"). Skyminyr is an early-stage company with an artificial intelligence software platform designed to deliver the power of human capital intelligence through a combination of behavioral analytics, sector mapping, and relationship intelligence. The investment was in the form of a convertible promissory note receivable (the "Note") accruing interest at 5% per annum. The Note and any accrued interest are convertible into shares of common stock of Skyminyr upon certain events such as a change of control or a public offering of its common shares. At the date of investment, the note's conversion option represented a 4% equity stake in Skyminyr. The Note is also convertible any time at the Company's option. Additionally, unless earlier repaid or converted, outstanding principal and unpaid accrued interest on the Notes will be due and payable upon demand beginning November

15, 2023, at the election of a majority of Note holders who invested at the same time as the Company. The note is classified as fair value through profit or loss.

We are also working with Skyminyr as a client, leveraging its candidate search capabilities into our search processes first at IQTalent and, if successful, at Caldwell in the future.

SELECTED FINANCIAL INFORMATION

The following table summarizes selected financial information for the three fiscal years ended August 31. Please refer to the Non-GAAP Financial Measures and Other Operating Measures section in this MD&A for defined terms:

($000s except dividends and earnings per share)		2023		2022		2021
Caldwell professional fees	$	**77,102**	$	103,964	$	96,120
IQTalent professional fees[1]	$	**19,831**	$	51,596	$	23,287
Professional fees	$	**96,933**	$	155,560	$	119,407
Total revenue	$	**97,801**	$	156,165	$	119,766
Operating profit (loss)	$	**(14,467)**	$	10,590	$	5,929
Net earnings (loss) for the year attributable to owners of the Company	$	**(11,303)**	$	8,178	$	4,519
Basic earnings (loss) per share	$	**(0.432)**	$	0.318	$	0.190
Diluted earnings (loss) per share	$	**(0.432)**	$	0.315	$	0.186
Total assets (adjusted)[3]	$	**84,644**	$	107,199	$	87,133
Total non-current financial liabilities (adjusted)[3]	$	**21,880**	$	22,430	$	14,838
Unencumbered Cash[2]	$	**9,563**	$	19,379	$	11,100
Cash dividends per share	$	**-**	$	-	$	-
Period-end average share price	$	**1.41**	$	1.89	$	2.21
Caldwell key performance indicators[2]						
Period end Number of Partners		**49**		45		43
Average Number of Partners		**49.5**		44.1		41.7
Annualized Professional Fees per Partner	$	**1,558**	$	2,357	$	2,303
Number of Assignments		**451**		588		614
Number of Assignments per Partner		**9.1**		13.3		14.7
Average Fee per Assignment	$	**171**	$	177	$	156
IQTalent key performance indicators[2]						
Average Fees Billed per Business Day	$	**79**	$	206	$	139
Number of Business Days		**251**		251		168
Proportion of Work Performed by Contract Professionals		**10%**		36%		51%
Capacity Utlization Rate		**86%**		89%		98%
Average Number of Active Clients		**80**		148		108

[1] IQTP professional fees are net of elimination for intercompany revenue of $193, $109, and $353 for 2023, 2022, and 2021 respectively

[2] Please refer to the section on Non-GAAP Financial Measures and Other Operating Measures

[3] Please refer to note 2(b) of the consolidated financial statements for details

EXECUTIVE SUMMARY OF OPERATING RESULTS AND BUSINESS OUTLOOK

Fiscal 2021 saw a recovery from the COVID-19 pandemic. By the end of the first quarter of fiscal 2021, demand exceeded pre-pandemic levels in the United States and Europe. We made a significant shift in our strategy from being a high-yield annuity investment with low-moderate growth to a higher-growth company with cash from operations invested into the business for higher growth rather than paid out as a dividend. We began the implementation of our growth strategy with the expansion of services we offer through the acquisition of IQTalent, purchased on December 31, 2020. IQTalent expanded our solutions by adding on-demand support to in-house talent acquisition teams where we provide candidate research, sourcing of candidate interest in opportunities and full lifecycle search at the professional level. Growth continued at both Caldwell and IQTalent throughout fiscal 2021, resulting in record revenue for the year.

Fiscal 2022 brought continued record growth in our primary geographies. The economy rebounded leading to intense hiring demand which fueled our business.

After record-breaking growth in fiscal 2022, **fiscal 2023** was impacted by a suppressed hiring environment. Although our retained executive search segment experienced an improvement in the second half of the fiscal year, demand continues to remain below last year as well as pre-pandemic levels, indicating that executive search has yet to fully exit the current negative economic cycle. The on-demand hiring market in the US continues to be suppressed. Actions taken through the year to reduce staff and expenses at IQTalent and the spin-off of its software development business in March yielded the expected results of reducing costs to match lowered levels of business in the second half of the fiscal year.

Caldwell

- Caldwell's professional fees for the year ended August 31, 2023 were approximately $77 million, which was a 26% decrease from the same period last year due to a 23% decline in the Number of Assignments this year compared to last year. This decrease in the search volume, which began in the fourth quarter of fiscal 2022, is the result of client response to increased economic uncertainty, fueled by inflation, interest rates and other macroeconomic factors that have driven lower hiring trends.

- The first half of the current fiscal year continued to show the negative trends that started in the fourth quarter of the prior year. However, the second half of the current year started to show signs of recovery, with the Annualized Professional Fees per Partner growing by 29% from an average of $1,361 in the first half of the year to an average of $1,750 in the second half of the year, and the Average Fee per Assignment growing by 21% from an average of $156 in the first half of the year to an average of $188 in the second half of the year. This growth was somewhat tempered by slower growth in the Number of Assignments, which grew by 8% from 217 in the first half of the fiscal year to 234 in the second half. Number of assignments per partner at 9.1 continue to remain below the pre-pandemic average of 11.0 to 12.0. Please refer to the Non-GAAP Financial Measures and Other Operating Measures section of this MD&A for details on how these measures are calculated, and the Business Segment Key Performance Indicators section for the KPIs for the most recent eight quarters.

- Our Caldwell executive search segment generated an operating profit of approximately $2.4 million in the current year, compared to an operating profit of $11.4 million in the prior year, driven by lower professional fees in the current year. Gross margin decreased by approximately 5% in fiscal 2023 compared to fiscal 2022, impacted by semi-fixed costs that are not tied to revenue.

- As part of the restructuring activities undertaken in the current year, we made the decision to sublease Caldwell's San Francisco office, resulting in a net impairment expense of $0.3 million, presented as part of the restructuring expenses. Please refer to note 11 of the consolidated annual financial statements for further details.

IQTalent

- IQTalent's professional fees for the year ended August 31, 2023 were approximately $20 million, of which intercompany revenue was approximately $0.2 million. This was a 61% decrease from the same period last year due to a decline in both volume and fee metrics.

  - Average Fees Billed Per Business Day decreased 62% from $206 in fiscal 2022 to $79 in fiscal 2023, and the Average Number of Active Clients decreased 46% from 148 in fiscal 2022 to 80 in fiscal 2023. The same factors that drove the decline in Caldwell's professional fees impacted IQTalent, however, IQTalent was further impacted by the on-demand nature of our business and our concentration in technology companies. With the reduction in our professional fees from existing clients and the addition of new clients from other industries our concentration on technology companies has decreased significantly.

  - Please refer to the Non-GAAP Financial Measures and Other Operating Measures section of this MD&A for details on how these measures are calculated, and the Business Segment Key Performance Indicators section for the KPIs for the most recent eight quarters.

- In response to the declining revenue levels, we undertook significant restructuring activities to align our cost structure with the lower revenues:

  Actions taken in fiscal 2023:

  - In the first quarter of 2023, we reduced third-party consultant headcount by 87% from peak levels in fiscal 2022 and reduced our staff by approximately 40% or 113 employees which resulted in severance costs of $2.3 million. In the second quarter of 2023, in response to further reduced client hiring demand, IQTalent furloughed 32 employees, reducing monthly salary costs by approximately $0.4 million. As the staffing reductions in the second quarter were conducted as furloughs rather than separations there were no related severance costs. Furloughs continued through the second half of the year in response to market demand.

  - On March 1, 2023, we spun off IQTalent's software business, including the related development team, to a separate entity, IQRecruit Inc. The development team accounted for approximately $0.5 million of SG&A costs during the second quarter. We incurred an additional license fee of approximately $0.2 million in fiscal 2023 to continue to use the software. As a result, on a net basis, we have eliminated approximately $0.4 million of costs on a quarterly basis related to the software business. In the third quarter of 2023, this transaction resulted in the recognition of an equity investment and a gain of approximately $1.2 million USD ($1.6 million CAD), which is equal to the fair value of our proportionate ownership share of IQRecruit Inc., net of any related book value. The carrying amount of the equity investment was adjusted to reflect our share of the profit or loss of IQRecruit Inc., which is presented as part of finance income. In fiscal 2023, the total loss recognized was $0.3 million. Consistent with early-stage start-up companies, we expect IQRecruit to generate losses in the early years. We have no obligation to provide any further future funding. Please refer to notes 5 and 22 of the consolidated annual financial statements for further details.

- In response to the additional furloughs and attrition throughout the year at IQTalent we made the decision to sublease a portion of the leased space in Nashville. An impairment charge of $6.5 million to the related right-of-use assets was recognized. The charge reflects the current local commercial real estate market and the expectation that the sublease will be at a discount to the head lease rate. We also recognized other direct charges related to subleasing the space, such as those related to operating expenses payable to the landlord, which amounted to $1.6 million. The right-of-use asset impairment will result in depreciation expenses being lower by approximately $0.7 million per year. Please refer to note 11 of the consolidated annual financial statements for further details.

- As a result of these actions, after adjusting out restructuring charges and acquisition-related expenses, we succeeded in minimizing IQTalent's operating losses in the second half of fiscal 2023 to $1.2 million, from $4.5 million in the first half of the fiscal 2023. These adjusted amounts are non-GAAP measures, and the below table reconciles these to the reported amounts:

	As at August 31, 2023			
	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Reported operating loss	(5,344)	(2,244)	(478)	(8,759)
Add back:				
Restructuring charge	2,264	-	-	8,061
Acquisition-related expenses	607	204	-	-
Adjusted operating loss	(2,473)	(2,040)	(478)	(698)

Actions taken in fiscal 2024:

- On October 6, 2023, the Company announced that David Windley was stepping down as President of IQTalent and resigning from the Caldwell Board of Directors effective that day. Mr. Windley will act as a strategic advisor to the board going forward. Any financial impacts of this announcement, including separation payments of approximately $1.1 million will be recorded as an expense and related liability in the first quarter of fiscal 2024. See note 25 of the consolidated annual financial statements for details.

- With all of the above actions, we believe additional operating losses at IQTalent at current revenue levels will be minimized, and we are now positioned for profitable growth with additional hiring demand when the macro business environment improves.

Subsequent event related to the Nashville lease:

- As disclosed in note 25 of our consolidated annual financial statements, on October 16, 2023, the Company was notified by the landlord of our leased Nashville premises of a potential transaction they were contemplating that could result in a full termination of our Nashville lease agreement with no penalty or cost. The lease termination is contingent on the landlord completing their transaction. As of the date of these financial statements, management cannot ascertain the likelihood of this transaction occurring or the lease termination. If the transaction is completed and the landlord agrees to terminate the lease, then based on the balances as at August

31, 2023, termination of the lease would result in a derecognition of the related right-of-use asset of $8.9 million, lease liability of $16.5 million, and other liabilities of $1.6 million, resulting in a lease termination gain of $9.2 million.

We believe in the strength of our company, our team, our service offerings, our balance sheet, and our future. Our clients value our ability to provide seamless support for their talent acquisition needs at all levels, and by continuing to diversify our mix of products and services and identify opportunities to cross-collaborate between our two business segments, we expect to continue to grow both businesses together. We also continue to seek out strategic business and technology acquisition opportunities that align with our client-driven talent offerings. Our most recent acquisition of The Counsel Network has been a valuable addition to our Caldwell service offering in Canada, bringing a high-caliber group of search professionals focused on legal roles for law firms and corporate in-house functions.

Factors to note that may impact our future results and financial position include:

- Our growth trends are dependent on the hiring activity of our clients which has been notably below our historical norms.
- Existing global geopolitical events and economic factors such as inflation, rising interest rates and the Middle-Eastern war could further impact our clients' demand for talent.
- As discussed in the SG&A section of this MD&A, changes in the Average Period End Share Price can have a significant impact on share-based compensation expense. Assuming no change in the share-based compensation performance factors and the number of outstanding grants, for each $0.01 increase or decrease in our Average Period End Share Price, there would be a corresponding increase or decrease in compensation expense of approximately $13.
- If we are unsuccessful in subleasing, terminating or commercializing a portion of the leased space at the new IQTalent facility in Nashville, or if we do so under conditions that are potentially less favourable than those assumed in our current impairment, we may incur additional charges in the IQTalent segment.
- Please refer to a complete list of risk factors set forth in this MD&A.

SUMMARY OF QUARTERLY RESULTS

We monitor our consolidated business results based on reviewing select financial information. The following are select financial line items for the most recent eight quarters, derived from the unaudited interim period financial statements, and do not represent a complete statement of earnings:

	2022[1]				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Professional Fees - Caldwell	$ 26,592	$ 27,258	$ 26,534	$ 23,580	$ 16,975	$ 16,705	$ 21,488	$ 21,934
Professional Fees - IQTalent[1]	$ 11,722	$ 12,550	$ 15,171	$ 12,153	$ 6,714	$ 4,745	$ 4,448	$ 3,924
Consolidated Professional Fees	$ 38,314	$ 39,808	$ 41,705	$ 35,733	$ 23,689	$ 21,450	$ 25,936	$ 25,858
Direct expense reimbursements	$ 116	$ 135	$ 168	$ 186	$ 220	$ 133	$ 220	$ 295
Revenue	$ 38,430	$ 39,943	$ 41,873	$ 35,919	$ 23,909	$ 21,583	$ 26,156	$ 26,153
Cost of sales	$ 30,432	$ 30,271	$ 32,180	$ 28,028	$ 20,926	$ 18,266	$ 21,126	$ 20,394
Reimbursed direct expenses	$ 116	$ 135	$ 168	$ 186	$ 220	$ 133	$ 220	$ 295
Gross profit	$ 7,882	$ 9,537	$ 9,525	$ 7,705	$ 2,763	$ 3,184	$ 4,810	$ 5,464
Gross profit margin	20.6%	24.0%	22.8%	21.6%	11.7%	14.8%	18.5%	21.1%
Selling, general and administrative	$ 5,954	$ 3,820	$ 7,318	$ 4,356	$ 5,088	$ 6,070	$ 3,825	$ 4,235
Restructuring expenses	$ -	$ -	$ -	$ -	$ 2,530	$ -	$ -	$ 8,061
Acquisition related expenses	$ 801	$ 690	$ 504	$ 616	$ 675	$ 204	$ -	$ -
Net operating profit (loss)	$ 1,127	$ 5,027	$ 1,703	$ 2,733	$ (5,530)	$ (3,090)	$ 985	$ (6,832)
Finance expenses (income)	$ (16)	$ 194	$ 160	$ (458)	$ (120)	$ 56	$ (1,063)	$ 596
Net earnings (loss) before tax	$ 1,143	$ 4,833	$ 1,543	$ 3,191	$ (5,410)	$ (3,146)	$ 2,048	$ (7,428)
Income tax expense (income)	$ 398	$ 1,331	$ 187	$ 616	$ (1,467)	$ (826)	$ 583	$ (923)
Effective income tax rate	34.8%	27.5%	12.1%	19.3%	27.1%	26.3%	28.5%	12.4%
Net earnings (loss) after tax	$ 745	$ 3,502	$ 1,356	$ 2,575	$ (3,943)	$ (2,320)	$ 1,465	$ (6,505)
Basic earnings (loss) per share	$ 0.029	$ 0.137	$ 0.053	$ 0.100	$ (0.152)	$ (0.090)	$ 0.057	$ (0.248)
Fully diluted earnings (loss) per share	$ 0.029	$ 0.135	$ 0.052	$ 0.099	$ (0.152)	$ (0.090)	$ 0.056	$ (0.248)

[1] *IQTalent professional fees are shown net of the elimination of intercompany revenue.*

Notable financial items have impacted the above quarterly results. This chart should be read in conjunction with each quarter's MD&A as filed on SEDAR to better understand the impact of such items.

BUSINESS SEGMENT KEY PERFORMANCE INDICATORS

We also measure certain key performance indicators ("KPIs") for each of our business segments. Please refer to the Non-GAAP Financial Measures and Other Operating Measures section in this MD&A for defined terms. The following are select KPIs for the most recent eight quarters:

Caldwell:

	2022				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Professional Fees - Caldwell	$ 26,592	$ 27,258	$ 26,534	$ 23,580	$ 16,975	$ 16,705	$ 21,488	$ 21,934
Period end number of partners	43	45	45	45	50	51	49	$ 49
Average Number of Partners	43.0	44.1	44.9	45.0	47.8	51.4	50.3	$ 49.0
Annualized Professional Fees per Partner	$ 2,471	$ 2,475	$ 2,364	$ 2,096	$ 1,421	$ 1,300	$ 1,708	$ 1,791
Number of Assignments	158	164	150	116	113	104	128	106
Number of Assignments per Partner	3.7	3.7	3.3	2.6	2.4	2.0	2.5	2.2
Average Fee per Assignment	$ 168	$ 166	$ 177	$ 203	$ 150	$ 161	$ 168	$ 207

IQTalent:

	2022				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Professional Fees - IQTalent	$ 11,722	$ 12,550	$ 15,171	$ 12,153	$ 6,714	$ 4,745	$ 4,448	$ 3,924
Number of Business Days	62	59	65	65	62	59	65	$ 65
Average Fees Billed per Business Day	$ 189	$ 213	$ 233	$ 187	$ 108	$ 80	$ 68	$ 60
Proportion of Contract Professionals	45%	40%	38%	28%	14%	10%	8%	9%
Capacity Utilization Rate	94%	95%	91%	78%	76%	88%	92%	89%
Average Number of Active Clients	140	144	168	141	100	79	77	65

Consolidated:

	2022				2023			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Unencumbered cash	$ 12,205	$ 11,352	$ 16,085	$ 19,379	$ 12,672	$ 7,985	$ 7,306	$ 9,563
Average period end share price	$ 2.49	$ 1.82	$ 2.30	$ 1.89	$ 1.76	$ 1.58	$ 1.09	$ 0.90
Share Price Impact on Operating Profit	$ (832)	$ 1,688	$ (1,415)	$ 1,319	$ 488	$ 344	$ 784	$ 43

OPERATING RESULTS AND DISCUSSION OF CHANGES TO PRIOR YEAR

Our presentation currency is the Canadian dollar. Segment discussions within are in Canadian dollars at foreign exchange rates in effect during the respective periods. The following charts provide a reconciliation of the Company's consolidated statements of earnings by business line segment to the consolidated results:

	Three months ended August 31, 2023 (unaudited)			
	Caldwell	IQTalent	Elimination	Total
Professional fees	21,934	3,963	(39)	25,858
Direct expense reimbursements	295	-	-	295
Revenues	22,229	3,963	(39)	26,153
Cost of sales	17,160	3,273	(39)	20,394
Reimbursed direct expenses	295	-	-	295
Gross profit	4,774	690	-	5,464
Gross margin	21.8%	17.4%		21.1%
Selling, general and administrative	2,847	1,388	-	4,235
Restructuring expenses	-	8,061		8,061
Operating profit (loss)	1,927	(8,759)	-	(6,832)
Interest expense on lease liability	71	309	-	380
Investment (income) expense	(394)	490	-	96
Foreign exchange loss	120	-	-	120
Earnings (loss) before tax	2,130	(9,558)	-	(7,428)
Income tax expense (recovery)	1,605	(2,528)	-	(923)
Net earnings (loss) for the period	525	(7,030)	-	(6,505)

	Three months ended August 31, 2022 (unaudited)			
	Caldwell	IQTalent	Elimination	Total
Professional fees	23,580	12,178	(25)	35,733
Direct expense reimbursements	186	-	-	186
Revenues	23,766	12,178	(25)	35,919
Cost of sales	16,832	11,221	(25)	28,028
Reimbursed direct expenses	186	-	-	186
Gross profit	6,748	957	-	7,705
Gross margin	28.6%	7.9%		21.6%
Selling, general and administrative	2,659	1,697	-	4,356
Acquisition-related expenses	36	580	-	616
Operating profit (loss)	4,053	(1,320)	-	2,733
Interest expense on lease liability	72	26	-	98
Gain on lease modification	-	(182)	-	(182)
Investment (income) expense	(212)	105	-	(107)
Foreign exchange gain	(267)	-	-	(267)
Earnings (loss) before tax	4,460	(1,269)	-	3,191
Income tax expense (recovery)	1,374	(758)	-	616
Net earnings (loss) for the period	3,086	(511)	-	2,575

	Twelve months ended August 31, 2023			
	Caldwell	IQTalent	Elimination	Total
Professional fees	77,102	20,024	(193)	96,933
Direct expense reimbursements	868	-	-	868
Revenues	77,970	20,024	(193)	97,801
Cost of sales	62,184	18,721	(193)	80,712
Reimbursed direct expenses	868	-	-	868
Gross profit	14,918	1,303	-	16,221
Gross margin	19.3%	6.5%		16.7%
Selling, general and administrative	12,228	6,990	-	19,218
Restructuring expenses	266	10,325	-	10,591
Acquisition-related expenses	68	811	-	879
Operating profit (loss)	2,356	(16,823)	-	(14,467)
Interest expense on lease liability	277	621	-	898
Investment income	(1,413)	(222)	-	(1,635)
Foreign exchange loss	206	-	-	206
Earnings (loss) before tax	3,286	(17,222)	-	(13,936)
Income tax expense (recovery)	1,948	(4,581)	-	(2,633)
Net earnings (loss) for the year	1,338	(12,641)	-	(11,303)

	Twelve months ended August 31, 2022			
	Caldwell	IQTalent	Elimination	Total
Professional fees	103,964	51,705	(109)	155,560
Direct expense reimbursements	605	-	-	605
Revenues	104,569	51,705	(109)	156,165
Cost of sales	78,704	42,316	(109)	120,911
Reimbursed direct expenses	605	-	-	605
Gross profit	25,260	9,389	-	34,649
Gross margin	24.3%	18.2%		22.3%
Selling, general and administrative	13,936	7,512	-	21,448
Acquisition-related expenses	(32)	2,643	-	2,611
Operating profit (loss)	11,356	(766)	-	10,590
Interest expense on lease liability	311	108	-	419
Gain on lease modification	-	(182)	-	(182)
Investment (income) expense	(422)	293	-	(129)
Foreign exchange gain	(228)	-	-	(228)
Earnings (loss) before tax	11,695	(985)	-	10,710
Income tax expense (recovery)	3,180	(648)	-	2,532
Net earnings (loss) for the year	8,515	(337)	-	8,178

Our presentation currency is the Canadian dollar. Our functional currencies follow the geographies of our subsidiaries and include the Canadian dollar, the US dollar and the British pound. Approximately 75% of our revenue was in the functional currency of the US dollar for 2023. The following table summarizes the foreign exchange rates impacting the business during fiscal 2023 and 2022 according to geographic segment and relative to the Canadian dollar:

Functional Currency

	F'23		F'22	
	Q4	YTD	Q4	YTD
United States				
US dollar - average	1.33	1.35	1.29	1.27
US dollar - period end	1.33	1.35	1.31	1.31
Europe				
British pound - average	1.70	1.64	1.56	1.65
British pound - period end	1.70	1.65	1.52	1.52

To better explain our operating result changes, the following charts show the impact that fluctuations in exchange rates had on our business relative to the prior year. The results from our Caldwell segment are reflected as follows:

	Three months ended August 31 (unaudited)					
Caldwell	2023 as Reported	FX[1]	Constant Currency	2022 as Reported	$ variance	% variance
Professional fees	21,934	(695)	21,239	23,580	(2,341)	-9.9%
Direct expense reimbursements	295	(36)	259	186	73	39.2%
Revenues	22,229	(731)	21,498	23,766	(2,268)	-9.5%
Cost of sales	17,160	(538)	16,622	16,832	(210)	-1.2%
Reimbursed direct expenses	295	(36)	259	186	73	39.2%
Gross profit	4,774	(157)	4,617	6,748	(2,131)	-31.6%
Gross margin	21.8%		21.7%	28.6%		
Selling, general and administrative	2,847	(49)	2,798	2,659	139	5.2%
Acquisition-related expenses	-	-	-	36	(36)	n/a
Operating profit	1,927	(108)	1,819	4,053	(2,234)	-55.1%

	Twelve months ended August 31					
Caldwell	2023 as Reported	FX[1]	Constant Currency	2022 as Reported	$ variance	% variance
Professional fees	77,102	(2,948)	74,154	103,964	(29,810)	-28.7%
Direct expense reimbursements	868	(36)	832	605	227	37.5%
Revenues	77,970	(2,984)	74,986	104,569	(29,583)	-28.3%
Cost of Sales	62,184	(2,463)	59,721	78,704	(18,983)	-24.1%
Reimbursed direct expenses	868	(36)	832	605	227	37.5%
Gross profit	14,918	(485)	14,433	25,260	(10,827)	-42.9%
Gross margin	19.3%		19.5%	24.3%		
Selling, general and administrative	12,228	(447)	11,781	13,936	(2,155)	-15.5%
Restructuring expenses	266	(18)	248	-	248	n/a
Acquisition-related expenses	68	-	68	(32)	100	-312.5%
Operating profit	2,356	(20)	2,336	11,356	(9,020)	-79.4%

[1] Impact of adjusting foreign exchange rates to 2022 actual rates

IQTalent	2023 as Reported	FX[1]	Constant Currency	2022 as Reported	$ variance	% variance
	Three months ended August 31 (unauditd)					
Professional fees	3,963	(120)	3,843	12,178	(8,335)	-68.4%
Revenues	3,963	(120)	3,843	12,178	(8,335)	-68.4%
Cost of Sales	3,273	(72)	3,201	11,221	(8,020)	-71.5%
Gross profit	690	(48)	642	957	(315)	-32.9%
Gross margin	17.4%		16.7%	7.9%		
Selling, general and administrative	1,388	2	1,390	1,697	(307)	-18.1%
Restructuring expenses	8,061	(434)	7,627	-	7,627	n/a
Acquisition-related expenses	-	-	-	580	(580)	-100.0%
Operating profit	(8,759)	384	(8,375)	(1,320)	(7,055)	534.5%

IQTalent	2023 as Reported	FX[1]	Constant Currency	2022 as Reported[2]	$ variance	% variance
	Twelve months ended August 31					
Professional fees	20,024	(1,127)	18,897	51,705	(32,808)	-63.5%
Revenues	20,024	(1,127)	18,897	51,705	(32,808)	-63.5%
Cost of Sales	18,721	(1,031)	17,690	42,316	(24,626)	-58.2%
Gross profit	1,303	(96)	1,207	9,389	(8,182)	-87.1%
Gross margin	6.5%		6.4%	18.2%		
Selling, general and administrative	6,990	(338)	6,652	7,512	(860)	-11.4%
Restructuring expenses	10,325	(589)	9,736	-	9,736	n/a
Acquisition-related expenses	811	(49)	762	2,643	(1,881)	-71.2%
Operating profit	(16,823)	880	(15,943)	(766)	(15,177)	-1981.3%

[1] Impact of adjusting foreign exchange rates to fiscal 2022 actual rates

REVENUE

PROFESSIONAL FEES

Fourth Quarter Professional Fees

Consolidated:

Professional fees for the fourth quarter of 2023 decreased 27.6% over the comparable period last year to $25,858 (2022: $35,733). Caldwell's professional fees decreased 7.0% to $21,934 (2022: $23,580) and IQTalent decreased 67.7% to $3,924 ($3,963 less $39 of eliminated intercompany revenue) (2022: $12,153).

Caldwell:

Exchange rate changes over the prior year had a favourable impact of $695. On a constant currency basis, Caldwell's professional fees for the fourth quarter of 2023 decreased 9.9% over the comparable period last year to $21,239 (2022: $23,580). The change in professional fees resulted from:

- An 8.6% decrease in the Number of Assignments to 106 (2022: 116), the result of:
  - A lower Number of Assignments per Partner at 2.2 (2022: 2.6); partially offset by
  - A higher Average Number of Partners at 49.0 (2022: 45.0) that increase the fee-producing base
- A lower Average Fee per Assignment of $200 at constant currency (2022: $203)

IQTalent (before eliminating intercompany):
Exchange rate changes over the prior year had a favourable impact of $120. On a constant currency basis, IQTalent's professional fees for the fourth quarter of 2023 decreased 68.4% over the same period last year to $3,843 (2022: $12,178). The decrease in professional fees on a constant currency basis resulted from lower Average Fees Billed per Business Day in the fourth quarter of 2023 of $59 (2022: $187), which was driven by a lower Average Number of Active Clients of 65 (2022: 141).

Year-to-Date Professional Fees

Consolidated:
Professional fees for the year decreased 37.7% to $96,933 (2022: $155,560). Caldwell's professional fees decreased 25.8% to $77,102 (2022: $103,964) and IQTalent's professional fees decreased 61.6% to $19,831 ($20,024 less $193 in eliminating intercompany) (2022: $51,596).

Caldwell:
Exchange rate changes over the prior year had a favourable impact of $2,948. On a constant currency basis, professional fees for the year decreased 28.7% over the comparable period last year to $74,154 (2022: $103,964). The change in professional fees resulted from:

- A 23.3% decrease in the Number of Assignments to 451 (2022: 588), the result of:
    - A lower Number of Assignments per Partner at 9.1 (2022: 13.3), partially offset by;
    - A higher Average Number of Partners at 49.5 (2022: 44.1) that increase the fee-producing base
- A lower Average Fee per Assignment of $164 at constancy currency (2022: $177)

IQTalent (before eliminating intercompany):
Exchange rate changes over the prior year had a favourable impact of $1,127. On a constant currency basis, professional fees for the year decreased 63.5% to $18,897 (2022: $51,705). The decrease in professional fees on a constant currency basis resulted from lower Average Fees Billed per Business Day in fiscal 2023 of $75 (2022: $206), which was driven by a lower Average Number of Active Clients of 80 (2022: 148).

DIRECT EXPENSE REIMBURSEMENTS

Direct expenses incurred and billed to clients during the fiscal 2023 fourth quarter were $295 (2022: $186). Year-to-date direct expenses incurred and billed to clients were $868 (2022: $605). Expense reimbursements all pertain to Caldwell. Direct expenses are beginning to increase but remain lower than pre-pandemic levels, resulting from reduced partner and candidate travel costs due to the current remote work trends. As direct expense reimbursements equal the expenses incurred, there is no direct impact on our profitability caused by fluctuations in these expenses.

COST OF SALES

Fourth Quarter Cost of Sales

Consolidated:
Cost of sales for the fourth quarter of 2023 decreased 27.2% over the same period last year to $20,394 (2022: $28,028). On a segment basis, Caldwell's cost of sales increased 1.9% to $17,160 (2022: 16,832), and IQTalent's decreased 71.1% to $3,234 ($3,273 less $39 of eliminated intercompany costs) (2022: 11,196). As a percentage of professional fees, cost of sales increased to 78.9% in the fourth quarter of 2023 from 78.4% in the same period last year.

Caldwell (before eliminating intercompany):
Exchange rate changes over the same period last year had an unfavourable impact of $538. On a constant currency basis, Caldwell's fourth quarter cost of sales decreased 1.2% to $16,622 (2022: $16,832). Cost of sales as a percentage of professional fees increased to 78.3% in the fourth quarter of 2023 from 71.4% in the same period last year due to the following factors:

- Higher partner compensation as a percentage of professional fees resulting from a reduction in average partner compensation tiers in the prior year's fourth quarter as professional fees were declining compared to the stable professional fee trends seen in current year's fourth quarter (increase of 5.1% of professional fees)
- Higher partner support personnel compensation as a percentage of professional fees (increase of 1.7% of professional fees). Non-partner personnel costs are semi-fixed and tend to rise as a percentage of professional fees during periods of revenue decline.
- Higher search delivery materials expenses which are semi-fixed costs, due to lower revenue (increase of 0.1% of professional fees)

IQTalent:
Exchange rate changes over the same period last year had an unfavourable impact of $72. On a constant currency basis, IQTalent's fourth quarter cost of sales of decreased by 71.5% to $3,201 (2022: $11,221). Cost of sales as a percentage of professional fees decreased to 83.3% in the fourth quarter of 2023 from 92.1% in the same period last year. The decrease in cost of sales as a percentage of professional fees during the current quarter is the result of actions taken to align cost of sales to the decreased revenue. Actions included restructuring activities, discussed in further detail below, the spin-off of the software business into IQRecruit, ongoing furloughs to match revenue fluctuations and other cost-cutting measures.

Year-to-Date Cost of Sales

Consolidated:
Cost of sales for the year decreased 33.2% to $80,712 (2022: $120,911). On a segment basis, Caldwell's cost of sales decreased 21.0% to $62,184 (2022: $78,704) while IQTalent's decreased 56.1% to $18,528 ($18,721 less $193 of eliminated intercompany costs) (2022: $42,207). As a percentage of professional fees, cost of sales increased to 83.3% from 77.7% in the same period last year.

Caldwell (before eliminating intercompany):
Exchange rate changes over the prior year had an unfavourable impact of $2,463. On a constant currency basis, cost of sales for the year decreased 24.1% to $59,721 (2022: $78,704). As a percentage of professional fees, cost of sales increased 4.8% to 80.5% from 75.7% in the same period last year, as a result the following factors:

- Higher partner support personnel compensation as a percentage of professional fees (increase of 6.7% of professional fees). Non-partner personnel costs are semi-fixed and tend to rise as a percentage of professional fees during periods of revenue decline.
- Higher semi-fixed search delivery materials expenses as a percentage of professional fees (increase of 0.6% of professional fees), partially offset by;
- Lower partner compensation from lower average commission tiers on lower Annualized Professional Fees per Partner (decrease of 2.5% of professional fees)

IQTalent:
Exchange rate changes over the prior year had an unfavourable impact of $1,031. On a constant currency basis, IQTalent's cost of sales for the year decreased by 58.2% to $17,690 (2022: $42,316). Cost of sales as a percentage of professional fees increased to 93.6% in the current year from 81.8% last year. The increase in cost of sales as a percentage of professional fees is the result of demand decreasing more quickly during year than we reduced costs. Actions taken during the year, such as the restructuring activities discussed in further detail below, the spin-off of the software business into IQRecruit, ongoing furloughs to match revenue fluctuations and other cost-cutting measures began to yield the expected results in the second half of fiscal 2023.

GROSS PROFIT

Fourth Quarter Gross Profit

On a consolidated basis, gross profit decreased 29.1% from the same period last year to $5,464 (2022: $7,705). As a percentage of professional fees, gross margin decreased to 21.1% from 21.6%. On a segment basis, Caldwell's gross profit decreased to $4,774 (2022: $6,748), while the gross margin decreased to 21.8% (2022: 28.6%). IQTalent's gross profit decreased to $690 (2022: $957) while the gross margin increased to 17.4% (2022: 7.9%). The decrease in Caldwell's gross margin in the current quarter was driven by lower professional fees partially offset by lower semi-fixed cost of sales as discussed above. The increase in IQTalent's gross margin was driven by the impact of actions taken during the year to right-size the cost structure to better reflect the lower demand that began to impact IQTalent's business in the fourth quarter of 2022, as discussed above.

Year-to-Date Gross Profit

On a consolidated basis, gross profit decreased 53.2% to $16,221 (2022: $34,649). As a percentage of professional fees, gross margin decreased to 16.7% from 22.3%. On a segment basis, Caldwell's gross profit decreased to $14,918 (2022: $25,260), while the gross margin decreased to 19.3% (2022: 24.3%). IQTalent's gross profit was $1,303 (2022: gross profit of $9,389) while the gross margin decreased to 6.5% (2022: 18.2%). The decrease in gross profit in both segments was driven by lower professional fees partially offset by lower cost of sales as discussed above. The decrease in the gross margin was driven by revenue decreasing faster than cost of sales as well as the impact of semi-fixed costs.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A)

Fourth Quarter SG&A

Consolidated:
In the fourth quarter, SG&A decreased 2.8% to $4,235 (2022: $4,356) over the same period last year. On a segment basis, Caldwell's SG&A increased 7.1% to $2,847 (2022: 2,659), and IQTalent's SG&A decreased 18.3% to $1,388 (2022: 1,697).

Caldwell:
Exchange rate changes had an unfavourable impact of $49. On a constant currency basis fourth quarter SG&A increased 5.2% to $2,798 (2022: $2,659). The $139 constant currency increase resulted from the following:

Unfavourable variances:

- Increased share-based compensation expense ($342), the result of:
  - Changes to our share price during the period resulting in an unfavourable variance ($1,031).
    - PSU and DSU expense can be significantly impacted by changes in the weighted average share price at the end of each period. In the fourth quarter, a 17.4% decrease in the weighted average share price during the period from $1.09 at May 31, 2023 to $0.90 at August 31, 2023 decreased costs by $266. In the previous year, a 17.8% decrease in the weighted average share price from $2.30 at May 31, 2022 to $1.89 at August 31, 2022 decreased costs by $1,297. The combination of these movements resulted in an unfavourable variance of $1,031 year-over-year.
  - Partially offset by the number of outstanding PSU and DSU grants to which the share price applies, resulting in favourable variances ($689).
- Other net unfavourable variances across various categories ($81)

Favourable variances:

- Lower management bonuses reflecting current year performance ($284)

IQTalent:
Exchange rate changes had a favourable impact of $2. On a constant currency basis fourth quarter SG&A was $1,390 (2022: $1,697). The $307 constant currency decrease is a result of a $197 decrease in legal expenses related to certain potential acquisitions that we did not proceed with, $147 decrease in corporate compensation resulting from management actions taken through the year including restructuring activities and the spin-off of the software development activities into IQRecruit, partially offset by $37 of miscellaneous net unfavourable variances across various categories.

Year-to-Date SG&A

Consolidated:
SG&A for the year ended August 31, 2023 decreased 10.4% to $19,218 (2022: $21,448). On a segment basis, Caldwell's SG&A decreased 12.3% to $12,228 (2022: 13,936), and IQTalent's SG&A decreased 6.9% to $6,990 (2022: 7,512).

Caldwell:
Exchange rate changes had an unfavourable impact of $447. On a constant currency basis SG&A decreased 15.5% to $11,781 (2022: $13,936) during the year. The $2,155 constant currency decrease resulted from the following:

Favourable variances:

- Decreased share-based compensation expense ($2,531), the result of:
  - Changes to our share price during the period resulting in a favourable variance ($705).
    - PSU and DSU expense can be significantly impacted by changes in the weighted average share price at the end of each period. In the current year, a 52.4% decrease in the weighted average share price during the period from $1.89 at August 31, 2022 to $0.90 at August 31, 2023 decreased costs by $1,569. In the previous year, a 14.5% decrease in the weighted average share price from $2.21 at August 31, 2021 to $1.89 at August 31, 2022 decreased costs by $864. The net of these two movements resulted in a favourable variance of $705.
  - Lower PSU performance factors reflecting the current year performance and a lower number of outstanding PSU and DSU grants to which the share price applies, resulting in favourable variances ($1,826)
- Lower management bonuses reflecting current year performance ($1,021), partially offset by higher salaries and benefit expenses as a result of salary increases and the introduction of a retirement savings matching plan in the current period ($828)

Unfavourable variances:

- Higher recruitment expenses related to new partner hires ($264)
- Higher expenses related to our annual partner conference in addition to in-person practice meetings not held in the previous year ($112)
- Higher legal, audit and compliance expenses ($91)
- Other miscellaneous net favourable variances across various categories ($102)

IQTalent:
Exchange rate changes had an unfavourable impact of $338. On a constant currency basis, SG&A decreased 11.4% to $6,652 (2022: $7,512). The $860 constant currency decrease is a result of lower corporate compensation of $801 resulting from management actions taken through the year including lower compensation expenses as a result of restructuring activities and the spin-off of the software development activities into IQRecruit, other net favourable variances of $263 across various categories, partially offset by $204 increase in legal expenses related to certain potential acquisitions that we did not proceed with.

RESTRUCTURING EXPENSES

Restructuring expenses incurred in reorganizing the operations of the Company include severances and the impairment of certain commercial lease right-of-use assets.

On October 1, 2022, IQTalent reduced its staff by 113 employees in response to market conditions resulting in severance costs of $2,264, which were fully paid in the first quarter of 2023.

Additional furloughs and attrition throughout the year at IQTalent resulted in the Company reevaluating its real estate needs and deciding to sublease a portion of its leased space in Nashville. An impairment charge of $6,453 to the related right-of-use assets was recognized. The charge reflects the current local commercial real estate market and the expectation that the sublease will be at a discount to the head lease rate. The Company also recognized other direct charges related to subleasing the space, such as those related to operating expenses payable to the landlord, which amounted to $1,608 and classified as $687 in current other liabilities and $921 non-current liabilities in the consolidated statements of financial position. See note 25 to the consolidated annual financial statements and the Executive Summary of Operating Results and Business Outlook section of this Management Discussion and Analysis for details on a subsequent event that impacts the Nashville lease.

In the first quarter of 2023, The Company entered into an agreement to sublease its Caldwell office space in San Francisco, beginning on November 28, 2022, for the remaining 11 months of its lease term for gross proceeds of $134 USD ($180 CAD). A sublease receivable of $126 USD ($169 CAD) was recorded in prepaid expenses and other assets representing gross proceeds discounted at 13.0%. The remaining right-of-use asset for the property of $297 was derecognized, and a liability for the property's operating expenses of $138 was recorded. A net impairment expense of $266 was recorded within general and administrative expenses in the consolidated statements of earnings, representing the Company's remaining contracted lease obligations and operating expenses less the cumulative proceeds to be received from the sublease.

ACQUISITION-RELATED EXPENSES

A significant portion of the IQTalent purchase price was related to ongoing compensation expense, and was related to payments due in the future which were contingent on the related employees or the selling shareholders being actively employed as at the payment date. These costs had suppressed the profitability of IQTalent during the amortization period, which ended on December 31, 2022. IQTalent's acquisition-related costs were $nil for the fourth quarter of 2023 (2022: $580), and $811 for the year ended August 31, 2023 (2022: $2,575, net of adjustments). We also incurred acquisition-related costs for the purchase of The Counsel Network, which amounted to $nil for the fourth quarter of 2023 (2022: $36) and $68 for the year ended August 31, 2023 (2022: $36). Please see note 4 of the consolidated annual financial statements for further details.

OPERATING PROFIT

Fourth Quarter Operating Loss

Consolidated operating loss was $6,832 (2022: operating profit of $2,733). The $9,565 decrease relates to a decrease in gross profit of $2,241, restructuring expenses of $8,061 (2022: nil), partially offset by lower total acquisition-related expenses of $616 pertaining to the purchase price structure of IQTalent, which finished being expensed on December 31, 2022 and lower SG&A expenses of $121, all of which are discussed in further detail above. On a segment basis, Caldwell generated an operating profit of $1,927, (2022: operating profit of $4,053) and IQTalent generated an operating loss of $8,759 (2022: operating loss of $1,320).

Year-to-Date Operating Profit

Consolidated operating loss was $14,467 (2022: operating profit of $10,590). The $25,057 decrease relates to a decrease in gross profit of $18,428 and restructuring expenses of $10,591 (2022: nil), partially offset by lower total acquisition-related expenses of $1,732 pertaining to the purchase price structure of IQTalent, which finished being expensed on December 31, 2022 and lower SG&A expenses of $2,230, all of which are discussed in further detail above. On a segment basis, Caldwell generated an operating profit of $2,356 (2022: operating profit of $11,356) and IQTalent generated an operating loss of $16,823 (2022: operating loss of $766).

INVESTMENT INCOME

We currently invest cash balances in highly-liquid cash equivalent investments including term deposits, certificates of deposit and cash savings accounts. These investments generate interest income.

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

We have designated the 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.

On March 1, 2023, we completed the spin-off of IQTalent's software business. IQTalent contributed its proprietary software and its dedicated product and development team into a newly formed entity, IQRecruit, Inc. While the Company owns 41.9% of the economic interest in IQRecruit Inc., its voting rights are limited to 20%. As a result, the Company has concluded that it does not have control but does have significant influence over this investment, and will account for it using the equity method. Please see note 5 to the consolidated annual financial statements for details.

For the fourth quarter of 2023, we reported investment expense of $96 (2022: investment income of $107) consisting of our proportionate share of IQRecruit's losses of $138 partially offset by interest on term deposits of $42. For the fourth quarter of 2023, we recognized as part of other comprehensive income net realized gains or losses of $nil (2022: losses of $14) and unrealized gains on marketable securities of $63 (2022: gains of $34).

For year ended August 31, 2023, we reported investment income of $1,635 (2022: investment income $129) consisting of $1,323 gain related to the software spin-off into IQRecruit net of our proportionate share of its losses (2022: nil), and $312 interest on term deposits (2022: $129). For the year ended August 31, 2023, we recognized as part of other comprehensive income net realized gains or losses of $nil (2022: losses of $14) and unrealized gains on marketable securities of $44 (2022: losses of $58).

INCOME TAXES

Our effective tax rate on a consolidated basis has been historically high relative to the statutory tax rates we experience in each of our geographies. This was primarily the result of earnings before tax generated in US and Canada where we are in tax-paying situations, and losses before tax in the UK where, due to the uncertainty of utilizing losses against future taxable income, we have not recognized deferred tax assets. Our income tax expense therefore effectively represents the tax on our US and Canadian operations. In periods when the UK is profitable, we do not need to recognize tax expense until our historical tax loss carryforwards have been fully 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, we incur lower than expected taxes based on statutory tax rates.

IQTalent files a consolidated tax return with Caldwell in the United States.

A net income tax recovery of $923 was recorded in the fourth quarter of 2023 (2022: expense of $616). The effective income tax rate for the three months ended August 31, 2023 was 12.4% (2022: 19.3%). The effective tax rate was lowered in the fourth quarter for adjustments pertaining to prior year loss carryback estimates and the impact of certain permanent differences arising from non-deductible expenses.

On a segment basis, Caldwell had fourth quarter income tax expense of $1,605 (2022: expense of $1,374). IQTalent had fourth-quarter income tax recovery of $2,528 (2022: recovery of $758).

Income tax recovery for the year ended August 31, 2023 was $2,633 (2022: expense of $2,532). The effective income tax rate for year was 18.9% (2022: 23.6%), reflecting adjustments pertaining to prior year loss carryback estimates and the impact of certain permanent differences arising from non-deductible expenses.

On a segment basis, Caldwell had full-year income tax expense of $1,948 (2022: expense of $3,180) and IQTalent recorded a tax recovery of $4,581 (2022: recovery of $648).

NET LOSS AND BASIC LOSS PER SHARE

Fourth quarter net loss was $6,505 ($0.248 basic loss per share) compared to net earnings of $2,575 ($0.100 basic earnings per share) in the same period last year.

Net loss for the year was $11,303 ($0.432 basic loss per share) compared to net income of $8,178 ($0.318 basic earnings per share) in the same period last year.

DIVIDENDS

In April of 2020, the Board of Directors suspended the dividend. Given the Company’s focus on strategic growth initiatives and the current economic environment, the Board has concluded it will not declare a dividend at this time.

LIQUIDITY AND CAPITAL RESOURCES

We maintain cash balances at various financial institutions and in various geographies through our subsidiaries. While we can move funds between geographies and legal entities, certain dividend taxes may be applicable, 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.

As at August 31, 2023, we had cash and cash equivalents of $22,053 (August 31, 2022: $35,668). The $13,615 decrease is primarily the result of decreased cash generated from earnings, severance payments related to our restructuring activities and payments made in the acquisition of TCN.

Our cash and compensation payable balances fluctuate significantly from period to period based on commission payment timing per our executive search business's compensation plans. Compensation payable is generally at its lowest after the largest deferred compensation payments are made at the end of each February and generally grows during subsequent periods. The compensation payable is funded by our cash and accounts receivable balances, which build during the same cycle as the compensation liability and are similarly reduced as cash is used to meet the compensation liability. As a result, the cash balances and compensation payable typically move together. At August 31, 2023, current compensation payable was $28,384 (August 31, 2022: $43,866), total cash was $22,053 (August 31, 2022: $35,668) and accounts receivable were $12,886 (August 31, 2022: $22,882). 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 for growth and strategic initiatives.

Unencumbered Cash is defined in the section on Non-GAAP Financial Measures and Other Operating Measures 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 2023	***August 31 2022***	***increase/ (decrease)***
Current assets			
Cash and cash equivalents	22,053	35,668	(13,615)
Accounts receivable	12,886	22,882	(9,996)
Income taxes receivable	197	1,280	(1,083)
Unbilled revenue	8,237	6,495	1,742
Prepaid expenses and other assets	2,712	2,758	(46)
Total current assets	46,085	69,083	(22,998)
Current liabilities			
Accounts payable	3,181	4,021	(840)
Compensation payable	28,384	43,866	(15,482)
Other liabilties	687	-	687
Lease liability	2,788	1,817	971
Total current liabilities	35,040	49,704	(14,664)
Non-current acquisition-related compensation	1,482	-	1,482
Total net liabilities within unencumbered cash	36,522	49,704	(13,182)
Total Unencumbered Cash	$9,563	$19,379	($9,816)

Unencumbered cash of $9,563 at August 31, 2023 does not reflect $4,373 (August 31, 2022: $4,552) in net current deferred tax assets that are required to be aggregated with long-term deferred tax assets and presented as non-current in our consolidated statements of financial position.

Accounts receivable were $12,886 at August 31, 2023, down $9,996 from $22,882 at the end of fiscal 2022. The decrease is the result of lower fiscal 2023 revenue, which was down $58,627 or 37.7% over last year. Days sales outstanding based on quarterly revenue were 44 days at August 31, 2023, down from 58 days at August 31, 2022. Our allowance for professional fee adjustments was $1,217 at August 31, 2023 compared to $1,313 at August 31, 2022.

Our investment in property and equipment at August 31, 2023 was $1,779, down $256 from $2,035 at the end of fiscal 2022. This reflects additions of $167, depreciation expense of $450 and favourable exchange rate fluctuations of $27. Additions consist of capital expenditures on leasehold improvements, computer hardware and office furniture.

At August 31, 2023, our ROU asset was $13,305, down $7,951 from $21,256 at the end of fiscal 2022, reflecting additions of $1,072 less depreciation expense of $2,168, asset impairment of $6,453 and asset disposal of $297, both a result of our restructuring activities, and unfavourable exchange rate fluctuations of $105. Our prior year ROU asset balance was restated in the current year. Please see note 2(b) of the consolidated financial statements for details.

At August 31, 2023, our lease liability was $21,799, down $343 from $22,142 at the end of fiscal 2022, reflecting additions of 1,042, less repayments of $2,222, interest accretion of $898, and favourable exchange rate fluctuations of $61. Our prior year lease liability balance was restated in the current year. Please see note 2(b) of the consolidated financial statements for details.

Total liabilities were $56,920 at August 31, 2023, a decrease of $15,214 from $72,134 at the end of fiscal 2022. The decrease is primarily the result of lower compensation payable. Our prior year liability balance was restated in the current year. Please see note 2(b) of the consolidated financial statements for details.

Shareholders' equity at August 31, 2023 was $27,724 a decrease of $7,341 from $35,065 at the end of 2022. The decrease reflects a net loss of $11,303, partially offset by common share issuance in the year of $2,838, currency translation gains on consolidation of $843, share-based compensation of $237 and gains on marketable securities of $44.

Contractual Obligations

	Total	2024	2025	2026	2027	Thereafter
Accounts payable	3,181	3,181	-	-	-	-
Compensation payable	30,332	28,384	1,948	-	-	-
Other Liabilites	1,608	687	-	573	348	-
Lease liability	21,799	2,756	3,263	3,098	3,227	9,455
Total	56,920	35,008	5,211	3,671	3,575	9,455

The lease liability commitments include leases that we are contractually obligated to as of August 31, 2023 but have not yet commenced, and exclude expected operating expenses that we will be required to pay. In addition to the above, we also have a contractual obligation to complete the construction of one of our leased floors in Nashville, which will result in an outlay of approximately USD 1.2 million. 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.

OUTSTANDING SHARES

As at August 31, 2023, the authorized share capital of the Company consists of an unlimited number of Common Shares of which 29,558,932 are issued and outstanding (August 31, 2022: 25,880,693). The holders of Common Shares are entitled to share equally, share for share, in all dividends declared by the Company and equally in the event of a liquidation, dissolution or winding-up of the Company or other distribution of the assets among shareholders.

The Company announced on August 14, 2023 that it had closed a non-brokered private placement financing of $2,943 (the "Offering") through the issuance of 3,678,239 common shares at a price of $0.80 per common Share. Direct costs related to the issuance were $105. The net proceeds of $2,838 the Offering will be used for general corporate and working capital purposes, including an allocation of funds for the recruitment of new partners. All securities issued pursuant to the Offering are subject to a four-month hold period from the closing date in accordance with applicable Canadian securities laws. Please see note 18 to the annual consolidated financial statements for further details.

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 for the Caldwell executive search segment 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 for the reporting period.

The Company's method of revenue recognition for the Caldwell executive search segment 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 for the reporting period.

Further information on unbilled and deferred revenue is included in note 15 in the consolidated annual 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 for the Caldwell executive search segment are based on a per partner basis on amounts billed during the reporting period and collected within a stipulated timeframe. These collections are then subject to a commission grid that escalates as the individual's billings and collections increase. Assumptions are made regarding each partner's full period billings and collections, which are then subject to the related commission tier to accrue compensation expense throughout the year. Additionally, management short term incentive plans are tied primarily to the revenue and operating results of the Company for a respective fiscal year and management long term incentive plans are tied both to the Company's share price as well as operating results over a three-year period. Full year partner collection results, actual operating results and changes in share price that differ from management's current estimates may 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 actual valuation of these interests could differ materially from current estimates.

Impairment of right-of-use assets

The restructuring activities carried out in the first quarter of 2023 at IQTalent reduced staff by 113 employees. Additional furloughs and attrition through the year resulted in a further reduction in headcount. As a result of this, the Company revaluated its real estate needs and made the decision to sublease a portion of its leased space in Nashville. An impairment charge to the related right-of-use assets was recognized. The charge reflects the current commercial real estate market in the city and the expectation that the sublease will be at a discount to the head lease rate. Significant management judgment was applied in determining certain assumptions such as the sub-lease market rate, vacancy period, tenant inducements and discount rate, which are inputs in determining the recoverable amount of the right-of-use asset. The Company also recognized other direct charges related to subleasing the space, such as those related to transaction fees and costs to ready the space for sublease occupancy. The final outcome could differ materially from the current estimates, which could result in a further impairment of the right-of-use asset and an increase to the liabilities and related expenses, or vice versa. Further information on the impact of the restructuring activities can be found in note 11 to the consolidated annual financial statements.

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 8 of the consolidated financial statements. Future results that differ from management's current estimates may affect the results of operation in future periods.

RECENT ACCOUNTING PRONOUNCEMENTS

Accounting standards issued but not yet applied

Classification of Liabilities as Current or Non-current On January 23, 2020, the International Accounting Standards Board (IASB) issued amendments to IAS 1 Presentation of Financial Statements, to clarify the classification of liabilities as current or non-current. On October 31, 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1) (the 2022 amendments), to improve the information a company provides about long-term debt with covenants. The 2020 amendments and the 2022 amendments (collectively "the Amendments") are effective for annual periods beginning on or after January 1, 2024. Early adoption is permitted. A company that applies the 2020 amendments early is required to also apply the 2022 amendments. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning September 1, 2024. The adoption of these amendments is not expected to have a material impact on the Company.

Definition of Accounting Estimates (Amendments to IAS 8)
On February 12, 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8). The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning September 1, 2023. The adoption of these amendments is not expected to have a material impact on the Company.

Disclosure initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
On February 12, 2021, the IASB issued Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements). The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning September 1, 2023.

The amendments help companies provide useful accounting policy disclosures. The key amendments include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The adoption of these amendments is not expected to have a material impact on the Company.

RISKS AND UNCERTAINTIES

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

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

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

Exposure to departing partners taking our clients to another firm

Our success depends upon our ability to develop and maintain strong, long-term relationships with our clients. In many cases, one or two partners have primary responsibility for a client relationship. When a partner leaves one executive search firm and joins another, clients who have established relationships with the departing partner may move their business to the partner's new employer. We may also lose clients if the departing partner has widespread name recognition or a reputation as a specialist in executing searches in a specific industry or management function. If we fail to retain important client relationships when a partner departs our firm, our business, financial condition, and operating results may be adversely affected. Multiple partners leaving within a short time could increase the impact. 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. In particular, the extent and length of economic slowdowns may have a negative impact on our revenue. During economic slowdowns, companies may hire fewer employees which may harm our financial condition. We mitigate this risk to some extent by seeking diversity within our revenue base across geographies, industries and functions. In addition, much of our compensation is performance-based and variable to revenue.

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, 82% 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 significant short-term net cash or intercompany loan balances, we will move our cash balances by geography and currency to match the respective cash balances to future cash utilization by currency. Our current focus is to ensure the stability of cash needs by currency over strictly minimizing P&L fluctuations.

Competition from other companies directly or indirectly engaged in talent acquisition

The talent acquisition 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, attract new clients and maintain fee levels. Some of our competitors possess greater resources and greater name recognition and may be further along in developing and designing technology 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.

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. 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 suffer a breach that causes 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. Negative or inaccurate posts or comments about us on any social networking platform 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 operating results. We attempt to mitigate this risk by using a client feedback process utilizing the third-party product Net Promoter Score®, which provides feedback on our engagements and highlights 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 by business segment. In our Caldwell business, we tie a large portion of our search professionals' compensation to their individual and team revenue and for management to consolidated revenue and operating profit. In our IQTalent business, we maintain a portion of our total workforce as hourly contractors allowing us to rapidly increase or reduce our workforce in response to demand shifts.

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 the results of our operations.

Potential legal liability from clients, employees and candidates for employment

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

We are subject to risk as it relates to software that we license from third parties

We license software from third parties, much of which is integral to our systems and our business. The licenses are generally terminable if we breach our obligations under the license agreements. If any of these relationships were terminated or any of these parties were to cease doing business or cease to support the applications we currently utilize, we may be forced to spend significant time and money replacing the licensed software. However, the necessary replacements may not be available on reasonable terms, if at all. We mitigate this risk by selecting providers who we believe can continue business into the foreseeable future and reviewing each license agreement for termination clauses to reduce the ease with which such agreements could be terminated by the respective provider.

There may be adverse tax, legal, and other consequences if the workforce at IQTalent that is classified as independent contractors is challenged.

We consider the use of non-employee workers at IQTalent as independent contractors. In general, any time a court or administrative agency determines that we have misclassified an on-demand worker as an independent contractor, we could incur tax and other liabilities for failing to properly withhold or pay taxes on the worker’s compensation as well as potential wage and hour and other liabilities depending on the circumstances and jurisdiction.

We may become subject to administrative inquiries and audits concerning the taxation and classification of our contracted workers. There is often uncertainty in the application of worker classification laws, and consequently there is risk to us and to clients that independent contractors could be deemed to be misclassified under applicable law. The tests governing whether a service provider is an independent contractor or an employee are typically highly fact sensitive and vary by governing law. Laws and regulations that govern the status and misclassification of independent contractors are also subject to change as well as to divergent interpretations by various authorities, which can create uncertainty and unpredictability.

A misclassification determination, allegation, claim, or audit involving our contracted workers creates potential exposure for us, including but not limited to reputational harm and monetary exposure arising from or relating to failure to withhold and remit taxes, unpaid wages, and wage and hour laws and requirements (such as those pertaining to minimum wage and overtime); claims for employee benefits, social security contributions, and workers’ compensation and unemployment insurance; claims of discrimination, harassment, and retaliation under civil rights laws; claims under laws pertaining to unionizing, collective bargaining, and other concerted activity; and other claims, charges, or other proceedings under laws and regulations applicable to employers and employees, including risks relating to allegations of joint employer liability. Such claims could result in monetary damages (including but not limited to wage-based damages or restitution, compensatory damages, liquidated damages, and punitive damages), interest, fines, penalties, costs, fees (including but not limited to attorneys’ fees), criminal and other liability, assessment, injunctive relief, or settlement, all of which could adversely impact our business and results of operations.

We attempt to mitigate our risk of contractor worker classification by using written contractor agreements setting forth the terms of our relationship that we believe lowers our risk of the contractors being classified as employees.

Our inability to successfully recover from a disaster or other business continuity issue could cause material financial loss, loss of human capital, regulatory actions, reputational harm or legal liability

Should we experience a disaster or other business continuity problem, such as an earthquake, hurricane, terrorist attack, security breach, power loss, telecommunications failure or other natural or man-made disaster, our continued success will depend, in part, on the availability of our personnel, our office facilities, and the proper functioning of our computer, telecommunication and other related systems and operations. In such an event, we could experience near-term operational challenges with certain areas of our operations. Our ability to recover from any disaster or other business continuity problem will depend on our ability to protect our technology infrastructure against damage from business continuity events that could have a significant disruptive effect on our operations. We could potentially lose client data or experience material adverse interruptions to our operations or delivery of services to our clients in a disaster. A disaster on a significant scale or affecting certain of our key operating areas within or across regions, or our inability to successfully recover should we experience a disaster, pandemic or other business continuity problem, could materially interrupt our business operations and cause material financial loss, loss of human capital, regulatory actions, reputational harm, damaged client relationships or legal liability. We mitigate this risk by using reputable, established technology providers for the third-party hosting and managing the servers running our telecommunications infrastructure and our search database information. These third parties do not completely eliminate the above-described risks, however, their financial resources dedicated to protecting, continuity of service, recovery and response to systems continuity are much greater than our own. We also provide all of our employees with laptops or tablet devices that provide continuity of services if our offices are not accessible.

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 regularly review our tax structure and advise optimal tax structures.

We may not be able to integrate or realize the expected benefits from our acquisitions successfully.

Our future success depends on our ability to integrate acquisition targets into our operations successfully. The process of integrating an acquired business subjects us to many risks, including:

- Diversion of management attention
- Amortization of purchase price and intangible assets adversely affect our reported results of operations
- Inability to retain or integrate the management, key personnel and other employees of the acquired business
- Inability to properly integrate businesses resulting in operating inefficiencies
- Inability to establish uniform standards, disclosure controls and procedures, internal control over financial reporting and other systems, procedures and policies promptly

- Inability to retain the acquired company's clients
- Exposure to legal claims for activities of the acquired business before the acquisition
- The incurrence of additional expenses in connection with the integration process

If our acquisitions are not successfully integrated, our business, financial condition and results of operations, and our professional reputation could be materially adversely affected. Further, we cannot guarantee that acquisitions will result in the anticipated financial, operational, or other benefits. Some acquisitions may not be immediately accretive to earnings, and some expansion may result in significant expenditures. We mitigate these risks by formalizing integration plans in key areas such as accounting, legal and risk functions and performing comprehensive pre-acquisition due diligence reviews. We add staff when we believe needed to accommodate the increased business and support requirements. We also look to structure the purchase price to provide strong incentives for key employees to remain employed, even if this results in some of the purchase price being reflected as compensation expense, adversely impacting our reported operating results.

Businesses we acquire may have liabilities or adverse operating issues that could harm our operating results

Businesses we acquire may have liabilities, adverse operating issues, or both that we either fail to discover through due diligence or underestimate before completing the acquisition. These liabilities or issues may include the acquired business' failure to comply with, or other violations of, applicable laws, rules or regulations or contractual or other obligations or liabilities. As the successor owner, we may be financially responsible for and may suffer harm to our reputation or otherwise be adversely affected by such liabilities or issues. An acquired business also may have problems with internal controls over financial reporting, which could, in turn, cause us to have significant deficiencies or material weaknesses in our internal controls over financial reporting. These and any other costs, liabilities, issues, or disruptions associated with past or future acquisitions, and the related integration, could harm our operating results. We mitigate these risks by performing financial, tax, technology and due diligence on any acquired business, engaging third-party experts when considered necessary to enhance expertise in respective areas of due diligence.

There is volatility of the market price and trading volume of our 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. Caldwell specifically has generally low trading volumes, and that thin trading market may cause small trades to have significant impacts on the price of our Common Shares. Moreover, our stock's market price 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. These factors can increase the volatility of the volume of Common Shares offered to be purchased or sold at any particular time. Shares held by Ewing Morris, senior management, and our board of directors total approximately 36.0% of our outstanding Common Shares. While all these parties may be subject to trading restrictions from time to time based on material information they may receive, we have scheduled mandatory timeframes each quarter when we prohibit these parties from trading due to known financial information ("Blackout Periods"). Our Blackout Periods begin immediately with the end of each quarterly financial reporting period and continue until the completion of two business days after our earnings for the respective quarter have been publicly released. As a result, our share float during Blackout Periods is more constrained than periods outside of Blackout Periods. Additionally, of the 36.0% of the shares subject to Blackout Periods, 12% were obtained by the selling shareholders of IQTalent Partners, Inc. and were subject to a three-year lockup agreement which expired on December 31, 2023. Investors should consider liquidity issues arising from the above share concentrations and trading restrictions.

Our compensation plans and earnings are subject to volatility in our share price

We have Performance Share Units (PSUs) for management and Deferred Share Units (DSUs) for our board of directors. These are notional units that are tied to the value of our Common Shares. In addition, the PSUs are subject to performance factors based on attaining financial goals established for management by the board of directors. These performance factors can increase or decrease the value of the PSUs. As a result, the exact impact of an increase or decrease to our share price will change each quarter based on the number of outstanding PSUs and DSUs and the current PSU performance factors. For example, based on current performance factors, a $0.01 change in our share price would result in approximately a $13 change in compensation expense on a pre-tax basis. We mitigate this risk by tying the PSUs to a performance factor, ensuring that if operating results are below expectations, PSU compensation will be reduced to partially offset a shortfall in financial results.

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 clients' 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.

We invest in marketable securities whose valuations fluctuate

We may invest in marketable securities when we build excess cash balances relative to the current and projected liquidity needs and economic cycles. Marketable securities consist of investments in professionally managed fixed-income funds, from time to time, 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. As applicable, 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, our liquidity position and strategic plans.

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.

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

All our acquisitions have been accounted for as purchases and involved purchase prices in excess of 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 impairment 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, material 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.

There may be direct and indirect adverse financial consequences if a financial institution fails where we or a significant number of clients hold uninsured depository balances.

If a financial institution at which we hold our primary cash deposits with were to become insolvent it could have a direct material negative impact on our liquidity position, unless we were able to move funds out of the institution prior to its insolvency. Additionally, the failure of a significant financial institution where our clients held, in the aggregate, significant deposits would have a negative impact on our liquidity position indirectly through the potential loss of the clients and our inability to collect on the related accounts receivable. We attempt to mitigate this risk by evaluating our primary depository banking institutions in each region and selecting a bank of high quality and significant size. We also maintain accounts in different geographies at different institutions such that, with little notice, we could transfer funds to an existing open account at another institution.

We have significant shareholder concentration

As of November 28, 2023, approximately 62.3% of our outstanding Common Shares are held by insiders as filed with the System for Electronic Disclosure by Insiders (SEDI). Ewing Morris & Co. Investment

Partners Ltd. ("Ewing Morris") is reported to own, directly or indirectly, 12.9% of the outstanding Common Shares. Mr. Darcy D. Morris, CEO of Ewing Morris, is also a director of the Company. While no other party directly or beneficially owns more than 10.0% of our Common Shares, our senior management and remaining directors hold approximately 36.3% of our Common Shares. This concentration of shares could have a material impact on the outcome of any matters brought forth to the shareholders for a vote. While we cannot control how our shareholders vote, we mitigate the effects of controlling interests through our board of directors' governance oversight representing all shareholders, including minority shareholders.

We may be subject to the actions of activist shareholders

Our Board of Directors and management team are committed to acting in all 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 because 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, which may adversely impact our business 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 may result in us incurring substantial additional costs and significantly divert the attention of management and our employees. Individuals elected to our Board with a specific agenda that does not align with the Company’s best interests, the execution of our strategic plan may be disrupted, or a new strategic plan altogether may be implemented, which may 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.

Pandemics and outbreaks

On May 5, 2023, over three years after declaring the spread of the COVID-19 virus a pandemic, the World Health Organization declared the pandemic over. The pandemic had caused a material decline in revenue for approximately six months and had significantly impacted our operations. Although the pandemic has now been declared as over, the virus’s dynamic nature may continue to affect our clients and the economy as new variants arise. The future impact on hiring trends from a similar outbreak could adversely affect revenue.

DISCLOSURE CONTROLS AND PROCEDURES

Our Chief Executive Officer and President and Chief Financial Officer are responsible for establishing and maintaining our disclosure controls and procedures. In conjunction with the board of directors, the Chief Executive Officer and the President and Chief 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 President and Chief Financial Officer, after evaluating the effectiveness of our disclosure procedures as at August 31, 2023, have concluded that our 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 following IFRS.

In designing and evaluating such controls, it should be recognized that due to inherent limitations, any control, 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.

Due to COVID-19 restrictions and health and safety concerns, we implemented firm-wide remote work from home protocols during the pandemic. While there has been a gradual return to the office, a permanent shift to a hybrid office/work from home has been established. Management has reviewed and evaluated the impact of these protocols on existing internal controls over financial reporting and determined that they are unaffected.

Management evaluated the effectiveness of our internal controls' design and operation over financial reporting as at August 31, 2023. Based on that evaluation, the Chief Executive Officer and the President and Chief Financial Officer concluded that internal controls over financial reporting are effective as at August 31, 2023.

Management has also evaluated whether there were changes in our internal controls over financial reporting during the reporting period ended August 31, 2023 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, 2023 that would have a material impact.

OTHER INFORMATION

Additional information relating to the Company, including our 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, 2023 and August 31, 2022

The Caldwell Partners International Inc.
Years Ended August 31, 2023 and August 31, 2022

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.

/s/ *"John N. Wallace"*

John N. Wallace
CHIEF EXECUTIVE OFFICER

/s/ *"C. Christopher Beck"*

C. Christopher Beck
PRESIDENT AND CHIEF FINANCIAL OFFICER

November 28, 2023

KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto, ON M5H 2S5
Tel 905-265 5900
Fax 905-265 6390
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INDEPENDENT AUDITOR'S 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 statements of financial position as at August 31, 2023 and August 31, 2022
- the consolidated statements of earnings and comprehensive earnings for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years 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 the end of August 31, 2023 and August 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Emphasis of Matter- Comparative Information

We draw attention to Note 2 to the financial statements ("Note 2"), which explains that certain comparative information presented for the year ended August 31, 2022 has been adjusted.

Note 2 explains the reason for the adjustments that were applied to adjust certain comparative information.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended August 31, 2023.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Evaluation of Revenue Recognition for Uptick Revenue

Description of the matter

We draw attention to Notes 3 of the financial statements. The Entity has recorded Professional Fees of $96,933 thousand. 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. In most contracts, variable consideration is comprised of uptick revenue and reimbursable direct expenses. The Entity's method of revenue recognition requires it to estimate the total expected revenue at the beginning of each contract, which requires the Entity 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.

Why the matter is a key audit matter

We identified the evaluation of revenue recognition for uptick revenue as a key audit matter. This matter represented an area of significant risk of material misstatement due to the high degree of subjectivity and estimation uncertainty in determining the variable consideration in executive search contracts.

Significant auditor judgment was required to evaluate the results of our audit procedures regarding the Entity's assumptions in estimating uptick revenue at period end.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

- We assessed the Entity's historical ability to accurately estimate uptick revenue by comparing the actual uptick revenue earned for a selection of contracts to the original estimate made in previous periods.
- For a selection of contracts in process at period-end, we performed subsequent receipt resting of uptick revenue for contracts open at period-end to assess the reasonability of the Entity's estimation of uptick revenue.

Evaluation of Impairment Assessment of Right-of-Use Assets

Description of the matter

We draw attention to Notes 2b, 3, 11 and 13 to the financial statements. During the fourth quarter of fiscal 2022, IQTalent entered into a new lease in Nashville with a right to cancel the lease pursuant to certain conditions. A right-of-use asset and a lease liability of $15,911 million was recognized. Additional furloughs and attrition through the year resulted in the Entity reevaluating its real estate needs and deciding to sublease a portion of its leased space in Nashville. An impairment charge of $6,453 million to the related right-of-use assets was recognized.

Right-of-use assets 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 to the extent that the asset's carrying amount exceeds its recoverable amount.

In determining the recoverable amount, the Entity's significant assumptions include sub-lease market rate, vacancy period, tenant inducements and discount rate.

Why the matter is a key audit matter

We identified the evaluation of the impairment assessment of right-of-use assets a key audit matter. This matter was a key audit matter because significant auditor judgment was required to evaluate the results of our audit procedures regarding the Entity's significant assumptions. Further, professionals with specialized skills and knowledge were required to evaluate the results of our audit procedures due to the sensitivity of the recoverable amount to changes in significant assumptions.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

- Checked the accuracy of the present value of the expected cashflows used in determining the recoverable amount.
- Evaluated the underlying tenant inducement cash outflow assumption used by the Entity in the determination of the recoverable amount of the right-of-use assets by comparing to a selection of invoices.
- Involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the appropriateness of the sublease market rate, discount rate and vacancy period. The valuation professionals compared management's estimates to relevant market data including comparable transactions where appropriate.

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 auditor's report thereon, included in a document likely to be entitled the "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 auditor's 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 auditor's 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 (IFRS), 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.

Auditor's 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 auditor's report that includes our opinion.

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 auditor's 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 auditor's 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.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be

communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 28, 2023

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in $000s Canadian)

	As at August 31 2023	*As at August 31 2022 adjusted - note 2(b)*
Assets		
Current assets		
Cash and cash equivalents	22,053	35,668
Accounts receivable (note 22)	12,886	22,882
Income taxes receivable (note 16)	197	1,280
Unbilled revenue (note 15)	8,237	6,495
Prepaid expenses and other assets	2,712	2,758
	46,085	69,083
Non-current assets		
Prepaid expenses and other assets	593	-
Investments (notes 5 and 22)	2,039	736
Advances	811	241
Deferred income taxes (note 16)	8,676	4,730
Property and equipment (note 6)	1,779	2,035
Right-of-use assets (notes 2(b) and 13)	13,305	21,256
Intangible assets (note 7)	142	190
Goodwill (note 8)	11,214	8,928
Total assets	84,644	107,199
Liabilities		
Current liabilities		
Accounts payable	3,181	4,021
Compensation payable (notes 4, 10 and 12)	28,384	43,866
Other liabilities (note 11)	687	-
Lease liability (note 13)	2,788	1,817
	35,040	49,704
Non-current liabilities		
Compensation payable (notes 4, 10 and 12)	1,948	2,105
Other liabilities (note 11)	921	-
Lease liability (notes 2(b) and 13)	19,011	20,325
	56,920	72,134
Equity attributable to owners of the Company		
Share capital (notes 4 and 18)	15,392	12,554
Contributed surplus (note 18)	15,282	15,045
Accumulated other comprehensive income	1,847	960
(Deficit) Retained earnings	(4,797)	6,506
Total equity	27,724	35,065
Total liabilities and equity	84,644	107,199

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

Signed on behalf of the Board:

/s/ "Elias Vamvakas"

Elias Vamvakas
Chair of the Board

/s/ "Rosemary Zigrossi"

Rosemary Zigrossi
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* *2023*	*2022*
Revenues		
Professional fees (notes 14 and 15)	96,933	155,560
Direct expense reimbursements	868	605
	97,801	156,165
Cost of sales expenses		
Cost of sales (note 9)	80,712	120,911
Reimbursed direct expenses	868	605
	81,580	121,516
Gross profit	16,221	34,649
Selling, general and administrative (notes 9, 10 and 12)	19,218	21,448
Restructuring expenses (note 11)	10,591	-
Acquisition-related expenses (note 4)	879	2,611
	30,688	24,059
Operating profit (loss)	(14,467)	10,590
Finance expenses (income)		
Interest expense on lease liability (note 13)	898	419
Realized gain on lease modification (note 13)	-	(182)
Investment income (note 5)	(1,635)	(129)
Foreign exchange loss (income)	206	(228)
Earnings (loss) before income tax	(13,936)	10,710
Income tax expense (recovery) (note 16)	(2,633)	2,532
Net earnings (loss) for the year attributable to owners of the Company	(11,303)	8,178
Earnings (loss) per share (note 17)		
Basic	($0.432)	$0.318
Diluted	($0.432)	$0.315

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
(in $000s Canadian)

	Twelve months ended August 31 *2023*	*2022*
Net earnings (loss) for the period	(11,303)	8,178
Other comprehensive income (loss):		
Items that may be reclassified subsequently to net earnings		
(Loss) gain on marketable securities (note 5)	44	(72)
Cumulative translation adjustment	843	828
Comprehensive earnings (loss) for the year attributable to owners of the Company	(10,416)	8,934

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)		
	Retained Earnings/ (Deficit)	Share Capital	Contributed Surplus	Cumulative Translation Adjustment	Loss on Marketable Securities	Total Equity
Balance - August 31, 2021	**(1,672)**	**12,157**	**15,063**	**215**	**(11)**	**25,752**
Net earnings for the year	8,178	-	-	-	-	8,178
Employee share option plan share issue (note 18)	-	397	(34)	-	-	363
Share-based payment expense	-	-	16	-	-	16
Loss on marketable securities available for sale	-	-	-	-	(72)	(72)
Change in cumulative translation adjustment	-	-	-	828	-	828
Balance - August 31, 2022	**6,506**	**12,554**	**15,045**	**1,043**	**(83)**	**35,065**
Net loss for the year	(11,303)	-	-	-	-	(11,303)
Share issuance in the year (note 18)	-	2,838	-	-	-	2,838
Share-based payment expense (note 18)	-	-	237	-	-	237
Gain on marketable securities available for sale (note 5)	-	-	-	-	44	44
Change in cumulative translation adjustment	-	-	-	843	-	843
Balance - August 31, 2023	**(4,797)**	**15,392**	**15,282**	**1,886**	**(39)**	**27,724**

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	
	2023	*2022*
Cash flow provided by (used in)		
Operating activities		
Net (loss) earnings for the period	(11,303)	8,178
Add (deduct) items not affecting cash		
Depreciation of property and equipment (note 6)	450	421
Depreciation of right-of-use assets (note 13)	2,168	2,095
Amortization of intangible assets (note 7)	54	51
Amortization of advances	699	705
Interest expense on lease liabilities (note 13)	898	419
Share based payment expense (note 18)	237	16
(Gain) loss on unrealized foreign exchange on subsidiary loans	25	(320)
Gain related to equity accounted associate, net of related losses (notes 5 and 22)	(1,323)	-
Right-of-use asset impairment and disposal (notes 11 and 13)	6,750	-
Gain on early termination of lease (note 13)	-	(182)
Changes in working capital (note 19)	(9,878)	(4,282)
Net cash used in operating activities	(11,223)	7,101
Investing activities		
Acquisition of business, net of cash acquired (note 4)	(2,494)	(314)
Investment in convertible promissory note (note 5)	-	(655)
Purchase of property and equipment	(167)	(466)
Payment of advances	(1,200)	(609)
Repayment of advances	211	-
Proceeds from sale of marketable securities	54	127
Net cash used in investing activities	(3,596)	(1,917)
Financing activities		
Decrease in restricted cash	-	2,624
Payment of lease liabilities (note 13)	(2,222)	(2,341)
Sublease payments received	48	29
Payment of loans payable	-	(176)
Proceeds from share issuance under employee stock option plan (note 18)	-	363
Issuance of shares net of direct expenses (note 18)	2,838	-
Net cash (used in) provided by financing activities	664	499
Effect of exchange rate changes on cash and cash equivalents	540	771
Net (decrease) increase in cash and cash equivalents	(13,615)	6,454
Cash and cash equivalents, beginning of year	35,668	29,214
Cash and cash equivalents, end of period	22,053	35,668

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

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

1. General Information

The Caldwell Partners International Inc. (the “Company”) is a technology-powered talent acquisition firm specializing in recruitment at all levels. Through two distinct brands – Caldwell and IQTalent Partners (“IQTalent”) – the firm leverages the latest innovations in AI to offer an integrated spectrum of services delivered by teams with deep knowledge in their respective areas. Services include candidate research and sourcing through to full recruitment at the professional, executive and board levels, as well as a suite of talent strategy and assessment tools that can help clients hire the right people, then manage and inspire them to achieve maximum business results.

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 shares also trade on the OTCQX Market in the United States (OTCQX: CWLPF). The Company’s head office is located at 79 Wellington Street West, Suite 2410, Toronto, Ontario. The Company operates in Canada, the United States and Europe.

2. Basis of Presentation and adjustments

a) 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 28, 2023.

b) Adjustment to prior period right-of-use asset and lease liability

As disclosed in the consolidated financial statements for the year ended August 31, 2022, IQTalent entered into a new lease in Nashville on July 6, 2022 with a right to cancel the lease pursuant to certain conditions. It was determined that the Company’s right to cancel the lease expired prior to August 31, 2022. As a result, the related right-of-use asset and lease liability are now reflected in the statement of financial position as at August 31, 2022. This impact is limited to the IQTalent segment. The entire amount of this adjustment is related to the non-current portion of the lease liabilities. There was no impact on the consolidated statement of earnings for the year ended August 31, 2022.The impact of the adjustment on the consolidated statement of financial position as at August 31, 2022 is as follows:

	At August 31, 2022		At August 31, 2022
	Reported	Adjustment	Adjusted
Right of use assets	5,345	15,911	21,256
Total assets	91,288	15,911	107,199
Lease Liability	6,231	15,911	22,142

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 wholly owned subsidiaries. In the United States, the subsidiaries are The Caldwell Partners International Ltd. and IQTalent Partners, Inc. In the United Kingdom, the subsidiary is The Caldwell Partners International Europe, Ltd. In Canada, the subsidiary is The Counsel Network Inc.

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.

Business Combinations

Business combinations resulting in control are accounted for using the acquisition method as of the date when control is transferred to the Company. 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. Transaction costs that the Company incurs in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Associates and joint ventures

Investments in entities over which the Company has significant influence are classified as associates. Significant influence is presumed to exist where, either directly or indirectly, the Company holds between 20% and 50% of the voting rights of an entity. Significant influence also may exist where less than 20% of the voting rights of an entity are held, for example if the Company has influence over policy-making processes through representation on the entity’s Board of Directors, or by other means.

Investments in associates are accounted for using the equity method. Under the equity method, such investments are initially measured at cost, and are adjusted thereafter for the post-acquisition change in the Company’s share of the net assets of the investment. In applying the equity method for an investment that has a different reporting period from that of the Company, adjustments are made for the effects of any significant events or transactions that occur between the reporting date of the investment and the Company’s reporting date.

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. The Company operates through two distinct segments – retained executive search and analytics solutions are conducted as ***Caldwell***, and on-demand talent acquisition augmentation solutions are conducted as ***IQTalent***.

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 subsidiaries 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.

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 48 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 equity investments in clients and a convertible promissory note receivable representing a strategic investment in an artificial-intelligence enabled candidate sourcing business.

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.

Convertible Promissory Note Receivable
The Company also made an investment which has a conversion option to equity upon the occurrence of specific events. This investment is classified as fair value through profit or loss (FVPL).

(ii) Financial liabilities

Financial liabilities at amortized cost include accounts payable and compensation payable which are initially recognized at the amount required to be paid, less 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, right-of-use assets and definite life 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 to the extent that the asset's carrying amount exceeds its recoverable amount. Impairment losses are assessed for potential reversals whenever events or circumstances warrant such consideration.

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. Goodwill is reviewed for impairment annually or if an indicator of impairment exists. Any potential goodwill impairment is identified by comparing the recoverable amount of the CGU grouping to which the goodwill is allocated to the carrying value of the CGU, including the allocated goodwill. If the recoverable amount is less than its carrying value, an impairment loss is recognized in the consolidated statement of income in the period in which it occurs. Impairment losses on goodwill are not subsequently reversed if conditions change.

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 in the Caldwell executive search business 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 and may grant performance stock units, deferred stock units and stock options periodically to certain employees, directors and contractors.

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 the Company's share price at the vesting date and the 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.

In fiscal 2020, two categories of PSU awards were established—a reduced Standard Grant and a 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 was fully paid out in 2023 and had 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. Beginning in fiscal 2023 a return to normal

Standard Grants was implemented together with a separate equity offering of PSUs and stock options for the Chief Executive Officer.

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 or when they are expected to be redeemed, respectively.

Stock options currently outstanding vest over two to three years and have a contractual life of five years. 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) license fee revenue and iii) direct expense reimbursements.

(i) Professional fees

Professional fees are generated from the Company's retained executive search and on-demand talent acquisition businesses.

Caldwell (executive search)

Professional fees arising from the Caldwell'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 assessing the total amount of uptick revenue during the trailing 24-month period relative to the amount of retainer 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.

The net aggregate deferred revenue or unbilled revenue is recorded on the consolidated statements of financial position.

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 in note 5 to the consolidated annual financial statements.

IQTalent (on-demand talent acquisition augmentation)

Professional fees arising from the IQTalent's on-demand talent acquisition augmentation managed services are recognized over time as clients receive and consume the benefits provided. Generally, each talent acquisition augmentation managed services contract contains one performance obligation which is the process of identifying potentially qualified candidates for a specific client position. In each transaction, the price includes an hourly rate to be billed over the number of hours expended on the engagement. IQTalent bills its clients monthly based on the actual number of hours incurred during the period. Revenue is recognized based on the hours spent on the engagement, times the rate agreed to per the contract.

(ii) Direct expense reimbursements

The Caldwell executive search business incurs reimbursable direct out of pocket expenses in the performance of its services for items such as candidate 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 amounts of direct expenses billed and recovered from clients as revenue, with the offsetting gross amounts incurred 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 either deferred or accrued as unbilled revenue, the related amount of estimated compensation expense directly associated with such professional fees is also deferred or accrued, respectively. This expense deferral or accrual is recorded as a reduction or increase 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. The right-of-use assets recognized from the head leases are presented in non-current assets and measured at fair value. The sub-lease contracts are classified as finance leases.

Share capital

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

Dividends

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

Earnings per share

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

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

Accounting standards issued but not yet applied

Classification of Liabilities as Current or Non-current
On January 23, 2020, the International Accounting Standards Board (IASB) issued amendments to IAS 1 Presentation of Financial Statements, to clarify the classification of liabilities as current or non-current. On October 31, 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1) (the 2022 amendments), to improve the information a company provides about long-term debt with covenants. The 2020 amendments and the 2022 amendments (collectively “the Amendments”) are effective for annual periods beginning on or after January 1, 2024. Early adoption is permitted. A company that applies the 2020 amendments early is required to also apply the 2022 amendments. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning September 1, 2024. The adoption of these amendments is not expected to have a material impact on the Company.

Definition of Accounting Estimates (Amendments to IAS 8)
On February 12, 2021, the IASB issued *Definition of Accounting Estimates (Amendments to IAS 8)*. The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning September 1, 2023. The adoption of these amendments is not expected to have a material impact on the Company.

Disclosure initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
On February 12, 2021, the IASB issued Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements). The amendments are effective for annual periods beginning on or after January 1, 2023. Early adoption is permitted. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning September 1, 2023.

The amendments help companies provide useful accounting policy disclosures. The key amendments include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The adoption of these amendments is not expected to have a material impact on the Company.

Critical accounting estimates and judgments

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

Revenue recognition
The Caldwell executive search business' 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 either a deferral of revenue to a future period or an accrual of revenue to the current 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 executive search business' 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 15.

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 in the executive search business 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 right-of-use assets
The restructuring activities carried out in the first quarter of 2023 at IQTalent reduced staff by 113 employees. Additional furloughs and attrition through the year resulted in a further reduction in headcount. As a result of this, the Company reevaluated its real estate needs and made the decision to sublease a portion of its leased space in Nashville. An impairment charge to the related right-of-use assets was recognized. The charge reflects the current commercial real estate market in the city and the expectation that the sublease will be at a discount to the head lease rate. Significant management judgment was applied in determining certain assumptions such as the sub-lease market rate, vacancy period, tenant inducements and discount rate, which are inputs in determining the recoverable amount of the right-of-use asset. The Company also recognized other direct charges related to subleasing the space, such as those related to transaction fees and costs to ready the space for sublease occupancy. The final outcome could differ materially from the current estimates, which could result in a further impairment of the right-of-use asset and an increase to the liabilities and related expenses, or vice versa. Further information on the impact of the restructuring activities can be found in note 11.

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 8. Future results that differ from management's current estimates would affect the results of operation in future periods.

4. Business Acquisitions

<u>The Counsel Network</u>

On October 1, 2022, the Company acquired 100% of the shares of The Counsel Network Inc. ("TCN"), a Canada-based executive search firm specializing in the Canadian legal market.

The acquisition of TCN was an all-cash transaction, funded with cash on hand for total consideration of $2,179, net of cash acquired.

The purchase equation is based on management's best estimate of the fair value of the assets and liabilities acquired. The preliminary purchase price allocation at the acquisition date is as follows:

Net Assets Acquired	*October 1, 2022*
Accounts Receivable	676
Goodwill	2,000
Accounts Payable & Accrued Expenses	(336)
Income Taxes Payable	(161)
Total Net Assets Acquired	2,179

Goodwill arising from this acquisition is attributable primarily to the skills and technical talent of TCN's workforce as well as the synergies expected to be realized in integrating the operations of the two companies. Goodwill is not deductible for tax purposes. Management has allocated this goodwill to the Caldwell segment for impairment testing.

TCN's results have been included in our statements of earnings since the October 1, 2022 acquisition date.

For twelve months ended August 31, 2023, the Company incurred costs totaling $68, related to the acquisition of TCN which were recorded as part of acquisition-related expenses in the consolidated statements of earnings.

Applied Behavioral Academy

On November 22, 2021, the Company acquired certain assets and the operations of Stratus Holding Company Inc., a corporation incorporated under the laws of the State of Michigan and doing business as Applied Behavioral Academy ("ABA"), a behavioral and cognitive psychometrics consultancy that leverages scientifically-validated, results-driven tools to assess talent and to align people and business strategies, driving better business results.

The acquisition-related consideration was funded with cash on hand. Future amounts payable under the purchase and sale agreement were anticipated to be funded by existing cash balances and cashflow from operations. Such amounts were based in USD and therefore payments were subject to exchange rate fluctuations. The purchase price was structured as follows:

- $250 USD ($314 CAD) in cash paid at close on November 22, 2021.
- $250 USD ($315 CAD) in cash paid at close on November 22, 2022.

Consideration reflected as purchase price:

Both the initial cash paid at close and the amount payable one year from close were treated as purchase price to be allocated based on management's best estimate of fair value of the assets and liabilities acquired.

The primary assets acquired were the operations of the business, specifically the people performing consulting services along with their methodologies and know-how to train additional people, including our executive search teams. No tangible assets or liabilities were acquired. Prior to the acquisition date Caldwell had become ABA's sole customer and purchase price was therefore not allocated to a client list. Certain intellectual property was acquired such as domain names and rights to use the ABA brand. Due to the low-level of web traffic received to the online domain and limited brand development, purchase price was not allocated to these intangibles of the business.

Based on the fair value of the assets and liabilities acquired, the entire purchase price of $500 USD was allocated to goodwill attributable to the skills and technical talent of ABA's workforce and the ability to leverage ABA's know-how with Caldwell's executive search process and the ability to sell analytics services to our clients in the United States, Canada and the United Kingdom ("UK"). The goodwill is tax-deductible on a straight-line basis over 15 years. Management has allocated this goodwill to the Caldwell segment for impairment testing. The operating costs pertaining to ABA are included in the Caldwell segment, as is any revenue derived from the use of analytics in the executive search process include direct sales to clients.

IQTalent

On December 31, 2020, the Company acquired 100% of the shares of IQTalent. Based in Nashville, Tennessee and operating primarily in the United States, IQTalent is a technology-driven talent acquisition firm offering candidate research and sourcing at all levels, and full lifecycle recruiting at the professional level.

Consideration reflected as purchase price without a future service requirement included the issuance of 5,101,138 new shares of the Company's common stock for a value of approximately $3,600 USD ($4,642 CAD) and $3,000 USD ($3,817 CAD) in cash paid on January 15, 2021.

Consideration dependent on employees and selling shareholders remaining employed included $750 USD aggregate recognition and retention bonus pool allocated to the non-selling shareholder employees of IQTalent who remained employed one year post-acquisition that was paid on January 15, 2022, $3,000 USD payable at the end of two years and $600 USD cash contingent on revenue and profitability performance of IQTalent business during the second year following close and dependent on the respective selling shareholders remaining employed. As there were future employment requirements, these consideration components were expensed on a straight-line basis over the required service periods and recorded as acquisition-related expenses in the consolidated statement of earnings. In addition, as the amounts are treated as compensation expense, these amounts are fully deductible for income tax purposes when paid.

Minimum revenue, profitability and employment requirements were achieved. As at December 31, 2022, all consideration amounts had been fully amortized. The purchase price structured as compensation expense for the year ended August 31, 2023, was $811 (2022: $2,575). These amounts are reported as acquisition-related expenses in the consolidated statements of earnings and the acquisition-related compensation accruals are included in compensation payable in the consolidated statements of financial position as set forth in note 12.

In the second quarter of 2023 the Company entered into an amendment to the purchase agreement of IQTalent whereby $3,456 USD ($4,703 CAD) of the $3,600 USD accrued purchase price and earnout payments due January 15, 2023 were deferred. The remaining $144 USD was paid out as scheduled on January 15, 2023. Of the deferred amount, $1,080 USD ($1,470 CAD) plus accrued interest was paid on April 15, 2023, and $2,376 USD ($3,211 CAD) was deferred until September 15, 2023. In the fourth quarter of 2023, $1,098 USD ($1,482 CAD) was further deferred until September 15, 2024. Interest of 10% per year is being accrued on deferred amounts. Deferred amounts may be paid sooner at the option of the Company. This arrangement pertains to existing employees of the Company who are considered related parties.

Acquisition-related expenses

As discussed above, certain acquisition consideration components with a future service component were amortized to acquisition-related expenses. In addition to the amortization of acquisition-related compensation, the Company incurred legal, tax and financial diligence review costs related to the acquisition of The Counsel Network which were also recorded in acquisition-related expenses.

	Twelve months ended August 31,	
	2023	2022
Acquisition-related compensation, net of adjustments	811	2,575
Professional fees	68	36
	879	2,611

5. Investments and equity-accounted associates

The Company's investments at August 31, 2023 and August 31, 2022 are comprised of various investments whose gains and losses are recorded as either fair value through OCI or fair value through profit or loss as discussed in Note 3.

Fair value through profit or loss and equity-accounted investments:

Investment In Associate

On March 1, 2023, the Company announced the spin-off of its software business from its IQTalent business segment. IQTalent contributed its proprietary software and its dedicated product and development team into a newly formed entity, IQRecruit, Inc. in exchange for approximately 41.9% of the new entity. An insider and director of Caldwell, Mr. David Windley, invested an aggregate of $250 USD into IQRecruit, Inc. in exchange for 8.7% of the shares of IQRecruit, Inc., with a third party investing $500 USD for 17.4% of the shares and IQRecruit's employees holding the remainder of the shares. IQTalent will remain a user and client of the IQRecruit platform through a licensing arrangement that management believes approximates an arm's length client.

While the Company owns 41.9% of the economic interest in IQRecruit Inc., its voting rights are limited to 20%. As a result, the Company has concluded that it does not have control but does have significant influence over this investment, and accounts for it using the equity method. In the third quarter of 2023, the Company recognized an equity investment and a gain of approximately $1,204 USD ($1,625 CAD as at August 31, 2023), which is equal to the fair value of its proportionate ownership share of IQRecruit Inc., net of any related book value. The fair valuation is derived from the amount paid by the third-party investor for their share of IQRecruit. As required by the equity method of accounting, the carrying amount of the equity investment has been adjusted to reflect the Company's share of IQRecruit's loss, which amounted to a loss of $226 USD ($302 CAD) for the year ended August 31, 2023.

Convertible Promissory Note Receivable

On November 23, 2021, the Company invested $500 USD ($677 at August 31, 2023 and $655 CAD at August 31, 2022) in Skyminyr, Inc. ("Skyminyr") an early-stage company with an artificial intelligence software platform designed to deliver the power of human capital intelligence through a combination of behavioural analytics, sector mapping, and relationship intelligence. The investment was in the form of a convertible promissory note receivable (the "Note") accruing interest at 5% per annum. The Note and any accrued interest are convertible into shares of common stock of Skyminyr upon certain events such as a change of control or a public offering of its common shares. At the date of investment, the Note's conversion option represented a 4% equity stake in Skyminyr. The Note is also convertible any time at the Company's option. Additionally, unless earlier repaid or converted, the outstanding principal and unpaid accrued interest on the Notes will be due and payable upon demand beginning November 15, 2023, at the election of a majority of Note holders who invested at the same time as the Company. The Note is classified as fair value through profit or loss. For the year ended August 31, 2023, gains or losses related to the Note were $nil (2022: $nil).

We are also working with Skyminyr as a client, leveraging its candidate search capabilities into our search processes first at IQTalent and, if successful, at Caldwell in the future.

Interest Income

We currently invest cash balances in highly-liquid cash equivalent investments including term deposits, certificates of deposit and cash savings accounts. These investments are presented as part of cash and cash equivalents on the consolidated statement of financial position, and generate interest income.

For the year ended August 31, 2023, investment income included $312 interest on term deposits (2022: $129).

Fair value through OCI:

Client Equity Investments

The Company's marketable securities at August 31, 2023 and August 31, 2022 include equity securities obtained through search fees being paid partially in equity of the client, which are held for long-term investment until there is a market for sale. All are classified as fair value through other comprehensive income.

Client equity investments were $39 and $81 at August 31, 2023 and August 31, 2022, respectively.

During fiscal 2023, net realized gains or losses on marketable securities of nil (2022: losses of $14) and net unrealized gains of $44 (2022: losses of $58) were recognized as part of other comprehensive income.

6. Property and Equipment

	Furniture and equipment	Computer equipment	Computer application software	Leasehold improvements	Total
Year ended August 31, 2022:					
Opening net book value	471	385	1	1,113	1,970
Additions	-	466	-	-	466
Disposals	-	-	-	-	-
Depreciation for the year	(82)	(187)	(1)	(151)	(421)
Exchange differences	4	7	-	9	20
Closing net book value	393	671	-	971	2,035
At August 31, 2022:					
Cost	2,927	3,744	764	4,940	12,375
Accumulated depreciation	(2,534)	(3,073)	(764)	(3,969)	(10,340)
Net book value	393	671	-	971	2,035
Year ended August 31, 2023:					
Opening net book value	393	671	-	971	2,035
Additions	2	62	-	103	167
Disposals	-	-	-	-	-
Depreciation for the year	(77)	(220)	-	(153)	(450)
Exchange differences	3	6	-	18	27
Closing net book value	321	519	-	939	1,779
At August 31, 2023:					
Cost	2,932	3,812	764	5,061	12,569
Accumulated depreciation	(2,611)	(3,293)	(764)	(4,122)	(10,790)
Net book value	321	519	-	939	1,779

7. Intangible Assets

Intangible assets consist of the acquired client list from IQTalent and the rights to use the domain address “caldwell.com”, acquired in 2021 from a third party for a purchase price of $108. Both are stated at cost less accumulated amortization, and each is being amortized on a straight-line basis in the consolidated statements of earnings to general and administrative expenses over its respective estimated useful life of five years.

	Twelve months ended August 31,	
	2023	2022
Opening net book value	190	234
Amortization for the year	(54)	(51)
Exchange differences	6	7
Closing net book value	142	190

	As at August 31,	
	2023	2022
Cost	260	260
Accumulated amortization	(118)	(70)
Net book value	142	190

8. Goodwill

	Twelve months ended August 31,	
	2023	2022
Opening net book value	8,928	7,960
Acquisition of goodwill	2,000	629
Exchange differences	286	339
Closing net book value	11,214	8,928

In assessing goodwill for impairment as at August 31, 2023, the Company compared the aggregate recoverable amount of the assets included in its CGUs', Caldwell United States, Caldwell Canada and IQTalent to their respective carrying amounts. In each case, the recoverable amount has been determined based on the estimated value in use of the CGU using cash flow forecasts which were determined based upon Board 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:

	2023		
	Caldwell United States	IQTalent	Caldwell Canada
Average growth rate	5.1%	28.7%	2.2%
Expected gross margin	22.5%	21.4% - 28.0%	25.0%
Pre-tax discount rate	17.0%	16.1%	17.0%

	2022		
	Caldwell United States	IQTalent	Caldwell Canada
Average growth rate	5.0%	11.8%	n/a
Expected gross margin	22%	21% - 22%	n/a
Pre-tax discount rate	12.6%	13.0%	n/a

The estimated recoverable amount of the IQTalent CGU exceeded its carrying amount by approximately $28,588. The Company has estimated that the gross margin decreasing to an annual average of 20.2% could cause the carrying amount to equal the recoverable amount.

The impairment tests performed over the Caldwell United States, Caldwell Canada and IQTalent goodwill resulted in no impairment as at August 31, 2023 or 2022. The goodwill for Caldwell United States and IQTalent are denominated in US dollars and their balances will fluctuate each period due to exchange rate changes.

9. Nature of Expenses

The detail of the nature of expenses in arriving at operating profit is as follows:

	Twelve months ended August 31,	
	2023	2022
Compensation costs	84,396	127,581
Restructuring expenses (note 11)	10,591	-
Occupancy costs, including ROU asset depreciation	5,625	5,796
Search execution materials	3,450	3,596
Sales and marketing	1,856	1,729
Reimbursed direct expenses	868	605
Acquisition related expenses	879	2,679
Partner meetings	802	654
Depreciation of property and equipment	450	421
Amortization of intangible assets	54	51
Other	3,297	2,463
Total directs costs and expenses	112,268	145,575

10. Compensation of Key Management

Key management includes the Board of Directors and five officers of the Company. Key management compensation does not include acquisition-related compensation accruals (note 4).

	Twelve months ended August 31,	
	2023	2022
Salaries, bonuses and short-term benefits	2,361	3,297
Share-based compensation expense	(805)	1,540
	1,556	4,837

11. Restructuring Expenses

Restructuring expenses incurred in reorganizing the operation of the Company include severances and the impairment of certain commercial lease right-of-use assets.

On October 1, 2022, IQTalent reduced its staff by 113 employees in response to market conditions resulting in severance costs of $2,264, which were fully paid in the first quarter of 2023.

Additional furloughs and attrition throughout the year at IQTalent resulted in the Company reevaluating its real estate needs and deciding to sublease a portion of its leased space in Nashville. An impairment charge of $6,453 to the related right-of-use assets was recognized. The charge reflects the current local commercial real estate market and the expectation that the sublease will be at a discount to the head lease rate. The Company also recognized other direct charges related to subleasing the space, such as those related to operating expenses payable to the landlord, which amounted to $1,608 and classified as $687 in current other liabilities and $921 non-current liabilities in the consolidated statements of financial position. Please see note 25 of these consolidated annual financial statements for discussion of a subsequent event in relation to the Nashville lease.

In the first quarter of 2023, The Company entered into an agreement to sublease its Caldwell office space in San Francisco, beginning on November 28, 2022, for the remaining 11 months of its lease term for gross proceeds of $134 USD ($180 CAD). A sublease receivable of $126 USD ($169 CAD) was recorded in prepaid expenses and other assets representing gross proceeds discounted at 13.0%. The remaining right-of-use asset for the property of $297 was derecognized, and a liability for the property's operating expenses of $138 was recorded. A net impairment expense of $266 was recorded in the consolidated statements of earnings, representing the Company's remaining contracted lease obligations and operating expenses less the cumulative proceeds to be received from the sublease.

12. Compensation Payable

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

Current compensation payable

	As at August 31,	
	2023	2022
Salaries, commissions and bonuses	26,221	35,947
Acquisition-related compensation	1,729	3,933
Performance Stock Units	434	3,986
	28,384	43,866

Non-current compensation payable

	As at August 31,	
	2023	2022
Deferred Stock Units	242	1,137
Performance Stock Units	224	968
Acquisition-related compensation	1,482	-
	1,948	2,105

Share-based compensation plans

Performance stock units (PSUs)

A discussion of the PSU plan including its grant components and their terms is set forth in the summary of significant accounting policies in the consolidated annual financial statements. The estimated cost of the PSU plan is being amortized on a straight-line basis over the three-year vesting period. The performance factor for the Standard PSU grants is currently estimated at an average of 101% for the year ended August 31, 2023 (2022: 149%). PSU expense recovery of $693 has been recorded for the year ended August 31, 2023 (2022: expense of $1,576) 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, 2023	Twelve months ended August 31, 2022
	Notional units (000s)	Notional units (000s)
Outstanding at beginning of year	1,792	1,981
Granted	773	249
Settled	(1,128)	(438)
Outstanding at end of year	1,437	1,792

<u>Deferred stock units (DSUs)</u>

DSU expense recovery of $205 (2022: expense recovery of $36) for the year ended August 31, 2023 based on an average unit price of $0.90 (2022: $1.89), 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, 2023	Twelve months ended August 31, 2022
	Notional units (000s)	Notional units (000s)
Outstanding at beginning of year	603	535
Granted	102	68
Redeemed	(437)	-
Outstanding at end of year	268	603

13. Leases

a. Right-of-Use ("ROU") Assets

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

	Twelve months ended August 31, 2023	Twelve months ended August 31, 2022
		Adjusted - Note 2(b)
Opening net book value	21,256	9,549
Additions (adjusted - Note 2(b))	1,072	16,098
ROU impairment	(6,453)	-
ROU reduction due to early termination of lease and disposals	(297)	(2,465)
Foreign exchange	(105)	169
Depreciation	(2,168)	(2,095)
Outstanding at end of period	13,305	21,256

	As at August 31,	
	2023	2022
		Adjusted - Note 2(b)
Cost	21,115	26,898
Accumulated depreciation	(7,810)	(5,642)
	13,305	21,256

As disclosed in the consolidated financial statements for the year ended August 31, 2022, IQTalent entered into a new lease in Nashville on July 6, 2022 with a right to cancel the lease pursuant to certain conditions. During 2023, it was determined that the Company's right to cancel the lease expired prior to August 31, 2022. As a result, the related right-of-use asset and lease liability are now reflected in the statement of financial position as at August 31, 2022. This impact is limited to the IQTalent segment. There was no impact on the consolidated statement of earnings for the year ended August 31, 2022. Please see note 2(b) to these consolidated financial statements for details on the adjustments made.

In connection with the new lease IQTalent obtained an early termination agreement to its existing lease, reducing the term and providing for early termination without financial penalty. The modification of term resulted in the reduction of ROU assets of $2,465 and a reduction of lease liability of $2,647 in the consolidated statements of financial position, and a realized gain on lease modification of $182 in the consolidated statement of earnings, both for the year ended August 31, 2022.

The new lease provided for an allowance for construction, buildout and tenant improvements of approximately $5,913 which covered the majority of capital improvements. At August 31, 2023, a significant portion of the buildout was largely complete and the IQTalent team had commenced occupancy of a portion of the premises.

As a result of the restructuring undertaken in the first quarter of 2023, discussed in note 11, and further staff reductions throughout the year, management determined that the entire premises are not required for the Company's use, and is actively marketing a portion of the leased space for sublease. As a result, an impairment charge of $6,453 to the related right-of-use assets was recognized. The charge reflects the current commercial real estate market in the city and the expectation that the sublease will be at a discount to the head lease rate.

In the first quarter of 2023, the Company entered into an agreement to sublease its office space in San Francisco, resulting in the derecognition of $297 of the related right-of-use asset, with the expense included within restructuring expenses in the consolidated statement of earnings as discussed in note 11.

b. Lease Liability

A summary of the Company's lease liability is below:

	Twelve months ended August 31,	
	2023	2022 Adjusted-note 2(b)
Outstanding at beginning of period	22,142	10,428
Additions (adjusted -note 2(b))	1,042	16,098
Reduction in liability due to early termination of lease	-	(2,647)
Lease payments	(2,222)	(2,341)
Foreign exchange	(61)	185
Interest and accretion expense	898	419
Outstanding at end of period	21,799	22,142

	As at August 31,	
	2023	2022 Adjusted-note 2(b)
Current portion	2,788	1,817
Non-current portion (adjusted - note 2(b))	19,011	20,325
Total lease liabilities	21,799	22,142

14. Professional Fees

In certain cases, provisions against certain accounts receivable are recorded for client concession reasons. It is often difficult to distinguish provisions between client concessions and credit concerns. Provision amounts are therefore aggregated and applied against professional fees.

Included within professional fees for the year ended August 31, 2023 is a $96 recovery related to provisions (August 31, 2022: expense of $694).

15. Unbilled Revenue and Deferred Revenue

As at August 31, 2023 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 $8,237 (August 31, 2022: $6,495) and a related increase to compensation payable of $4,119 (August 31, 2022: $3,248). A summary of the gross unbilled and deferred revenue amounts is below:

	As at August 31,	
	2023	2022
Unbilled revenue	9,296	7,298
Deferred revenue	(1,059)	(803)
	8,237	6,495

16. Income Taxes

	Twelve months ended August 31,	
	2023	2022
Current tax:		
Current tax on net earnings for the year	1,098	2,072
Deferred tax:		
Origination and reversal of temporary differences	(3,731)	460
	(2,633)	2,532

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:

	2023	2022
Canadian statutory income tax rate	25.7%	25.8%
Recognition of previously unrecognized tax losses	0.4%	(2.3%)
Non-deductible expenses	(1.6%)	0.6%
Adjustments related to prior years taxes	(6.5%)	0.4%
Foreign Rate differences	1.0%	0.2%
Rate change	0.1%	(1.0%)
Other	(0.2%)	(0.1%)
	18.9%	23.6%

The analysis of deferred tax assets and liabilities is as follows:	2023	2022
Deferred tax assets	9,925	6,796
Deferred tax liabilities	(1,249)	(2,066)
Deferred tax assets (net)	8,676	4,730

The movement of the deferred income tax account is as follows:	2023	2022
Outstanding at beginning of year	4,730	5,067
(Debit)/Credit to statement of earnings	3,731	(460)
(Debit)/Credit Exchange differences	215	123
Outstanding at end of year	8,676	4,730

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

Deferred tax assets

	Compensation payable	Lease Liabilily	Other	Total
At August 31, 2022	5,034	1,568	195	6,797
(Charged)/credited to the statement of earnings	(1,189)	1,718	2,671	3,200
Exchange differences	(116)	(15)	59	(72)
At August 31, 2023	3,729	3,271	2,924	9,925

Deferred tax liabilities

	Excess Carrying Value of PP&E over tax base	Revenue not Taxable until a future year	Other	Total
At August 31, 2022	1,950	-	116	2,066
Charged/(credited) to the statement of earnings	(750)	(1)	(96)	(847)
Exchange differences	34	-	(5)	29
At August 31, 2023	1,234	(1)	15	1,249

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 $940 (2022: $985) that can be carried forward against future taxable income. As at August 31, 2023, the Company has non-capital losses of $9,635 (2022: $2,926) and $59 (2022: $409) with indefinite expiry dates available to reduce income of future years in the United States and 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. No deferred tax assets have been recognized for these capital losses.

17. 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.

	Twelve months ended August 31,	
	2023	2022
Net earnings (loss) for the period attributable to owners of the Company	($11,303)	$8,178
Weighted average number of common shares outstanding	26,193,091	25,707,748
Basic earnings (loss) per share	($0.432)	$0.318

(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.

	Twelve months ended August 31,	
	2023	2022
Net earnings (loss) for the period attributable to owners of the Company	($11,303)	$8,178
Weighted average number of common shares outstanding	26,193,091	25,707,748
Adjustment for stock options	-	265,963
Weighted average number of common shares for diluted earnings (loss) per share	26,193,091	25,973,711
Diluted earnings (loss) per share	($0.432)	$0.315

18. Capital Stock

Common shares

As at August 31, 2023, the authorized share capital of the Company consists of an unlimited number of Common Shares of which 29,558,932 are issued and outstanding (August 31, 2022: 25,880,693). The holders of Common Shares are entitled to share equally, share for share, in all dividends declared by the Company and equally in the event of a liquidation, dissolution or winding-up of the Company or other distribution of the assets among shareholders.

The Company announced on August 14, 2023 that it had closed a non-brokered private placement financing of $2,943 (the “Offering”) through the issuance of 3,678,239 common shares at a price of $0.80 per common Share. Direct costs related to the issuance were $105. The net proceeds of $2,838 from the Offering will be used for general corporate and working capital purposes, including an allocation of funds for the recruitment of new partners. All securities issued pursuant to the Offering are subject to a four-month hold period from the closing date in accordance with applicable Canadian securities laws.

Of the total proceeds raised under the Offering, $982 was subscribed by insiders of the Company which constitutes a "related party transaction" within the meaning of Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Company relied on exemptions from the formal valuation and minority approval requirements in sections 5.5(a) and 5.7(a) of MI 61-101 on the basis that the fair market value of the transaction, insofar as it involves “related parties”, is not more than the 25% of the Company's market capitalization.

Stock options

Stock options are granted periodically to directors, officers, employees and contractors 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, 2023		August 31, 2022	
	Number of options outstanding (000s)	Weighted average exercise price	Number of options outstanding (000s)	Weighted average exercise price
Outstanding at beginning of period	400	$0.73	900	$0.84
Issued during the period	965	$1.64	-	-
Exercised during the period	-	-	(375)	$0.97
Expired during period	-	-	(125)	$0.80
Outstanding at end of period	1,365	$1.37	400	$0.73
Exercisable at end of period	400		200	

All options currently outstanding have a contractual life of three or five years. All options currently exercisable have vested. Options issued during the current year have not yet vested. Options have an exercise price equal to the fair value of the common shares on the date of issuance. Stock option expense of $237 has been recorded in the year ended August 31, 2023 (2022: $16).

19. 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	
	2023	*2022*
Decrease in accounts receivable	11,311	1,062
Decrease (increase) in income taxes receivable	922	(1,295)
Increase in unbilled revenue (note 15)	(1,555)	(2,060)
Increase in prepaid expenses and other assets	(783)	(278)
(Increase) decrease in deferred tax assets	(3,777)	493
Decrease in income taxes payable	(12)	(3,007)
Decrease in accounts payable	(1,798)	(1,025)
Increase in other liabilities	1,608	-
(Decrease) increase in compensation payable	(14,915)	4,298
(Decrease) increase in acquisition-related compensation payable (notes 4 and 12)	(722)	1,704
Decrease in cash settled share-based compensation	(157)	(4,174)
	(9,878)	(4,282)

20. Segmented Information

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

	Twelve months ended August 31, 2023			
	Caldwell	IQTalent	Elimination	Total
Professional fees	77,102	20,024	(193)	96,933
Direct expense reimbursements	868	-	-	868
Revenues	77,970	20,024	(193)	97,801
Cost of sales	62,184	18,721	(193)	80,712
Reimbursed direct expenses	868	-	-	868
Gross profit	14,918	1,303	-	16,221
Gross margin	19.3%	6.5%		16.7%
Selling, general and administrative	12,228	6,990	-	19,218
Restructuring expenses	266	10,325	-	10,591
Acquisition-related expenses	68	811	-	879
Operating profit (loss)	2,356	(16,823)	-	(14,467)
Interest expense on lease liability	277	621	-	898
Investment income	(1,413)	(222)	-	(1,635)
Foreign exchange loss	206	-	-	206
Earnings (loss) before tax	3,286	(17,222)	-	(13,936)
Income tax expense (recovery)	1,948	(4,581)	-	(2,633)
Net earnings (loss) for the year	1,338	(12,641)	-	(11,303)

	Twelve months ended August 31, 2022			
	Caldwell	IQTalent	Elimination	Total
Professional fees	103,964	51,705	(109)	155,560
Direct expense reimbursements	605	-	-	605
Revenues	104,569	51,705	(109)	156,165
Cost of sales	78,704	42,316	(109)	120,911
Reimbursed direct expenses	605	-	-	605
Gross profit	25,260	9,389	-	34,649
Gross margin	24.3%	18.2%		22.3%
Selling, general and administrative	13,936	7,512	-	21,448
Acquisition-related expenses	(32)	2,643	-	2,611
Operating profit (loss)	11,356	(766)	-	10,590
Interest expense on lease liability	311	108	-	419
Gain on lease modification	-	(182)	-	(182)
Investment (income) expense	(422)	293	-	(129)
Foreign exchange gain	(228)	-	-	(228)
Earnings (loss) before tax	11,695	(985)	-	10,710
Income tax expense (recovery)	3,180	(648)	-	2,532
Net earnings (loss) for the year	8,515	(337)	-	8,178

The Company has consolidated operations generating business in the United States, Canada and the United Kingdom.

The following provides a reconciliation of the Company's professional fees by geography:

	Twelve months ending August 31,	
	2023	2022
United States[1]	72,220	131,488
Canada	17,269	16,861
United Kingdom	7,444	7,211
Consolidated	96,933	155,560

[1] *All of IQTalent's revenue was generated within the United States during the period*

A summary of property and equipment, right-of-use assets, goodwill and total assets by business line is as follows:

	At August 31, 2023			At August 31, 2022		
	Caldwell	IQTalent	Total	Caldwell	IQTalent adjusted - note 2(b)	Total
Property and equipment	1,519	260	1,779	1,819	216	2,035
Right-of-use assets	4,362	8,943	13,305	5,062	16,194	21,256
Goodwill	4,013	7,201	11,214	1,951	6,977	8,928
Total assets	70,024	14,620	84,644	77,392	29,807	107,199

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

	At August 31, 2023			Twelve months ended August 31, 2022		
	Caldwell	IQTalent	Total	Caldwell	IQTalent	Total
Depreciation expense:						
Property and equipment	403	47	450	405	67	472
Right-of-use assets	1,389	779	2,168	1,546	549	2,095

21. Commitments

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

Twelve months ending August 31, 2024	2,756
Twelve months ending August 31, 2025	3,263
Twelve months ending August 31, 2026	3,098
Twelve months ending August 31, 2027	3,227
September 1, 2028 and thereafter	18,789
	31,133

Premises that are currently subleased are presented on a gross basis in the above table, without adjusting for sublease income.

22. Financial Instruments

Classification of financial instruments

A summary of the classifications of financial instruments as at August 31, 2023 and August 31, 2022 is shown below:

Financial instruments	Financial assets at amortized cost	Liabilities at amortized cost	FVOCI	FVPL	As at August 31, 2023
Cash and cash equivalents	22,053	-	-	-	22,053
Accounts receivable	12,886	-	-	-	12,886
Accounts payable	-	(3,181)	-	-	(3,181)
Other liabilities	-	(1,608)	-	-	(1,608)
Current compensation payable	-	(28,384)	-	-	(28,384)
Investments	-	-	39	2,000	2,039
Non-current compensation payable	-	(1,948)	-	-	(1,948)
	34,939	(35,121)	39	2,000	1,857

Financial instruments	Financial assets at amortized cost	Liabilities at amortized cost	FVOCI	FVPL	As at August 31, 2022
Cash and cash equivalents	35,668	-	-	-	35,668
Accounts receivable	22,882	-	-	-	22,882
Accounts payable	-	(4,021)	-	-	(4,021)
Compensation payable	-	(43,866)	-	-	(43,866)
Investments	-	-	81	655	736
Non-current compensation payable	-	(2,105)	-	-	(2,105)
	58,550	(49,992)	81	655	9,294

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, 2023 consist of a convertible promissory note receivable and marketable securities, which are comprised of certain equity securities held for investment obtained through search fees being paid partially in equity of the client as discussed in note 5. Investments also includes an equity-accounted investment in an associate, IQRecruit Inc., as discussed in note 5. The carrying value and fair value of IQRecruit Inc. as at August 31, 2023 was $1,323 (August 31, 2022: nil). The fair value is based on level 2 inputs which comprise observable market data, and approximates the carrying value.

<u>August 31, 2023</u>

	Level 1	Level 2	Level 3
Marketable securities	5	-	34
Note receivable	-	-	677
Investment in associate	-	1,323	-

<u>August 31, 2022</u>

	Level 1	Level 2	Level 3
Marketable securities	28	-	53
Note receivable	-	-	655

Fair value

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

The equity securities held at August 31, 2023 and August 31, 2022 were obtained through search fees being paid partially in equity of the client. A portion of these 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 are subsequently measured at fair value through OCI. The remaining marketable securities are included within level 3 of the fair value hierarchy and are in a private company whose value is derived from estimates used in recent financings. The convertible promissory note receivable is included within level 3 of the fair value hierarchy. These investments are subsequently measured at fair value through profit or loss. The Company has a combined investment in marketable securities and the note receivable of $716 as at August 31, 2023 (2022: $736). 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 $36 (2022: $37).

The fair value of the Company's equity-accounted investment in an associate, IQRecruit Inc. is based on level 2 inputs which comprise observable market data, and approximates the carrying value.

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, 2023, the Company has US dollar net monetary asset exposure of $12,953 (2022: $24,922). 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 $648 recognized in the cumulative translation adjustment in the Company's consolidated statements of comprehensive earnings for the year ended August 31, 2023 (2022: $1,246). As these are long-term investments and not expected to be liquidated to Canadian dollars, they are not hedged.

As at August 31, 2023, the Company has British pound sterling net monetary asset exposure of $1,257 (2022: $887). 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 $62 recognized in the cumulative translation adjustment in the Company's consolidated statements of comprehensive earnings for the year ended August 31, 2023 (2022: $44). 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 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 to meet anticipated needs.

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

	As at August 31, 2023			
	Less than 6 months	6 months to 1 year	1 to 3 years	More than 3 years
Accounts payable	3,181	-	-	-
Compensation payable	26,655	-	224	242
Acquisition-related compensation payable	1,729	-	1,482	-
Other liabilities	281	406	573	348
Lease liability	1,121	1,667	9,573	9,438
	32,967	2,073	11,852	10,028

	As at August 31, 2022 (Adjusted - note 2(b))			
	Less than 6 months	6 months to 1 year	1 to 3 years	More than 3 years
Accounts payable	4,021	-	-	-
Compensation payable	39,933	-	969	1,136
Acquisition-related compensation payable	3,933	-	-	-
Lease liability	1,023	794	1,720	18,605
	48,910	794	2,689	19,741

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.

Accounts receivable comprised the following as at August 31:

	As at August 31, 2023	2022
Trade receivables	13,757	23,980
Less: loss allowance	(1,217)	(1,313)
	12,540	22,667
Other receivables	346	215
Accounts receivable	12,886	22,882

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

	Twelve months ended August 31, 2023	2022
Beginning of year	1,313	619
Increase/(decrease) in loss allowance	2,462	1,514
Unused loss allowance reversed	(1,863)	(416)
Provision for professional fee adjustments	599	1,098
Receivables written off during the year as uncollectible	(695)	(404)
End of year	1,217	1,313

As at August 31, 2023, accounts receivable of $12,540 (2022: $22,667) were estimated to be fully performing. The loss allowance of $1,217 (2022: $1,313) consists primarily of certain accounts over 90 days old of which there is a total balance of $2,333 at August 31, 2023 (2022: $3,828).

Interest rate risk and market price risk

The Company has not currently drawn on its credit facility with TD Bank (see note 24). Therefore, exposure to interest rate risk is minimal. The Company does invest excess cash in short-term deposits and therefore changes 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).

23. Capital Management

The Company's capital comprises of common shares of the Company, contributed surplus and retained earnings (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 credit facility does not have specific covenants or restrictions, it is not subject to any externally imposed capital requirements.

24. Credit Facilities

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, 2023 is $4,643. The facility bears variable interest on drawn amounts based on the Canadian prime rate plus 1.0% per annum. As at August 31, 2023, no amounts were outstanding on the credit facility (August 31, 2022: $nil) and letters of credit of $357 (August 31, 2022: $346) have been issued against the facility.

25. Subsequent Events

On October 6, 2023, the Company announced that David Windley was stepping down as President of IQTalent and resigning from the Caldwell Board of Directors effective that day. Mr. Windley will act as a strategic advisor to the board going forward. Any financial impacts of this announcement, including separation payments of approximately $1,138, will be recorded as an expense and related liability in the first quarter of fiscal 2024.

On October 16, 2023, the Company was notified by the landlord of our leased Nashville premises of a potential transaction they were contemplating that could result in a full termination of our Nashville lease agreement with no penalty or cost. The lease termination is contingent on the landlord completing their transaction. As of the date of these financial statements, management cannot ascertain the likelihood of this transaction occurring or the lease termination. If the transaction is completed and the landlord agrees to terminate the lease, then based on the balances as at August 31, 2023, termination of the lease would result in a derecognition of the related right-of-use asset of $8,943, lease liability of $16,531 and other liabilities of $1,608, with a lease termination gain of $9,196 recognized in the consolidated statement of earnings.

Directors

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

C. Christopher Beck, CPA
President & Chief Financial Officer
The Caldwell Partners International Inc.

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

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

Terry Grayson-Caprio
Corporate Director

John Young
Chief Executive Officer, Boat Rocker Media Inc.

Rosemary Zigrossi
Chief Executive Officer, Mtrex Network Solutions Inc.

Officers

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

C. Christopher Beck, CPA
President & Chief Financial Officer
The Caldwell Partners International Inc.

Michael Falagario, CPA, CFA
Vice President, Technology, Business and Legal Operations
The Caldwell Partners International Inc.

Shreya Lathia, CPA
Vice President, Accounting and Reporting
The Caldwell Partners International Inc.

Shareholder Information

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Chartered Accountants, Toronto, Ontario

Counsel

Miller Thomson LLP
Barristers and Solicitors, Toronto, Ontario

Stock Exchange Listing

The Toronto Stock Exchange (symbol: CWL)

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