



**CIBT EDUCATION GROUP INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2018**  
**EXPRESSED IN CANADIAN DOLLARS**

INDEPENDENT AUDITOR'S REPORT  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



Tel: 604 688 5421  
Fax: 604 688 5132  
www.bdo.ca

BDO Canada LLP  
600 Cathedral Place  
925 West Georgia Street  
Vancouver BC V6C 3L2 Canada

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## Independent Auditor's Report

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To the Shareholders of CIBT Education Group Inc.

We have audited the accompanying consolidated financial statements of CIBT Education Group Inc., which comprise the consolidated statements of financial position as at August 31, 2018 and 2017, the consolidated statements of comprehensive income, changes in equity, and cash flows for the years ended August 31, 2018 and 2017, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of CIBT Education Group Inc. as at August 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*BDO Canada LLP*

Chartered Professional Accountants  
Vancouver, Canada  
November 29, 2018

**CIBT EDUCATION GROUP INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**EXPRESSED IN CANADIAN DOLLARS**

	<b>August 31, 2018</b>	<b>August 31, 2017</b>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 33,246,248	\$ 6,880,384
Restricted cash	249,550	249,508
Trade and other receivables (Note 10)	18,327,693	9,271,204
Promissory note (Note 11)	862,746	930,149
Prepaid expenses	1,729,965	1,285,875
Inventory	751,742	584,392
<b>TOTAL CURRENT ASSETS</b>	<b>55,167,944</b>	<b>19,201,512</b>
Trade and other receivables (Note 10)	204,126	2,776,320
Deposit reserve (Note 17)	1,400,000	1,100,000
Investment properties (Note 7)	144,670,000	101,010,000
Property and equipment (Note 12)	62,277,524	4,142,299
Other assets (Note 8)	53,435,953	15,154,124
Investment in associates (Note 9(d))	-	1,016,361
Intangible assets (Note 13)	9,457,443	10,415,112
Goodwill (Note 14)	10,356,253	10,056,253
Deferred income tax assets (Note 20)	3,867,389	2,046,307
<b>TOTAL ASSETS</b>	<b>\$ 340,836,632</b>	<b>\$ 166,918,288</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Trade and other payables (Note 16)	\$ 16,596,566	\$ 7,454,305
Income taxes payable	5,069,250	273,212
Deferred educational revenue	23,572,827	18,452,047
Current portion of borrowings (Note 17)	28,553,370	33,556,297
<b>TOTAL CURRENT LIABILITIES</b>	<b>73,792,013</b>	<b>59,735,861</b>
Borrowings (Note 17)	87,051,236	26,047,512
Deferred income tax liabilities (Note 20)	8,341,202	4,160,155
<b>TOTAL LIABILITIES</b>	<b>169,184,451</b>	<b>89,943,528</b>
<b>EQUITY</b>		
<b>SHARE CAPITAL</b> (Note 18)	52,039,965	52,190,322
<b>RESERVES</b>	5,692,765	5,741,510
<b>DEFICIT</b>	(8,539,545)	(28,481,801)
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>	248,034	243,766
<b>Total shareholders' equity attributable to CIBT Education Group Inc. shareholders</b>	<b>49,441,219</b>	<b>29,693,797</b>
<b>Non-controlling interests</b> (Note 9(a))	<b>122,210,962</b>	<b>47,280,963</b>
<b>TOTAL EQUITY</b>	<b>171,652,181</b>	<b>76,974,760</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 340,836,632</b>	<b>\$ 166,918,288</b>

COMMITMENTS & CONTINGENCIES (Note 25)

SUBSEQUENT EVENTS (Note 28)

*Approved on behalf of the Board:*

\_\_\_\_\_  
Toby Chu, Chief Executive Officer & Director

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Troy Rice, Director

**CIBT EDUCATION GROUP INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**EXPRESSED IN CANADIAN DOLLARS**

	Year Ended August 31, 2018	Year Ended August 31, 2017
<b>REVENUES</b>		
Educational	\$ 49,484,021	\$ 37,710,897
Design and advertising	1,096,658	998,824
Commissions and referral fees	903,903	852,172
Development fees (Note 8)	12,805,410	5,372,144
Rental (Note 25(a))	10,609,929	8,623,826
	<b>74,899,921</b>	<b>53,557,863</b>
<b>DIRECT COSTS</b>		
Educational	22,709,962	17,636,745
Design and advertising	249,835	240,809
Commissions and referral fees	675,663	497,650
Rental (Note 25(a))	5,271,325	5,766,940
	<b>28,906,785</b>	<b>24,142,144</b>
<b>OTHER EXPENSES</b>		
General and administrative (Note 21(a))	32,395,165	24,692,742
Amortization of property, equipment and intangible assets (Note 12, 13)	1,811,415	1,190,329
Share-based payment expense (Note 19)	262,718	194,365
	<b>34,469,298</b>	<b>26,077,436</b>
<b>OPERATING INCOME</b>	<b>11,523,838</b>	<b>3,338,283</b>
Interest and other income	2,070,874	1,781,861
Foreign exchange gain (loss)	16,987	(40,288)
Finance costs	(4,595,975)	(1,873,779)
Finance fees	(1,039,765)	(766,267)
Loss from investment in associates (Note 9(d))	(669,951)	(1,268,036)
Business acquisition costs (Note 5 and Note 6)	(85,079)	(461,191)
Settlement of pre-existing conditions (Note 5)	-	(1,149,922)
Impairment in value of long-lived assets	(660,104)	-
Gain on fair value changes in investment properties (Note 7)	43,497,343	10,470,322
Gain on disposal of assets (Note 21(b))	2,295,672	144,133
<b>INCOME BEFORE INCOME TAXES</b>	<b>52,353,840</b>	<b>10,175,116</b>
<b>INCOME TAXES</b> (Note 20)	<b>(6,982,675)</b>	<b>(1,891,082)</b>
<b>NET INCOME</b>	<b>\$ 45,371,165</b>	<b>\$ 8,284,034</b>
<b>ATTRIBUTABLE TO:</b>		
CIBT Education Group Inc. shareholders	\$ 19,942,256	\$ 2,387,096
Non-controlling interests	\$ 25,428,909	\$ 5,896,938
<b>Net income per share attributable to equity holders of CIBT Education Group Inc. (Note 18 (e))</b>		
<b>Basic</b>	<b>\$ 0.25</b>	<b>\$ 0.03</b>
<b>Diluted</b>	<b>\$ 0.25</b>	<b>\$ 0.03</b>

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

**CIBT EDUCATION GROUP INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**EXPRESSED IN CANADIAN DOLLARS**

	<b>Year Ended</b> <b>August 31, 2018</b>	<b>Year Ended</b> <b>August 31, 2017</b>
<b>NET INCOME</b>	\$ 45,371,165	\$ 8,284,034
<b>OTHER COMPREHENSIVE INCOME:</b>		
Items that are or may be reclassified subsequent to profit or loss:		
Exchange differences on translating foreign operations	4,701	4,320
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$ 45,375,866</b>	<b>\$ 8,288,354</b>
<b>ATTRIBUTABLE TO:</b>		
CIBT Education Group Inc. shareholders	\$ 19,946,524	\$ 2,392,972
Non-controlling interests	25,429,342	5,895,382

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

**CIBT EDUCATION GROUP INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**EXPRESSED IN CANADIAN DOLLARS**

	Share Capital		Reserves				Accumulated Other Comprehensive Income (Loss)	Deficit	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
	Number of Common Shares	Dollar Amount	Warrants	Share-Based Payments	Ownership Changes	Treasury Shares					
<b>Balance, August 31, 2016</b>	68,475,603	\$ 49,024,991	\$ 2,273,507	\$ 3,556,314	\$ 13,866	\$ (173,855)	\$ 237,890	\$ (30,868,897)	\$ 24,063,816	\$ 30,875,531	\$ 54,939,347
Unrealized translation adjustments	-	-	-	-	-	-	5,876	-	5,876	(1,556)	4,320
Net income (loss) for the period	-	-	-	-	-	-	-	2,387,096	2,387,096	5,896,938	8,284,034
							5,876	2,387,096	2,392,972	5,895,382	8,288,354
Share-based payments	-	-	-	194,365	-	-	-	-	194,365	-	194,365
Payments to non-controlling interests	-	-	-	-	-	-	-	-	-	(120,000)	(120,000)
Non-controlling interests' contributions	-	-	-	-	-	-	-	-	-	10,630,050	10,630,050
Purchase of treasury shares	-	-	-	-	-	(661,512)	-	-	(661,512)	-	(661,512)
Treasury share cancellations	(1,238,700)	(671,162)	-	-	-	671,162	-	-	-	-	-
Shares issued - stock option exercises	1,777,500	569,200	-	(140,814)	-	-	-	-	428,386	-	428,386
Shares issued - share warrant exercises	2,446,540	749,205	(24,770)	-	-	-	-	-	724,435	-	724,435
Shares issued - private placement	6,935,332	4,258,339	-	-	-	-	-	-	4,258,339	-	4,258,339
Shares issuance costs - cash	-	(314,204)	-	-	-	-	-	-	(314,204)	-	(314,204)
Shares issuance costs - broker warrants	-	(33,247)	33,247	-	-	-	-	-	-	-	-
Shares issuance costs - assumed KGIC debt	-	(1,392,800)	-	-	-	-	-	-	(1,392,800)	-	(1,392,800)
<b>Balance, August 31, 2017</b>	78,396,275	52,190,322	2,281,984	3,609,865	13,866	(164,205)	243,766	(28,481,801)	29,693,797	47,280,963	76,974,760
Unrealized translation adjustments	-	-	-	-	-	-	4,268	-	4,268	433	4,701
Net income (loss) for the period	-	-	-	-	-	-	-	19,942,256	19,942,256	25,428,909	45,371,165
							4,268	19,942,256	19,946,524	25,429,342	45,375,866
Share-based payments	-	-	-	262,718	-	-	-	-	262,718	-	262,718
Payments to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,135,835)	(2,135,835)
Non-controlling interests' contributions	-	-	-	-	-	-	-	-	-	51,724,972	51,724,972
Changes in ownership interests (Note 9)	-	-	-	-	(151,520)	-	-	-	(151,520)	(88,480)	(240,000)
Purchase of treasury shares	-	-	-	-	-	(689,148)	-	-	(689,148)	-	(689,148)
Treasury share cancellations	(721,000)	(531,455)	-	-	-	531,455	-	-	-	-	-
Shares issued - stock option exercises	10,000	6,030	-	(2,250)	-	-	-	-	3,780	-	3,780
Shares issued - share warrant exercises	493,690	370,268	-	-	-	-	-	-	370,268	-	370,268
Shares issued - private placement	-	-	-	-	-	-	-	-	-	-	-
Shares issuance costs - cash	-	-	-	-	-	-	-	-	-	-	-
Shares issuance costs - broker warrants	-	-	-	-	-	-	-	-	-	-	-
Shares issued - conversion of debentures	6,075	4,800	-	-	-	-	-	-	4,800	-	4,800
<b>Balance, August 31, 2018</b>	78,185,040	\$ 52,039,965	\$ 2,281,984	\$ 3,870,333	\$ (137,654)	\$ (321,898)	\$ 248,034	\$ (8,539,545)	\$ 49,441,219	\$ 122,210,962	\$ 171,652,181

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

**CIBT EDUCATION GROUP INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**EXPRESSED IN CANADIAN DOLLARS**

	Year Ended August 31, 2018	Year Ended August 31, 2017
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 45,371,165	\$ 8,284,034
Items not affecting cash:		
Depreciation and amortization (Note 12, 13)	3,377,604	1,944,159
Share-based compensation (Note 19(a))	262,718	194,365
Gain on fair value changes in investment properties (Note 7(b))	(43,497,343)	(10,470,322)
Impairment of intangible assets (Note 13)	660,104	-
Gain on disposal of assets	(2,295,672)	(144,133)
Share of net loss related to associates	669,951	1,268,036
Changes to equity accounted associates	(431,030)	(830,952)
Accretion of finance fees (Note 17)	1,039,765	766,267
Settlement of pre-existing conditions (Note 5)	-	1,149,922
Deferred income tax expense (Note 20)	2,059,965	1,731,593
Other (Note 27)	(749,912)	(4,066)
Decrease in working capital (Note 27(a))	13,401,605	7,108,759
<b>Net cash provided by operating activities</b>	<b>19,868,920</b>	<b>10,997,662</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment (Note 12)	(2,538,431)	(1,782,241)
Investment properties, net (Note 7)	8,967,827	(35,148,261)
Refundable deposits on investment properties (Note 8)	(52,000,000)	(500,000)
Investment properties development costs and fees	(547,814)	(394,501)
Acquisition of businesses, net of cash acquired (Note 6, 5)	(13,833,238)	(6,500,313)
Acquisition of intangible assets (Note 13)	(1,453,922)	(1,572,439)
Other	(42)	(101,507)
<b>Net cash used in investing activities</b>	<b>(61,405,620)</b>	<b>(45,999,262)</b>
<b>FINANCING ACTIVITIES</b>		
Cash flows associated with borrowings (Note 27)	33,978,413	28,439,664
Capitalized borrowing costs (Note 7(b))	(2,130,559)	(1,548,598)
Promissory note receivable (Note 11)	67,403	(930,149)
Advances from related parties, net (Note 16, 26))	(11,797,050)	(2,855,956)
Proceeds from issuance of shares, net of costs	374,048	5,096,956
Repurchase of common shares (Note 18)	(689,148)	(661,512)
Non-controlling interest, net (Note 9(a))	49,349,137	10,510,050
Deferred financing costs (Note 17)	(1,251,075)	(521,927)
<b>Net cash provided from financing activities</b>	<b>67,901,169</b>	<b>37,528,528</b>
Effects of exchange rate changes on cash and cash equivalents	1,395	11,486
<b>Increase (decrease) in cash and cash equivalents</b>	<b>26,365,864</b>	<b>2,538,414</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>6,880,384</b>	<b>4,341,970</b>
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 33,246,248</b>	<b>\$ 6,880,384</b>

Supplemental cash flow information (Note 27)

**CIBT EDUCATION GROUP INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**EXPRESSED IN CANADIAN DOLLARS**  
**August 31, 2018**

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**NOTE 1 – NATURE OF OPERATIONS**

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**Nature of operations**

CIBT Education Group Inc. (the “Company”) is an educational management organization headquartered in Vancouver, British Columbia, Canada. The Company’s current business operations include education, media communications, revenue producing property and real estate development. The Company currently has five principal business units/segments, being Sprott Shaw College Corp. (“SSCC”), Sprott Shaw Language College (“SSLC”), which includes Vancouver International College (“VIC”), CIBT School of Business & Technology Corp. (“CIBT China”), IRIX Design Group Inc. (“IRIX”), and Global Education City Holdings Inc. (“GECH”). The Company’s education business is conducted through SSCC and SSLC/VIC in Canada and through CIBT and its subsidiaries in Asia. The Company operates its media communications business through IRIX. GECH is an investment holding and management company with a focus on education related real estate projects in Vancouver, Canada.

The head office and principal address of the Company are located at Suite 1200, 777 West Broadway, Vancouver, British Columbia, Canada and its registered and records offices are located at 595 Burrard Street, Suite 2900, Vancouver, British Columbia, Canada.

**NOTE 2 – BASIS OF ACCOUNTING**

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**Basis of preparation**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board, effective as of August 31, 2018.

These financial statements were and authorized for issue by the Company’s Board of Directors on November 29, 2018.

These consolidated financial statements were prepared on a going-concern basis, under the historical cost convention except for investment property and convertible debentures classified as at fair value through profit or loss. Historical cost is generally based on the fair value of the consideration given in exchange for assets. Significant accounting policies are described in Note 29 and these policies are consistently applied to all the periods presented unless otherwise noted below. The Company’s presentation currency is Canadian dollars.

**Subsidiaries**

The consolidated financial statements include the financial statements of the Company and all its subsidiaries as at August 31, 2018. The Company’s principal subsidiaries and percentage of ownership are as follows. All entities were formed under the laws in British Columbia, Canada.

Entity	Principal place of business	% ownership	
		August 31, 2018	August 31, 2017
Sprott Shaw College Corp.	Canada	100%	100%
Sprott Shaw Language College Inc. <sup>(1)</sup>	Canada	100%	100%
Vancouver International College (2016) Limited Partnership <sup>(2)</sup>	Canada	100%	100%
CIBT School of Business & Technology Corp.	China	100%	100%
IRIX Design Group Inc. <sup>(3)</sup>	Canada	51%	51%
Global Education City Holdings Inc. <sup>(4)</sup>	Canada	100%	100%
CIBT Group Holdings Inc.	Canada	100%	100%
GEC Master 1 Limited Partnership <sup>(4)</sup>	Canada	100%	-
GEC Master 2 Limited Partnership <sup>(4)</sup>	Canada	100%	-
GEC Management Limited Partnership <sup>(4)</sup>	Canada	100%	-

<sup>(1)</sup> Directly owned by Sprott Shaw College Corp.

<sup>(2)</sup> Directly owned by Sprott Shaw College Corp. and CIBT Education Group Inc.

<sup>(3)</sup> IRIX has representatives in Hong Kong and the United States.

<sup>(4)</sup> Directly and indirectly owned by CIBT Education Group Inc. and part of GECH structure.

**NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

**(a) Critical judgements in applying accounting policies**

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements, are as follows:

Assessment of indefinite life intangibles

The Company holds several types of indefinite life intangible assets, including: accreditations and registrations, brand-names and trade-names, and Chinese university agreements. Management reassess at each annual reporting period whether there have been any changes in the current market place or regulatory environment that would impact the conclusion that these are indefinite life intangibles. Management continues to conclude that there is no definite end to the cash flows to be generated from the indefinite life intangible assets as at August 31, 2018 aside from those which were impaired and written off (Note 13).

Chinese university agreements are partnership contracts held through the Company's Chinese operations and have a contractual life of between 15 and 20 years with renewal clauses. Management individually reviews and assesses each university contract for appropriateness of classification as an indefinite lived intangible. Management's history with each of these individual contracts is that they will be automatically renewed for a subsequent period after the initial contractual life and as a result, in management's judgment, represent indefinite life intangible assets.

Recognition of deferred income tax assets and liabilities

The decision to recognise a deferred tax asset is based on management's judgement of whether it is considered probable that future taxable profits will be available against which unused tax losses, tax credits or deductible temporary differences can be utilized (Note 20).

Determination of control of subsidiaries and joint arrangements

Judgement is required to determine when the Company has control of subsidiaries or joint control of joint arrangements. This requires an assessment of the relevant activities of the investee, being those activities that significantly affect the investee's returns, including operating and capital expenditure decision-making, financing of the investee, and the appointment, remuneration and termination of key management personnel; and when the decisions in relation to those activities are under the control of the Company or require unanimous consent from the investors.

Management has determined that in some cases it controls, and, in some cases, it has significant influence over the Limited Partnerships which have been formed to hold the Global Education Holdings operations of the business. The Company has determined that notwithstanding the fact that the Company holds less than the majority of voting units in certain limited partnerships that they do have control as they will direct the business of the partnership and no one investee can effect a change in this control. Entities which are controlled by the Company are consolidated as such this determine impacts the financial position and operations of the Company (Note 2 and 9).

Classification of property as investment property or owner-occupied property

Management uses judgement in determining if assets acquired meet the definition of investment property or owner-occupied property. In cases where optional ancillary services may be available in addition to and separate from the rental of units, management must assess if those ancillary services are insignificant to the business as a whole to determine appropriate classification (Note 7 and 12).

**NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)**

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**(a) Critical judgements in applying accounting policies (cont'd)**

Business combinations

Determination of whether a set of assets acquired and liabilities assumed constitute an acquisition of a business or asset may require the Company to make certain judgments as to whether or not the assets acquired and liabilities assumed include the inputs, processes and outputs necessary to constitute a business as defined IFRS 3 - *Business combinations*. If an acquired set of assets and liabilities includes goodwill, the set is presumed to be a business. Based on assessment of the relevant facts and circumstances the Company concluded that the acquisition of the controlling interest in GEC LP 4 constituted a business combination (Note 6). In addition, the Company concluded that the acquisition of education assets during the year ended August 31, 2017 constituted a business combination (Note 5).

**(b) Key sources of estimation uncertainty**

Information about assumptions and estimate uncertainties at August 31, 2018 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year, are as follows:

Valuation of Investment Property

The Company determines the fair value of each investment property based upon, among other things, the nature of the investment property and the appropriate valuation technique. Judgment is required in determining the unobservable inputs used in the fair value calculations and changes in those inputs may result in a change in the recorded fair value of the property. Judgment is applied in determining the extent and frequency of independent appraisals and valuations and the use of market data in determining the fair value (Note 7).

Impairment of indefinite life intangible assets and goodwill

Indefinite life intangible assets and goodwill are reviewed for impairment annually or more frequently if changes in circumstances indicate that the carrying value may be impaired. Impairment of an asset occurs when its carrying value exceeds its recoverable amount, measured under the value in use methodology. The calculation of recoverable amount is based on a discounted cash flow model, which incorporates the Company's budget and business plan for the cash-generating units being measured. The recoverable amount is most sensitive to the discount rate used in the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. To arrive at cash flow projections the Company uses estimates of economic and market information over the projection period, including growth rates in revenues, estimates of future expected changes in operating margins, and cash expenditures. Other significant estimates and assumptions include future estimates of capital expenditures and changes in future working capital requirements. If future growth and results of the Company differ significantly from management's current best estimates with respect to the critical assumptions noted above, it is reasonably possible that this could have an adverse impact on the estimated recoverable amounts of the Company, including the amounts of allocated goodwill and indefinite life intangible assets, and result in an impairment charge (Note 15).

Assessment of fair value of identifiable assets acquired and liabilities assumed in a business combination

Business combinations are accounted for using the acquisition method whereby identifiable assets acquired and liabilities assumed, including contingent liabilities, are recorded at their fair values at the date of acquisition. When the Company acquires a business, the fair value of the consideration paid and the fair value of identifiable assets acquired and liabilities assumed must be determined and this may require the use of third-party professionals depending on the business combinations. If the fair values are not correctly estimated, changes to fair values during the measurement period might result which could have an impact on future impairment tests (Note 5 and 6).

**NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)**

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**(b) Key sources of estimation uncertainty**

Useful lives of property and equipment and definite life intangible assets

The Company estimates useful life, residual value and depreciation methods based on industry norms, historical experience, market conditions and future cash flows. It is possible that future results could be materially affected by changes in the above factors. The Company reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utilization of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utilization of certain assets (Note 12 and 13).

Allowance for doubtful accounts

The Company provides for bad debt by setting aside a percentage of sales towards the allowance account based on historical default experience. Uncertainty relates to the actual collectivity of customer balances classified as trade receivables that can vary from the Company's estimation. The Company also reviews the collectability of other non-trade receivables and provides an allowance based on collectible if required.

**NOTE 4 – APPLICATION OF NEW AND REVISED IFRSs AND FUTURE ACCOUNTING POLICIES**

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**(a) Application of new and revised IFRSs**

In the current year, the Company has applied a number of new and revised IFRSs issued by the IASB and incorporated in the Chartered Professionals Accountants of Canada Handbook. The following highlights these changes and the effect, if any, on the Company's consolidated financial statements:

The Company has adopted the narrow scope amendments to IFRS 12 - *Disclosure of interest in other entities* and IAS 12 - *Income taxes*, which were effective for the fiscal period started September 1, 2017. The amendments did not have an impact on the Company's consolidated financial statements.

The Company has also adopted the amendments to IAS 7 - *Statement of cash flows*, which were effective September 1, 2017. As a result of applying the amendment, the Company presented new disclosures related to the changes in financial liabilities arising from financing activities (Note 27(c)).

**(b) New accounting standards applicable for next fiscal year beginning September 1, 2018**

Revenue recognition

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). This standard establishes a five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 replaces the previous revenue standards: IAS 18, *Revenue* and IAS 11, *Construction Contracts*, and the related interpretations on revenue recognition IFRIC 13, *Customer Loyalty Programs*, IFRIC 25, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*.

The Company has elected to apply IFRS 15 using the modified retrospective approach also known as the cumulative effect method using certain practical expedients. Under this method, the comparative financial reporting period will not be restated and a cumulative transition adjustment to the opening balance of equity will be recognized at September 1, 2018. The Company has used the transitional method that allows the Company to apply IFRS 15 retrospectively only to contracts that are not completed contracts as at September 1, 2018. Based on the analysis, the Company does not expect the timing and amount of revenues to be significantly different under IFRS 15, with the possible exception of the treatment of refunds relating to revenue from educational programs and services. The Company currently recognizes revenue for educational programs proportionately as instruction is delivered, net of any refunds as they are given. Under IFRS 15, the Company

**NOTE 4 – APPLICATION OF NEW AND REVISED IFRSs AND FUTURE ACCOUNTING POLICIES**

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**(b) New accounting standards applicable for next fiscal year beginning September 1, 2018 (cont'd)**

Revenue recognition (cont'd)

reduces revenue by the amount of expected refunds and records it as refund liability. The revenue stream for rental revenue for lease components is outside of the scope of the new standard and it has been determined that the treatment of the non-lease components will not change.

IFRS 15 contains presentation and disclosure requirements which are more detailed than the current standards, many of which are completely new. Upon the adoption of IFRS 15, the Company will provide disclosures for each of the Company's revenue streams to supplement the revenue data that are currently presented in the segmented information disclosure (Note 30).

Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 - *Financial Instruments* ("IFRS 9") to replace IAS 39 – *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. In addition, the IASB issued consequential amendments to IFRS 7 – *Financial Instruments: Disclosures* ("IFRS 7") that are applicable upon the adoption of IFRS 9.

The following summarizes the significant changes in IFRS 9 which the Company anticipates will apply to its financial instruments compared to the current standards:

- The classification of financial assets and liabilities is expected to remain consistent under IFRS 9.
- The introduction of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39. Given the short-term nature of the Company's receivables and low historical level of customer default, changes in the loss allowance is not expected to be material.
- When a financial liability is non-substantially modified, the calculated gain or loss on change in terms is recognized in profit or loss immediately which was not previously the requirement under IAS 39. At August 31, 2018, a secured loan exists which was modified during the year and therefore a transition date adjustment is expected. The Company has modified secured loans in the past and expects while there will be an impact, the impact on net income will not be material.

The Company intends to elect not to restate prior period comparatives as allowed under IFRS 9. IFRS 7 contains additional disclosure requirements predominately around expected credit losses and impairment of financial assets and liabilities and the Company will apply these as applicable.

Investment properties

In December 2016, the IASB issued a narrow scope amendment to IAS 40, *Investment Property* ("IAS 40"), clarifying that an entity can only reclassify a property to/from investment property when, and only when, there is evidence of a change in the use of the property has occurred. The Company will incorporate these amendments into its' investment properties analysis on adoption. Given the nature of the amendment the impact if any, will not be known until such a transfer event occurs.

Share-based Payment

In June 2016, the IASB issued amendments to IFRS 2, *Share-based payment* ("IFRS 2"), clarifying how to account for certain types of cash settled share-based payment transactions. The Company has determined there is no impact of applying IFRS 2 on the current share-based payment arrangements.

**NOTE 4 – APPLICATION OF NEW AND REVISED IFRSs AND FUTURE ACCOUNTING POLICIES**

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**(c) New accounting standards issued but not yet effective**

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued that the Company reasonably expects to be applicable to the Company at a future date. The Company intends to adopt these standards when they become effective. The Company has not early adopted any other amendment, standard or interpretation that has been issued by the IASB but is not yet effective. The Company is in the process of determining the extent of the impact of these changes on its consolidated financial statements.

Leases

In January 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"), which replaces IAS 17 – *Leases*, and its associated interpretive guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset. For those assets determined to meet the definition of the lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to the current finance lease accounting, with limited exceptions for short term leases and leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning after January 1, 2019 and its applicable to the Company starting September 1, 2019. A lessee can choose to apply IFRS 16 using either a full retrospective or a modified retrospective approach.

Upon the adoption of IFRS 16, the Company anticipates it will record a material balance of lease assets and associated lease liabilities related to leases with the term of 12 months or more on the Consolidated Statement of Financial Position as at September 1, 2019. Currently, the majority of operating leases relate to the rental of commercial space for its students to facilitate its' education business. In addition, the Company leases a property which was previously held as an investment property. Due to the expected recognition of additional lease assets and liabilities, a higher amount of depreciation expense and interest on lease liabilities will be recognized under IFRS 16 as compared to the current standard. The Company expects to commence the process of identifying and collecting data relating to existing agreements and determining the potential impact of the new standard in the near term.

Uncertainty over income tax treatments

In June 2017, the IASB issued IFRIC 23 *Uncertainty over Income Tax Treatments* ("IFRIC 23") with a mandatory effective date of January 1, 2019 and is applicable to the Company starting September 1, 2019. The interpretations provide guidance on how to value uncertain income tax positions based on the probability of whether the relevant tax authorities will accept the company's tax treatments. A company is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. IFRIC 23 is to be applied by recognizing the cumulative effect of initially applying these guidelines in opening retained earnings without adjusting comparative information. The extent of the impact of the adoption of IFRIC 23 has not yet been determined.

Annual improvements

Annual improvements make necessary but non-urgent amendments to existing IFRSs. In December 2017, the IASB issued the 2015 – 2017 cycle Annual Improvements which included amendments to standards with an effective date of annual periods beginning on or after January 1, 2019, which applies to the Company commencing September 1, 2019. These amendments are not expected to have significant impact on the Company's consolidated financial statements.

**NOTE 5 – ACQUISITION OF KGIC INC.**

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**(a) Summary of business combination and consideration transferred**

On January 25, 2017, a subsidiary of the Company, SSLC completed a Debt Assignment Agreement (the “Debt Assignment”) to purchase from a Canadian bank (the “Bank”) approximately \$12,300,000 of secured debt (the “Debt”) for \$3,100,000. The Debt was owed by KGIC Inc. (“KGIC”). As a result of the Debt Assignment, SSLC, as secured creditor, made an application to the British Columbia Supreme Court (the “Court”) which resulted in KGIC being placed under receivership. The Company closed two private placements associated with funding the acquisition and company expansion.

The Court appointed a receiver (the “Receiver”) to oversee the receivership and bankruptcy process and SSLC was appointed to operate the business of KGIC as agent of and on the behalf of the Court appointed Receiver. SSLC entered into a term sheet with the Receiver whereby SSLC agreed to provide a senior secured super-priority revolving credit facility, to a maximum of \$3,000,000, to the Receiver to provide receivership funding.

On March 15, 2017, the Company reported that Court approval had been received by the Company to acquire substantially all of the operating assets of KGIC and the shares of two KGIC entities. The Court approved an asset purchase agreement for the purchase by the Company’s designated subsidiaries of substantially all of the operating assets of KGIC (the “KGIC Transaction”). The KGIC Transaction closed on March 29, 2017, which was the acquisition date. The new acquisition has been integrated into the Company’s education assets in Canada. On the acquisition date, release and waivers were issued by SSLC for all but \$5,000,000 of the previously outstanding Debt of KGIC, which SSLC still holds the right to collect should any amounts be paid to creditors of the former KGIC.

*Settlement of transactions under a pre-existing relationship*

Transactions between the Company and its subsidiaries and KGIC, the Bank and the Receiver have been assessed to be relationships which already existed before the acquisition date. The purchase price was paid via the settlement of the Debt and the payment of costs as reflected below. In the purchase and sale agreement the Court agreed that the fair value of the net assets acquired was \$5,575,000 and represented the consideration transferred in exchange for KGIC. There was no contingent consideration.

Pre-existing conditions settled on acquisition:	
Payment to assume Bank debt	\$ 3,100,000
Revolving credit facility with Receiver	2,922,423
Management fee for agent services	180,000
Payment of costs on behalf of Receiver	367,469
Additional costs	155,030
	\$ 6,724,922
Purchase Price	\$ 5,575,000
Loss on settlement of pre-existing condition	\$ 1,149,922

**(b) Identifiable assets acquired and liabilities assumed**

The Company concluded that the acquired assets and assumed liabilities of KGIC constituted a business and accordingly the KGIC Transaction was accounted for as a business combination. The original purchase price allocation was preliminary, and the fair values were measured on a provisional basis. During the measurement period, which was one year after the acquisition date, new information was obtained about facts and circumstances that existed at the date of acquisition resulting in adjustments to the fair value.

**NOTE 5 – ACQUISITION OF KGIC INC. (cont’d)**

**(b) Identifiable assets acquired and liabilities assumed (cont’d)**

The following table summarizes the change between the preliminary purchase price allocation as reported in the Consolidated Notes to the Financial Statements for the year ended August 31, 2017, and the final purchase price allocation as determined during the measurement period falling during the year ended August 31, 2018.

Purchase price	Preliminary purchase price allocation	Fair value adjustments	Final purchase price allocation
	\$ 5,575,000	\$ -	\$ 5,575,000
Accounts receivable	\$ 1,126,018	\$ -	\$ 1,126,018
Other current assets	457,355	-	457,355
Property and equipment	823,406	-	823,406
Intangible assets <sup>(1)</sup>	4,485,544	(2,805,766)	1,679,778
Goodwill <sup>(2)</sup>	1,715,638	2,832,695	4,548,333
Accounts payable <sup>(3)</sup>	(331,963)	(16,596)	(348,559)
Deferred educational revenue <sup>(3)</sup>	(2,700,998)	64,366	(2,636,632)
Deferred income tax liability <sup>(4)</sup>	-	(74,699)	(74,699)
Net identifiable assets acquired	\$ 5,575,000	\$ -	\$ 5,575,000

- (1) Intangible assets include finite and indefinite life assets including curriculum, accreditations and registrations, and brand names (Note 13). The fair value adjustments resulted mainly from: (a) identification of fair value assigned to internally generated software which existed at acquisition date, but which was not previously identified; and (b) difference in valuation methodology to consider technologic and/or commercial obsolesce parameters which ultimately resulted in a lower fair value than that calculated on the basis of replacement cost.
- (2) The fair value adjustment to goodwill resulted from the change in other net identifiable assets. Goodwill includes value assigned to assembled workforce and unallocated purchase price. The main factors leading to the reconciliation of goodwill are: (a) the presence of certain intangible assets such as assembled workforce of the acquired entity which is not eligible for separate recognition, determined under the replacement cost approach; and (b) premium paid for assets as the Company expected to see considerable economies of scale from additional educational programs and student pipeline. The primary reason for the business combination was to continue to expand the educational assets of the Company while also securing the welfare of students, employees, partners and other stakeholders in the private education sector who would have been negatively impacted without such an acquisition. Approximately 2,000 previous KGIC students were given the opportunity to continue their education through SSLC. Goodwill is 100% deductible for tax purposes.
- (3) Other changes in operating balances resulted from new information received during the measurement period including the calculation of the tax impact on the transaction.
- (4) Deferred tax liability results from the tax effected difference between the accounting and tax basis associated with the purchase of the share capital of two entities previously held by KGIC.

**NOTE 5 – ACQUISITION OF KGIC INC. (cont'd)**

**(b) Identifiable assets acquired and liabilities assumed (cont'd)**

The following table reconciles the financial statement balances as originally presented at August 31, 2017 to revised balances at August 31, 2017 accounting for the changes during the measurement period, including: (a) the changes to fair values of the identifiable assets acquired and liabilities assumed; and (b) impact on associated balances resulting from changes in fair value. The business combination has been accounted for as if the changes to the fair value of the net identifiable assets had been completed as of the business combination date of March 29, 2017.

	As reported August 31, 2017	Fair value adjustments	Other adjustments ( <sup>1</sup> )	Restated August 31, 2017
Intangible assets	\$ 13,178,800	\$ (2,805,766)	\$ 42,078	\$ 10,415,112
Goodwill	\$ 7,056,274	\$ 2,832,695	\$ 167,284	\$ 10,056,253
Trade and other payables	\$ 7,454,305	\$ (16,596)	\$ 16,596	\$ 7,454,305
Deferred educational revenue	\$ (18,452,047)	\$ 64,366	\$ (64,366)	\$ (18,452,047)
Deferred income tax liabilities	\$ (4,085,456)	\$ (74,699)	\$ -	\$ (4,160,155)

<sup>(1)</sup> During the year ended August 31, 2017, as a result of retrospectively applying the changes to the fair values in the purchase allocation, revenues decreased by \$64,366, direct education costs increased by \$16,596, intangible asset amortization decreased by \$100,000 and a gain of \$109,362 on the disposal described below was realized, totaling a change from other adjustments of \$161,592. The remaining adjustments are associated with the disposition described below.

**(c) Acquisition-related costs**

Acquisition-related costs of \$461,191 were expensed in the year ended August 31, 2017 as Business Acquisition Costs on the Consolidated Statement of Comprehensive Income.

**(d) Disposition of asset acquired**

On August 1, 2017, the Company sold all the issued and outstanding shares of one of the acquired KGIC subsidiaries for consideration of \$303,007, consisting of \$250,000 in cash and a \$53,007 promissory note receivable due in monthly instalments. As the purchase price allocation associated with the larger transaction was not yet finalized, the resulting gain or loss was not recognized on sale or for the year ended August 31, 2017. During the year ended August 31, 2018 coinciding with the finalization of the purchase price allocation, the Company recorded a gain on sale of \$109,362 representing the excess of the consideration over the fair value of this group of assets. The assets, including goodwill of \$138,345 were disposed.

The non-interest-bearing promissory note matured on August 1, 2018. Transaction costs of \$22,437 were incurred in conjunction with the sale. This entity was not determined to be a significant line of business and thus has not been presented as a discontinued operation.

**NOTE 6 – ACQUISITION OF GEC PROJECT 4**

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**(a) Purchase of controlling interest in GEC LP 4, achieved in stages**

In November 2015, a limited partnership of which the Company did not control but was a limited partner purchased an operating hotel in downtown Vancouver including a franchised restaurant. Management had determined that the Company and certain of its subsidiaries had significant influence over this limited partnership, known as GEC LP 4, including 20% voting rights and power to participate in the financial and operating policy decisions. The Company accounted for its investment in GEC LP 4 using the equity method (Note 9). On March 1, 2018, the Company increased its investment to 30% on the purchase of units from another limited partner (Note 9(d)).

In January 2018, GECH entered into a Purchase and Sale Agreement with the majority owner of GEC LP 4 to acquire that partner's 70% equity interest for \$14,250,000. The transaction closed on March 15, 2018 and on that date an entity controlled by the Company held 100% of the units of GEC LP 4, which resulted in the Company having control of GEC LP 4. The Company concluded that the acquisition of the additional units in GEC LP 4 was a business combination achieved in stages and accordingly the transaction was accounted for as a business combination.

As the Company had a previous equity interest in GEC LP 4, the transaction is considered a step acquisition which requires the acquirer to remeasure its previously held equity interest in GEC LP 4 at its acquisition-date fair value and recognize the resulting gain or loss, if any, in net income or loss. The acquisition date fair value was based on the implied value using the amount paid for the 70% equity interest.

The gain on re-measurement of the previous equity interest was calculated as \$4,702,703, representing the acquisition-date fair value of the 30% interest of \$6,107,143 less the carrying value of \$1,404,440 of the 30% equity interest (Note 9(d)), and this gain is recorded in Gain (loss) on disposal of assets in the Consolidated Statement of Comprehensive Income for the year ended August 31, 2018.

**(i) Consideration Transferred**

The following table summarizes the acquisition-date fair value of each major class of consideration transferred.

Cash paid for 70% equity interest	\$	14,250,000
Fair value of previously held interest		6,107,143
Interest-bearing debt assumed		22,385,394
Promissory note owing to related party assumed		12,301,236
Funds in the settlement on pre-existing relationships		1,956,227
Fair value of purchase consideration	\$	57,000,000

*Interest-bearing debt assumed*

The Company assumed the debt held by GEC LP 4 at acquisition date which was a third-party secured loan with a principal balance of \$22,500,000 and accrued interest and financing fees (Note 17).

*Settlement of transactions under a pre-existing relationship*

The acquiring party became responsible for certain intercompany balances due from various entities in the consolidated group, and this have been assessed to be pre-existing relationships which already existed before the acquisition date. In addition, a promissory note payable to a related company of \$12,301,236 was paid on the purchasers' behalf before the transaction and represents the settlement of a pre-existing relationship. These amounts have been recorded as their fair values.

**NOTE 6 – ACQUISITION OF GEC PROJECT 4 (Cont’d)**

**(a) Purchase of controlling interest in GEC LP 4, achieved in stages (cont’d)**

**(ii) Identifiable assets acquired and liabilities assumed**

The following table summarizes the preliminary estimated fair values of identifiable assets acquired and liabilities assumed and the resulting in goodwill on the transaction:

Fair value of purchase consideration	\$	57,000,000
Less: Total identifiable net assets acquired		
Property and equipment	\$	57,143,943
Cash <sup>(1)</sup>		208,762
Accounts receivable		295,521
Prepaid expenses and deposits		154,494
Accounts payable and accrued liabilities		(802,720)
Deferred income tax liability		(300,000)
<b>Total identifiable net assets acquired</b>	<b>\$</b>	<b>56,700,000</b>
<b>Goodwill</b>	<b>\$</b>	<b>300,000</b>

<sup>(1)</sup> Net cash paid on business combination of \$13,833,238 comprise of net purchase price of \$13,842,000 outflow net of cash acquired and \$208,000 paid.

The Company determined the fair value of the acquired identifiable property and equipment through observable transactional values with unrelated arm’s length counterparties. The fair value of the property and equipment was determined based on the transaction price. The carrying value of the net working capital approximates its fair value. Approximately 6% of accounts receivable amounts may become uncollectible. The Company’s purchase price allocation is preliminary pending obtaining additional information regarding estimates of fair values and costs made at the date of purchase. The adjustments to finalize the purchase price allocation which may be made during the measurement period could be significant and impact future impairment tests. There was no contingent consideration.

The primary reason of the business combination was to take control of the project, which is a part of the Company’s student housing business and realize gains on the appreciation of the value since purchase. Furthermore, the previous existing majority limited partner was interested in disposing of its interest in the building and the agreed upon consideration paid for those units. The Company expects that having control over the business of the partnership allows them to better direct operations with goal of increasing net earnings and as such a was premium paid,

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the data acquisition, then the accounting for the acquisition will be revised.

**(b) Purchase of property and equipment by GEC LP 8 from GEC LP 4**

In October 2017, in anticipation of a transaction with GEC LP 4, a new limited partnership (“GEC LP 8”) was formed and a subsidiary of the Company became the general partner. On March 15, 2018, concurrently with the purchase of the units described in (a) above, GEC LP 4 sold the shares in the bare trustee, which holds legal title to the land and building of GEC LP 4 to GEC LP 8. As both GEC LP 4 and GEC LP 8 were controlled by the Company on the transaction date, the sale to GEC LP 8 is considered a intercompany transaction. A deferred tax liability of \$300,000 and current taxes payable was recognized associated with this transaction at August 31, 2018.

**NOTE 6 – ACQUISITION OF GEC PROJECT 4 (Cont’d)**

**(b) Purchase of property and equipment by GEC LP 8 from GEC LP 4**

As the Company held an equity interest in GEC LP 4 before the transactions, the property previously held by GEC LP 4 was not consolidated in the Consolidated Statements of Financial Position and under equity accounting, the Company share of the net income (loss) were included as loss on equity investees and was not included in the operations of the Company. Commencing March 15, 2018, the property and the continuing operations are consolidated and for the period to August 31, 2018, rental revenues of \$4,512,549 were earned, offset by direct costs of \$1,460,121 and indirect costs of \$2,376,552 resulting in net rental income of \$675,876 for the period from March 15, 2018 to August 31, 2018. If the business combination had occurred at the beginning of the year, revenues for combined entity for the year ended August 31, 2018 would have been approximately \$7.3 million with a loss after direct and indirect costs of approximately \$600,000.

**(c) Acquisition-related costs**

Acquisition related costs of \$85,079 were expensed in the year ended August 31, 2018 as Business Acquisition Costs on the Consolidated Statements of Comprehensive Income.

**NOTE 7 – INVESTMENT PROPERTIES**

**(a) Reconciliation of carrying amount**

The following table is a reconciliation of investment properties balances, including both revenue-producing properties and properties under development, that are owned by the real estate limited partnerships which the Company controls. These limited partnerships include GEC in their respective names that is a registered trademark of the Company. GEC is used throughout this document in limited partnership names and project references. On initial recognition investment properties were recorded at their purchase price and any directly attributable expenditures. The Company selected the fair value model to apply to its investment properties.

	August 31, 2018	August 31, 2017
Balance, beginning of year	\$ 101,010,000	\$ 49,900,000
Acquisitions	55,438,931	35,661,184
Dispositions	(61,100,000)	-
Capital additions	44,990	126,820
Development costs	3,648,177	3,303,076
Capitalized borrowing costs	2,130,559	1,548,598
Fair value gains (losses), net	43,497,343	10,470,322
<b>Balance, end of year</b>	<b>\$ 144,670,000</b>	<b>\$ 101,010,000</b>

The carrying value of investment properties using the fair value model (Note 29 (E)) are presented at fair value as follows:

		August 31, 2018	August 31, 2017
<b>Revenue producing properties</b>	<b>Closing date</b>	<b>\$ 95,500,000</b>	<b>\$ 78,010,000</b>
GEC Property 2 <sup>(1)</sup>	August 2018	76,000,000	-
GEC Property 3 <sup>(2)</sup>	January 2015	-	54,110,000
GEC Property 5 <sup>(3)</sup>	October 2016	19,500,000	23,900,000
<b>Properties under development</b>	<b>Closing date</b>	<b>\$ 49,170,000</b>	<b>\$ 23,000,000</b>
GEC Property 1 – land <sup>(4)</sup>	October 2017	21,400,000	-
GEC Property 6 – land <sup>(5)</sup>	September 2016	27,770,000	23,000,000

**NOTE 7 – INVESTMENT PROPERTIES (cont'd)**

**(a) Reconciliation of carrying amount**

- (1) Serviced apartment in Vancouver originally purchased for \$42,500,000 excluding furniture, fixtures and equipment (“FFE”). This asset acquisition was the result of a May 2014 agreement for the purchase of a completed apartment building which closed in August 2018. Refundable deposits of \$8,500,000 paid to the developer at August 31, 2017 under the purchase agreement were applied to the purchase price. In addition, \$1,030,145 of interest was earned on the refundable deposits and applied to the purchase price.
- (2) Serviced apartment in downtown Vancouver originally purchased for \$29,219,000 excluding FFE. In August 2018, this investment property was disposed of and leased back for a term of 5 years (see below). During the year ended August 31, 2018, \$213,744 of borrowing costs on qualifying assets were capitalized (2017 - \$843,156).
- (3) Serviced apartments and commercial units in North Burnaby, B.C. originally purchased for \$18,260,500 excluding FFE. The commercial units which were previously classified as held for sale were disposed of in August 2018 (see below).
- (4) In October 2017, CIBT Holdings entered into an amendment to the February 2016 share purchase agreement with the developer resulting in the take-over of GEC Project 1 from the Developer. Refundable deposits of \$4,300,000 paid to the developer at August 31, 2017 were applied to the purchase price. Land purchased at a cost of \$12,938,931 including transaction costs. During the year ended August 31, 2018, \$962,043 of borrowing costs on the qualifying asset were capitalized (2017 - \$nil).
- (5) Five parcels of land located in Metro Vancouver purchased for \$17,400,684 with an option to purchase a sixth adjacent parcel from another owner upon development permit approval. During the year ended August 31, 2018, \$954,772 of borrowing costs on the qualifying asset were capitalized (2017 - \$705,442).

**(b) Fair value gains**

The Company has chosen to apply the fair value model and as such is required to measure all of its investment property at fair value, with any gain or loss arising from a change in the fair value of investment property required to be recognised in net income (loss) in the period of change. Therefore, when the property is sold, the carrying amount of the investment property includes fair value gains recognized in previous periods and as such in the period of sale only gains or losses above that carrying amount are realized in that period. In addition to obtaining independent appraisals on an annual basis, management also determines the fair value of investment property on a quarterly basis and as such when the property is sold adjustments to fair value are generally not significant (Note 7(e)).

The following is a summary of gains (losses) arising from changes in the fair values of investment properties during the years ended August 31, 2018 and 2017. Changes in fair values are recognized as gains (losses) included in other income. All gains are unrealized until such time as the property is sold.

	Year Ended August 31, 2018	Year Ended August 31, 2017
GEC Property 1	\$ 6,037,057	\$ -
GEC Property 2 <sup>(1)</sup>	33,204,502	-
GEC Property 3 <sup>(2)</sup>	(251,131)	333,748
GEC Property 5	1,113,279	5,498,614
GEC Property 6	3,393,636	4,537,960
	<u>\$ 43,497,343</u>	<u>\$ 10,470,322</u>

- (1) See footnote 1 of preceding table. The substantial gain results from a significant increase in market value from the originally negotiated purchase price that occurred in May 2014.
- (2) For the year ended August 31, 2018, fair value loss equal to the excess of the carrying value of the investment property over purchase price. See (c) Disposition of GEC Project 3 below.

**NOTE 7 – INVESTMENT PROPERTIES (cont'd)**

**(c) Disposition of GEC Project 3**

In May 2018, GEC LP 3 entered into a definitive purchase and sale agreement for the sale of the land and building, excluding FFE, via the sale of the issued and outstanding shares of the bare trustee holding legal title to the Property. This agreement was subject to certain conditions before closing. The sale transaction closed on August 13, 2018. GEC LP 3 recognized an accounting loss on disposition as follows:

Selling price	\$	55,500,000
Less: selling costs		(2,188,154)
Net proceeds	\$	53,311,846
Assets sold and derecognized: investment property	\$	55,500,000
Loss on disposition, included in gain (loss) on disposition of assets	\$	(2,188,154)

The following table presents the continuity of the changes in GEC Property 3 since acquisition:

Purchase of property	\$	29,219,000
Capital additions		93,143
Development costs		5,626,894
Capitalized borrowing costs		3,084,025
Fair value gain – realized		17,476,938
	\$	55,500,000

***Lease Back***

On August 13, 2018, in conjunction with the sale of the GEC Project 3 investment property, the wholly owned subsidiary of the Company, as Tenant, entered into a land and building sublease with the Purchaser, as landlord. Base rent of \$1,824,000 per annum is payable in monthly instalments with total future minimum lease payments over the term approximating \$9,620,000 (Note 25).

**(d) Disposition of GEC Project 5 commercial units previously classified as held for sale assets**

In December 2017, GEC LP 5 entered into an agreement for the sale of the commercial units of this property which closed on August 31, 2018. At February 28, 2018, the commercial units were considered to be held for sale and the fair value was determined to be \$5,600,000, which Management believed was the best estimate of the fair value based on the expected net sales proceeds exchanged in an orderly transaction under market conditions at the time and were presented as Assets held for sale on the Condensed Consolidated Interim Statements of Financial Position for the period. The carrying value of GEC Project 5 at August 31, 2018 reflects the fair value of the residential units only. The Company incurred selling costs of \$222,920 which were presented in Gain (loss) on disposal of assets on the Consolidated Statement of Comprehensive Income in the year ended August 31, 2018. The sale of these assets does not meet the discontinued operations criteria.

An amount of \$5,415,177 is included in other receivables as the proceeds from the sale were not received until September 4, 2018 (Note 10). These proceeds were used as partial payment of secured loans held by GEC LP 5 (Note 17).

**NOTE 7 – INVESTMENT PROPERTIES (cont'd)**

**(e) Measurement of fair values**

*i. Fair value hierarchy*

The investment properties are valued annually dependent on the highest and best use for the specific property, which does not differ from their actual use. The fair value of each investment property was determined by external independent qualified appraisers with recent experience in the location and category of the investment property being valued. At the end of each period, the Company records its investment properties taking into consideration such valuations and other market conditions.

The valuation of investment properties is a level 3 fair value measurement as it involves a significant unobservable input and fluctuations in the inputs could significantly alter the fair value. There were no changes to the valuation techniques of level 3 fair value measurements in the year ended August 31, 2018 from the prior reporting period.

*ii. Valuation technique and significant unobservable inputs*

The following table shows the valuation technique used in measuring the fair value of investment properties as well as the significant unobservable inputs used.

Valuation Technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement
<p><b>Income approach:</b>                      The valuation method is based on forecasted stabilized net operating income (“NOI”)<sup>(1)</sup> divided by an overall capitalization rate based on current market expectations. Valuation method used for revenue producing properties.</p>	<ul style="list-style-type: none"> <li>Estimated total annual gross annual income and operating expenses where buildings are recently acquired.</li> <li>Capitalization rate, selection of method and rate</li> </ul>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>Stabilized NOI was higher (lower)</li> <li>Overall capitalization rates were lower (higher)<sup>(2)</sup></li> </ul> <p>Small incremental increases or decreases in these two unobservable inputs can have significant impact on fair value.</p>
<p><b>Direct comparison approach:</b>                      The valuation method is based on comparison to recent sales of properties of similar types, location and quality. Valuation method used for properties under development.</p>	<ul style="list-style-type: none"> <li>Price per buildable square feet.</li> </ul>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>The buildable square feet price based on comparable market rates increased (decreased)</li> </ul>

<sup>(1)</sup> NOI is calculated as a one-year income forecast based on rental income from current leases and key assumptions about rental income, vacancies and among other factors, less property operating costs.

<sup>(2)</sup> When the capitalization rate is applied to NOI there is a significant impact whereby the lower the capitalization rate, the larger the impact on the fair value.

**NOTE 7 – INVESTMENT PROPERTIES (cont'd)**

**(e) Measurement of fair values (cont'd)**

*ii. Valuation technique and significant unobservable inputs (cont'd)*

The following table summarizes the sensitivity impact of changes in both capitalization rates and NOI on the Company's fair value of its revenue producing investment properties as at August 31, 2018.

Net Operating Income		-1.00%	-0.50%	As Forecasted	+0.50%	+1.00%
		3,403,231	3,420,419	3,437,607 <sup>(1)</sup>	3,454,795	3,471,983
Capitalization Rate						
-0.25%	3.32%	6,219,277	6,737,142	7,255,007	7,772,872	8,290,737
Capitalization Rate as Reported	3.57%	(963,180)	(481,590)	-	481,590	963,180
+0.25%	3.82%	(7,205,283)	(6,755,219)	(6,305,154)	(5,855,090)	(5,405,026)

<sup>(1)</sup> Reflects adjustment to NOI for rollback associated with lease up period for GEC Project 2 purchased in August 2018.

Properties under development

Fair value of vacant land has been measured under the direct comparison approach at the proposed gross buildable area expected to be developed multiplied by the price per buildable sq. ft., which is based on an assessment of comparable properties. This approach also considers the floor space ratio of planned building, development time frame and planning status. For the two properties under development at August 31, 2018, an increase/decrease in the price per buildable sq. ft. of 2.0% would increase/decrease the fair value measurement by \$983,400 and a 4% increase/decrease would increase/decrease the fair value measurement by \$1,966,800.

**NOTE 8 – REAL ESTATE DEVELOPMENTS – OTHER ASSETS**

	August 31, 2018	August 31, 2017
Refundable deposits <sup>(1)</sup>	\$ 52,500,000	\$ 13,300,000
Deferred Costs <sup>(2)</sup>	935,953	1,854,124
	<u>\$ 53,435,953</u>	<u>\$ 15,154,124</u>

<sup>(1)</sup> At August 31, 2018, represents \$50,000,000 associated with GEC Project 9 and \$2,500,000 with GEC Project 7. At August 31, 2017, represents refundable deposits including: \$4,300,000 for GEC Project 1, \$8,500,000 for GEC Project 2 and \$500,000 for GEC Project 7. Refundable deposits are applied to the purchase price of an investment property in the period of purchase closing.

<sup>(2)</sup> Deferred costs are mainly associated with costs incurred on properties under development which are transferred to the investment property carrying value on purchase.

	Year Ended August 31, 2018	Year Ended August 31, 2017
Development fee revenues <sup>(1)</sup>	<u>\$ 12,805,410</u>	<u>\$ 5,372,144</u>

<sup>(1)</sup> For year ended August 31, 2018, fees associated with GEC Project 7, 8 and 9 and for year ended August 31, 2017, GEC Project 5, 6 and 7. These development fee revenues are paid by investors in third-party real estate limited partnerships which the Company does not control.

**NOTE 8 – REAL ESTATE DEVELOPMENTS – OTHER ASSETS (cont’d)**

**GEC Project 7**

In May 2017, the Company executed a Purchase and Development Agreement with the WestStone Group (“WestStone”), to construct GEC Project 7. The agreement specifies the purchase price will be WestStone’s costs plus a development fee subject to a maximum price and will be paid in a series of refundable deposits over the term of the project (see above). See Note 25 for commitments associated with this Project.

**GEC Project 9**

In February 2018, GEC LP 9 entered into a definitive Purchase and Development Agreement (“Project 9 PDA”) with a Vancouver developer, whereby the developer will construct a complex of which the GECH development portion will consist of one office tower and two residential towers, and GEC LP 9 will purchase the GECH development portion from the developer. GEC LP 9 is required to pay deposits totaling \$65,000,000 at dates ranging to December 15, 2018, and as at August 31, 2018, \$50,000,000 of these deposits were paid with an additional \$5,000,000 paid in September 2018. Additional deposits will be funded from subscriptions from qualified investors in GEC LP 9. See Note 25 for commitments associated with this Project.

**NOTE 9 – INTERESTS IN OTHER ENTITIES**

**(a) Transactions with non-controlling interests**

The Company directly and indirectly holds 100% of GEC Master 1 Limited Partnership (“Master 1”) and GEC Master 2 Limited Partnership (“Master 2”) which in turn own limited partnership units in the real estate projects controlled by the Company. The following table summarizes the non-controlling interests and the Company’s ownership of the individual limited partnerships which hold the real estate projects. Non-controlling interests subscribe to units in the limited partnerships which hold the real estate projects. The Company earns development fee revenues associated with these subscriptions and reinvests these monies via the purchase of limited partnership units in the same proportion as the non-controlling interests. This results in the percentage of ownership of the Company and the non-controlling interest remaining consistent with the exception of the equity events.

Real Estate Projects	Formed	Non-controlling interest %		Company’s Ownership %	
		August 31, 2018	August 31, 2017	August 31, 2018	August 31, 2017
GEC Limited Partnership 1	March 2016	76.97%	76.97%	23.03%	23.03%
GEC Limited Partnership 2 <sup>(1)</sup>	May 2014	61.50%	57.19%	38.50%	42.81%
GEC Limited Partnership 3 <sup>(2)</sup>	December 2014	80.00%	80.00%	20.00%	20.00%
GEC Limited Partnership 4 <sup>(3)</sup>	November 2015	0.00%	80.00%	100.00%	20.00%
GEC Limited Partnership 5	November 2015	75.00%	75.00%	25.00%	25.00%
GEC Limited Partnership 6 <sup>(4)</sup>	August 2016	72.94%	72.94%	27.06%	27.06%
GEC Limited Partnership 7 <sup>(5)</sup>	August 2016	79.01%	80.00%	20.99%	20.00%
GEC Limited Partnership 8 <sup>(6)</sup>	October 2017	53.33%	0.00%	46.67%	0.00%
GEC Limited Partnership 9 <sup>(7)</sup>	February 2018	80.00%	0.00%	20.00%	0.00%

<sup>(1)</sup> In conjunction with the purchase of the investment property during the year ended August 31, 2018, final limited partnership subscriptions from non-controlling interests of \$1,315,000 were received (2017 - \$500,000).

<sup>(2)</sup> The investment property previously held by this limited partnership was disposed of in August 2018 (Note 7(c)). The rights of the 60% limited partner were determined to be protective and not substantive from initial purchase.

<sup>(3)</sup> On the closing of the March 15, 2018 transaction, Master 2 owns 100% of units (Note 6).

<sup>(4)</sup> Cash flow from subscriptions from non-controlling qualified investors for limited partnership units for the year ended August 31, 2018 were \$Nil (August 31, 2017 - \$7,220,525).

<sup>(5)</sup> Cash flow from subscriptions from non-controlling qualified investors for limited partnership units for the year ended August 31, 2018 were \$5,500,344 (2017 - \$4,409,525).

**NOTE 9 – INTERESTS IN OTHER ENTITIES (cont'd)**

**(a) Transactions with non-controlling interests (cont'd)**

- <sup>(6)</sup> Cash flow from subscriptions from non-controlling qualified investors for limited partnership units for the year ended August 31, 2018 were \$9,600,000 (2017 - \$nil).
- <sup>(7)</sup> Cash flow from subscriptions from non-controlling qualified investors for limited partnership units for the year ended August 31, 2018 were \$35,309,628 (2017 - \$nil).

The following continuity reflects the movement in the equity attributable to non-controlling interests in the Company. Additional information about each subsidiary which has a non-controlling interest is presented in Note 30 – *Segmented Information*:

	CIBT China <sup>(1)</sup>	IRIX <sup>(2)</sup>	GECH <sup>(3)</sup>	Total
August 31, 2016	\$ 62,060	\$ (226,118)	\$ 31,039,589	\$ 30,875,531
Net contributions	-	-	10,630,050	10,630,050
Net withdrawals	-	-	(120,000)	(120,000)
Allocation of income (loss)	(15,615)	42,159	5,870,394	5,896,938
Unrealized translation adjustments	(1,556)	-	-	(1,556)
August 31, 2017	44,889	(183,959)	47,420,033	47,280,963
Net contributions	-	-	51,724,972	51,724,972
Ownership changes <sup>(4)</sup>	-	-	(88,480)	(88,480)
Net withdrawals	-	-	(2,135,835)	(2,135,835)
Allocation of income (loss)	(9,167)	16,879	25,421,197	25,428,909
Unrealized translation adjustments	433	-	-	433
August 31, 2018	\$ 36,155	\$ (167,080)	\$ 122,341,887	\$ 122,210,962

<sup>(1)</sup> Not a significant subsidiary. NCI percentage is 40%.

<sup>(2)</sup> NCI percentage is 49%.

<sup>(3)</sup> NCI percentages included in preceding table.

<sup>(4)</sup> Change in ownership as Company purchased units from a non-controlling interest in GEC LP 7 for consideration of \$240,000, with the excess of \$151,520 over carrying value recognized as an equity transaction and recorded in reserves in the Consolidated Statements of Changes in Equity.

<sup>(5)</sup> For the year ended August 31, 2018, cash provided from non-controlling interests was \$49,349,137 which is net contributions less net withdrawals less consideration paid in footnote <sup>(4)</sup>. For the year ended August 31, 2017, cash provided was \$10,510,050 which is net contributions less with net withdrawals.

**(b) Control of Real Estate Projects**

The Company and certain of its subsidiaries entered into several agreements and organizational transactions in connection with the development of the Company's student housing arm. In particular, the Company is developing a network of student centric serviced apartments for rental primarily to domestic and foreign students studying in Metro Vancouver and to provide various services to the students and their families.

The Projects are held in limited partnerships with various agreements governing the limited partnership, including the number of units to be issued and the funding contributions. Each limited partnership has a general partner, and in all but one of these cases up to March 15, 2018, all general partners are wholly-owned subsidiaries of the Company. Control exists when a company has power over the investee, has exposure or rights to variable returns from its involvement, and has the ability to use its power to affect the amount of investors' returns. Where control has been assessed, the general partner or its affiliates has been assessed to have complete responsibility for the conduct of all the business activities of the limited partnership. The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control over those policies.

**NOTE 9 – INTERESTS IN OTHER ENTITIES (cont'd)**

**(b) Control of Real Estate Projects (cont'd)**

Although Master 1 and Master 2 owns less than half of the limited partnership units and thus less than half of their voting power, management has determined that the Company and certain of its subsidiaries control these entities and accordingly, have consolidated the results of each limited partnership for the period subsequent to formation. One of the key factors in this determination is that the Company, through a management limited partnership, has the ability to direct the business of the partnership.

Rights under certain of the limited partnership agreements, including but not limited to the following instances, have been determined to be protective and not substantive and did not preclude the Company having control: (a) rights held by a widely dispersed group of limited partners who own the majority of the partnership units; (b) rights that require a majority of the units to be voted to remove the general partner; and (c) voting rights held by a small number of third-party investors that have no involvement in the business of the partnership.

**(c) Joint Operations**

CIBT and Weifang University established CIBT Beihai International Management School (“Beihai”), which is a Chinese-foreign cooperatively-run school whose principal place of business is China, of which the Company has a 60% interest in the joint arrangement. As a result of a change in the board composition of Beihai on March 1, 2016 and the resulting voting rights being equal between the joint parties, the Company lost sole control of Beihai. The results of Beihai for the period to February 29, 2016 are included in the consolidated results of the Company, and thereafter, the Company has recognized its proportionate share of assets, liabilities, revenues, and expenses of this business using the proportion consolidation method. Beihai results are included within the CIBT China reporting segment.

**(d) Investment in Associates**

On March 1, 2018, an entity controlled by the Company which had an interest in GEC LP 4 (which it accounted for using equity accounting as it held significant influence over the operations of GEC LP 4) purchased an additional 10% of GEC LP 4. In a separate transaction on March 15, 2018 (Note 6(a)), an entity controlled by the Company purchased the remaining units of GEC LP 4 resulting in 100% ownership at which time management determined GEC LP 4 was controlled by the Company.

At August 31, 2018, the Company no longer has any investments in associates. The following table shows the continuity of the change in the Company’s carrying value of its investments in associates. As described in Note 6, certain values are preliminary pending obtaining additional information regarding estimates of fair values during the measurement period.

	GEC LP 4
Carrying value – September 1, 2017	\$ 1,016,361
Purchase of additional 10% interest	627,000
Share of net income (loss) in investee	(199,403)
Carrying value at March 1, 2018	1,443,958
Share of net income (loss) in investee	(39,518)
Adjustment on acquisition of control	(1,404,440)
Carrying value – August 31, 2018	\$ -
Carrying value – September 1, 2016	\$ 1,453,445
Share of net income (loss) in investee	(437,084)
Carrying value – August 31, 2017	\$ 1,016,361

**NOTE 9 – INTERESTS IN OTHER ENTITIES (cont'd)**

**(d) Investment in Associates (cont'd)**

The following table summarizes the financial information of GEC LP 4 as included in its own financial statements adjusted for differences in accounting policies. The 2017 information includes results for the full year. The 2018 information includes the results of GEC LP 4 only for the period from September 1, 2017 to March 14, 2018 because GEC LP 4 became a subsidiary on March 15, 2018.

	August 31, 2018	August 31, 2017
Current assets	\$ -	\$ 941,760
Non-current assets	-	37,867,453
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 38,809,213</b>
Current liabilities	\$ -	\$ 896,817
Non-current liabilities	-	35,830,590
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 36,727,407</b>
<b>Net assets (100%)</b>	<b>\$ -</b>	<b>\$ 2,081,806</b>

	Year Ended August 31, 2018 <sup>(1)</sup>	Year Ended August 31, 2017
Revenues	\$ 1,517,693	\$ 2,680,723
Loss from operations	\$ 1,128,745	\$ 2,185,420
Other comprehensive income	-	-
<b>Total comprehensive loss</b>	<b>\$ 1,128,745</b>	<b>\$ 2,185,420</b>
<b>Company's share of total comprehensive loss</b>	<b>\$ 238,921</b>	<b>\$ 437,084</b>

<sup>(1)</sup> For the year ended August 31, 2018, includes revenues and comprehensive income up to and including March 14, 2018.

**NOTE 10 – TRADE AND OTHER RECEIVABLES**

	August 31, 2018	August 31, 2017
Trade receivables <sup>(1)</sup>	\$ 13,763,387	\$ 10,074,276
Less: allowance for bad debts	(1,448,856)	(803,072)
Net trade receivables	\$ 12,314,531	\$ 9,271,204
Due from related parties (Note 26)	204,126	2,776,320
Proceeds receivable on disposal (Note 7(d))	5,415,177	-
Other receivables	597,985	-
	<b>\$ 18,531,819</b>	<b>\$ 12,047,524</b>
Current	18,327,693	9,271,204
Non-current	204,126	2,776,320
	<b>\$ 18,531,819</b>	<b>\$ 12,047,524</b>

<sup>(1)</sup> Includes receivables for real estate tenants (Note 7).

**NOTE 10 – TRADE AND OTHER RECEIVABLES (cont'd)**

<b>Movement in the allowance for doubtful accounts</b>	<u>August 31, 2018</u>		<u>August 31, 2017</u>	
Beginning balance	\$	803,072	\$	405,733
Additional provision		844,888		564,324
Amounts written off during the year as uncollectible		(184,404)		(146,845)
Amounts recovered during the year		(14,700)		(20,140)
Ending balance	\$	1,448,856	\$	803,072

**NOTE 11 – PROMISSORY NOTE RECEIVABLE**

In July 2016, in conjunction with the completion of one of its investment properties a limited partnership under the control of the Company issued a \$1,000,000 promissory note receivable at 5% interest per annum to the developer. The principal amount was repaid in October 2016 on the purchase of the property; however, additional monies were advanced to the developer to complete certain deficiencies. A new promissory note was issued to cover the previous costs plus interest and legal costs. During the year ended August 31, 2018, the Company incurred additional costs on behalf of the developer and received agreed payments throughout the fiscal year. Interest was waived for the year ended August 31, 2018 and was not accrued and did not increase the amount due under the promissory note. Subsequent to August 31, 2018, the parties entered into a debt acknowledgment and repayment plan agreement (Note 28). The promissory note is secured by personal guarantees of the Directors of the developer.

	<u>August 31, 2018</u>		<u>August 31, 2017</u>	
Beginning balance	\$	930,149	\$	1,004,795
Advances		250,000		819,034
Payments		(275,000)		(1,000,000)
Other		(42,403)		106,320
Ending balance	\$	862,746	\$	930,149

**NOTE 12 – PROPERTY AND EQUIPMENT**

**(a) Reconciliation of carrying amounts**

	Land & Buildings	Furniture & equipment	Leaseholds	Equipment Lease <sup>(1)</sup>	Total
<b>Cost</b>					
At September 1, 2016	\$ -	\$ 4,751,591	\$ 3,585,534	\$ 1,066,184	\$ 9,403,309
Additions	-	1,008,026	842,215	623,713	2,473,954
Acquired in business combination	-	402,245	421,160	-	823,405
Disposals	-	(32,644)	(282,545)	(510,508)	(825,697)
Foreign exchange adjustments	-	(11,602)	(915)	-	(12,517)
August 31, 2017	-	6,117,616	4,565,449	1,179,389	11,862,454
Additions	-	1,604,249	934,182	140,465	2,678,896
Acquired in business combination	56,879,210	264,733	-	-	57,143,943
Disposals	-	(357,848)	(1,412,083)	(138,730)	(1,908,661)
Foreign exchange adjustments	-	1,471	129	-	1,600
At August 31, 2018	\$ 56,879,210	\$ 7,630,221	\$ 4,087,677	\$ 1,181,124	\$ 69,778,232
<b>Accumulated Depreciation</b>					
At September 1, 2017	\$ -	\$ (3,649,487)	\$ (3,093,030)	\$ (557,645)	\$ (7,300,162)
Depreciation for the year	-	(455,778)	(368,995)	(201,865)	(1,026,638)
Disposals	-	32,504	277,174	285,904	595,582
Foreign exchange adjustments	-	10,148	915	-	11,063
August 31, 2017	-	(4,062,613)	(3,183,936)	(473,606)	(7,720,155)
Depreciation for the year	(135,959)	(726,737)	(588,559)	(173,416)	(1,624,671)
Disposals	-	357,846	1,410,057	75,955	1,843,858
Foreign exchange adjustments	-	389	(129)	-	260
August 31, 2018	\$ (135,959)	\$ (4,431,115)	\$ (2,362,567)	\$ (571,067)	\$ (7,500,708)
<b>Net carrying amounts</b>					
At August 31, 2017	\$ -	\$ 2,055,003	\$ 1,381,513	\$ 705,783	\$ 4,142,299
At August 31, 2018	\$ 56,743,251	\$ 3,199,106	\$ 1,725,110	\$ 610,057	\$ 62,277,524

<sup>(1)</sup> The Company leases equipment under a number of finance leases. Leased equipment secures lease obligations (Note 17).

<sup>(2)</sup> During the year ended August 31, 2018, a loss of \$7,832 was recognized on disposal of assets that is included in Gain (loss) on disposal of assets on the Consolidated Statements of Comprehensive Income (2017 - \$144,133).

**(b) Acquisition of real estate property, designated as owner-occupied**

As described in Note 6(c), the Company acquired land and building which operates as one of the GEC<sup>®</sup> branded student housing facilities. The Company previously managed this operation under a management agreement with GEC LP 4 and continues to manage the operation now that it is held in GEC LP 8. The fair value assigned to the identifiable assets of \$57,143,943 was allocated \$42,935,000 to land and \$13,944,210 to building, based on the relative fair values based on property assessments and \$264,733 to furniture and equipment. Depreciation commenced on March 15, 2018. The Company mortgages and grants a security interest in the GEC Project 8 property to each of the lenders (Note 17).

This property, despite being used in the Company's student housing division, was been classified as owner-occupied property as this property, unlike any of the others, is zoned as a hotel and guidance suggests that at this type of property ancillary services are significant to the arrangement as a whole and thus do not meet the definition of investment property. Despite not being classified as an investment property, this property earns rental revenues.

**NOTE 13 – INTANGIBLE ASSETS**

Summary of intangible assets follows:

<b>Total intangible assets</b>	August 31, 2018		August 31, 2017	
Intangible assets with definite life	\$	2,471,089	\$	2,768,654
Intangible assets with indefinite life		6,986,354		7,646,458
<b>Total intangible assets</b>	<b>\$</b>	<b>9,457,443</b>	<b>\$</b>	<b>10,415,112</b>

<b>Intangible assets with definite life</b>	Foreign cooperative agreements				Agency fees	Total
<b>Cost</b>	Curriculum	Foreign cooperative agreements	Agency fees	Agency fees	Agency fees	Total
August 31, 2016	\$ 1,665,384	\$ 932,370	\$ 4,179,024	\$ 4,179,024	\$ 4,179,024	\$ 6,776,778
Additions	6,250	-	1,566,189	1,566,189	1,566,189	1,572,439
Acquired in business combination	414,930	-	-	-	-	414,930
Disposals	(26,486)	-	-	-	-	(26,486)
Foreign exchange adjustments	-	(15,835)	-	-	-	(15,835)
<b>August 31, 2017</b>	<b>2,060,078</b>	<b>916,535</b>	<b>5,745,213</b>	<b>5,745,213</b>	<b>5,745,213</b>	<b>8,721,826</b>
Additions	2,500	-	1,451,422	1,451,422	1,451,422	1,453,922
Foreign exchange adjustments	-	2,237	-	-	-	2,237
<b>August 31, 2018</b>	<b>\$ 2,062,578</b>	<b>\$ 918,772</b>	<b>\$ 7,196,635</b>	<b>\$ 7,196,635</b>	<b>\$ 7,196,635</b>	<b>\$ 10,177,985</b>
<b>Accumulated amortization</b>						
August 31, 2016	\$ (896,425)	\$ (724,155)	\$ (3,425,149)	\$ (3,425,149)	\$ (3,425,149)	\$ (5,045,774)
Amortization	(137,880)	(25,811)	(753,830)	(753,830)	(753,830)	(917,521)
Disposals	-	-	-	-	-	-
Foreign exchange adjustments	-	10,123	-	-	-	10,123
<b>August 31, 2017</b>	<b>(1,034,305)</b>	<b>(739,843)</b>	<b>(4,179,024)</b>	<b>(4,179,024)</b>	<b>(4,179,024)</b>	<b>(5,953,172)</b>
Amortization	(160,620)	(26,124)	(1,566,189)	(1,566,189)	(1,566,189)	(1,752,933)
Foreign exchange adjustments	-	(791)	-	-	-	(791)
<b>August 31, 2018</b>	<b>\$ (1,194,925)</b>	<b>\$ (766,758)</b>	<b>\$ (5,745,213)</b>	<b>\$ (5,745,213)</b>	<b>\$ (5,745,213)</b>	<b>\$ (7,706,896)</b>
<b>Net carrying amounts</b>						
At August 31, 2017	\$ 1,025,773	\$ 176,692	\$ 1,566,189	\$ 1,566,189	\$ 1,566,189	\$ 2,768,654
At August 31, 2018	\$ 867,653	\$ 152,014	\$ 1,451,422	\$ 1,451,422	\$ 1,451,422	\$ 2,471,089
Weighted average remaining useful life in years	6.42	4.58	0.50	0.50	0.50	2.83

**NOTE 13 – INTANGIBLE ASSETS (cont'd)**

<b>Intangible assets with indefinite life</b>	Accreditations & registrations	Brand-names & trade-names	Chinese university agreements	Total
<b>Cost</b>				
At August 31, 2016	\$ 2,401,331	\$ 3,588,739	\$ 460,993	\$ 6,451,393
Acquired in business combination	611,509	653,339	-	1,264,848
Disposals	(48,218)	(21,235)	-	(69,453)
At August 31, 2017	2,964,622	4,220,843	460,993	7,646,458
Impairment loss <sup>(1)</sup>	(28,000)	(632,104)	-	(660,104)
At August 31, 2018	\$ 2,936,622	\$ 3,588,739	\$ 460,993	\$ 6,986,354

<sup>(1)</sup> At August 31, 2018, the useful life of certain accreditations, brand-names and trade-names no longer supported the indefinite useful life assessment for those assets and that there was no recoverable value. A impairment loss of \$660,104 was recognized in the Consolidated Statement of Comprehensive Income for the year ended August 31, 2018. The impairment loss impact on reportable segments relates to the Company's education business, and mainly certain assets acquired as part of the KGIC Transaction (Note 30). The Company determined that these assets no longer held value as part of the integrated group.

**NOTE 14 – GOODWILL**

Goodwill consisted of the following:

	August 31, 2018	August 31, 2017
Beginning balance	\$ 10,056,253	\$ 5,646,265
Acquisitions through business combinations <sup>(1)</sup>	300,000	4,548,333
Disposals	-	(138,345)
Ending balance	\$ 10,356,253	\$ 10,056,253

<sup>(1)</sup> During the year ended August 31, 2018 associated with the GEC LP 4 business combination, goodwill of \$300,000 was determined to result. During the year ended August 31, 2017, a specifically during the measurement period for the KGIC Transaction, goodwill increased to \$4,548,333 from the previously disclosed amount of \$1,715,638 (Note 5).

**NOTE 15 – IMPAIRMENT TESTING OF INTANGIBLE ASSETS AND GOODWILL**

**(a) Reconciliation of carrying amount**

Annual impairment tests on indefinite life intangible assets and goodwill are based on cash-generating units (“CGUs”) or groups of CGUs as follows. The KGIC Transaction (Note 5) resulted in increases to intangible assets and goodwill. At August 31, 2017, due to the preliminary nature of the KGIC purchase price allocation, the allocation between intangible assets and goodwill was not finalized. Management performed a review of impairment indicators on the relevant cash-generating units; however, an impairment test was not carried out as at August 31, 2017 on the newly acquired balances resulting from the KGIC acquisition. The balances below include the final purchase price allocation which was determined in the measurement period associated with the KGIC Transaction in addition to previously existing balances.

	August 31, 2018	August 31, 2017
<b>Intangible Assets with Indefinite Life</b>		
Sprott Shaw College Corp. <sup>(1)</sup>	\$ 5,935,884	\$ 6,234,788
Sprott Shaw Language College (B.C.) Corp. <sup>(1)</sup>	164,129	512,308
Sprott Shaw Language College (Ontario) Corp.	169,520	296,299
CIBT Beihai International College	460,993	460,993
Vancouver International College	255,828	142,070
	<u>\$ 6,986,354</u>	<u>\$ 7,646,458</u>
<b>Goodwill</b>		
Sprott Shaw College Corp.	\$ 5,218,228	\$ 5,556,538
Sprott Shaw Language College (B.C.) Corp. <sup>(1)</sup>	2,340,781	2,340,781
Sprott Shaw Language College (Ontario) Corp.	915,972	915,972
Vancouver International College	1,581,272	1,242,962
GEC Master 1 Limited Partnership. <sup>(2)</sup>	300,000	-
	<u>\$ 10,356,253</u>	<u>\$ 10,056,253</u>

<sup>(1)</sup> Commencing September 1, 2017, a group of assets which were previously included in the SSCC CGU were transferred to SSLC (B.C.).

<sup>(2)</sup> During the year ended August 31, 2018, \$300,000 of goodwill was recognized associated with the business combination described in Note 6.

**(b) Impairment tests**

The recoverable amount of each CGU is calculated based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. As a result of the annual impairment test, the recoverable amount of each CGU was determined to be higher than its carrying amount, and accordingly there was no impairment to the value of indefinite life intangible assets and goodwill at August 31, 2018. There was no impairment loss for the year ended August 31, 2017. An impairment test was not carried out as at August 31, 2017 on the newly acquired balances resulting from the KGIC acquisition.

**NOTE 15 – IMPAIRMENT TESTING OF INTANGIBLE ASSETS AND GOODWILL (cont'd)**

**(b) Impairment tests (cont'd)**

The key assumptions used in the estimation of the recoverable amount were as follows. The values assigned to the key assumptions represent management's assessment of cash flow projections based on expectations of revenue growth, expense and margin changes for each cash-generating unit based on historical data from both external and internal sources. Cash flows were projected over a five-year period based on past experience and actual operating results.

	Discount rate <sup>(1)</sup>		Growth rate <sup>(2)</sup>	
	2018	2017	2018	2017
Sprott Shaw College Corp. <sup>(1)</sup>	25.5%	28.1%	1.5%	2.4%
Sprott Shaw Language College (B.C.) Corp. <sup>(1)</sup>	28.5%	-	17.5%	-
Sprott Shaw Language College (Ontario) Corp.	29.9%	-	19.9%	-
CIBT Beihai International College	31.9%	34.1%	1.6%	1.1%
Vancouver International College	27.7%	26.0%	(0.7)%	2.7%

<sup>(1)</sup> The discount rate was a pre-tax measure estimated based on market sources in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect the specific risks of each CGU. The discount rate represents the midpoint of the ranges of risks.

<sup>(2)</sup> Growth rate represents the five-year compound annual growth rate based on expected revenue growth taking into account past experience, estimated sales volume and price growth for the next year. This amount is used to budget the forecasted cash flows for the five years using a terminal value capitalization rate where forecasts were not available for 5 years. The terminal value capitalization rate used was 2.0%, which is consistent with the Bank of Canada's inflation target and a reasonable representation of expected growth.

Significant management judgement is necessary to evaluate the impact of operating and economic changes on the Company. Critical assumptions include projected operating and administrative expenses, change in capital expenditures, growth rates, as well as an appropriate discount rate. If future growth and results of the Company differ significantly from management's current best estimates with respect to the critical assumptions noted above, it is reasonably possible that this could have an adverse impact on the estimated recoverable amounts of the Company, including the amounts of allocated goodwill and indefinite life intangible assets, and result in an impairment charge.

**NOTE 16 – TRADE AND OTHER PAYABLES**

Trade payables and other consisted of the following, all of which were current:

	August 31, 2018		August 31, 2017	
Trade accounts payable and accrued liabilities (below)	\$	9,812,614	\$	6,451,858
Payables due to related parties (Note 26)		2,184,074		1,002,447
Promissory note payable		1,052,572		-
Other payables		3,547,306		-
		<u>16,596,566</u>		<u>7,454,305</u>
	\$	16,596,566	\$	7,454,305
		<u>16,596,566</u>		<u>7,454,305</u>
	August 31, 2018		August 31, 2017	
Trade accounts payable	\$	4,313,502	\$	3,386,574
Payroll and related liabilities		1,801,770		975,432
Tuition fees and grants payable		1,407,816		809,751
Tenant lease deposits and others		701,111		202,629
Tenant lease inducements		1,142,619		769,058
Mortgage interest		445,796		308,414
		<u>9,812,614</u>		<u>6,451,858</u>
	\$	9,812,614	\$	6,451,858
		<u>9,812,614</u>		<u>6,451,858</u>

**Promissory note payable**

During the year ended August 31, 2018, a promissory note payable for \$1,500,000 was executed bearing interest at 0.66% per annum and repayable on January 31, 2019. The remaining balance represents the original amount plus accrued interest less payments to date.

**Other Payables**

At August 31, 2018, certain subsidiaries of the Company owed amounts to certain third parties as the result of advances provided either: (a) from perspective third-party investors in certain real estate limited partnerships for the proposed sale of partnership units which represents a payable until the units are subscribed; or (b) from other parties associated with real estate limited partnerships agreements. There are no terms of repayment and balances do not attract interest, and these are expected to be repaid in the year ending August 31, 2019.

**NOTE 17 – BORROWINGS**

The carrying value of borrowings by entities controlled by the Company are as follows:

	August 31, 2018		August 31, 2017	
<b>Current liabilities</b>				
Current portion of secured loans	\$	26,233,861	\$	30,769,827
Current portion of convertible debentures		246,873		242,220
Credit facility		1,896,035		2,350,317
Current portion of finance lease liabilities		176,601		193,933
		<u>28,553,370</u>		<u>33,556,297</u>
	\$	28,553,370	\$	33,556,297
		<u>28,553,370</u>		<u>33,556,297</u>
<b>Non-current liabilities</b>				
Secured loans		85,893,921		24,527,946
Convertible debentures		678,901		934,987
Finance lease liabilities		478,414		584,579
		<u>87,051,236</u>		<u>26,047,512</u>
	\$	87,051,236	\$	26,047,512
		<u>87,051,236</u>		<u>26,047,512</u>
Total borrowings		<u>115,604,606</u>		<u>59,603,809</u>
	\$	115,604,606	\$	59,603,809
		<u>115,604,606</u>		<u>59,603,809</u>

**NOTE 17 – BORROWINGS (cont'd)**

The following table is a continuity of the activity of the secured loans:

	August 31, 2018	August 31, 2017
Balance, beginning of year	\$ 55,297,773	\$ 28,312,602
Advances <sup>(1)</sup>	76,806,598	26,976,681
Assumption of debt in business combination (Note 6)	22,500,000	-
Repayments <sup>(2)</sup>	(41,920,279)	(9,000)
Finance costs incurred	(1,596,075)	(734,977)
Accretion of finance costs	1,039,765	752,467
Total current and non-current secured loans	<u>\$ 112,127,782</u>	<u>55,297,773</u>
Accrued interest outstanding (Note 16)	<u>\$ 445,796</u>	<u>\$ 308,414</u>
Interest expense incurred	<u>\$ 4,575,049</u>	<u>\$ 1,873,779</u>
Weighted average interest rate charged	6.61%	6.33%

<sup>(1)</sup> See terms and repayment schedule for details.

<sup>(2)</sup> Repayments for GECH Project 3, 6 and 8 loans.

**Terms and repayment schedule**

The following table summarizes the terms of the borrowings.

	Original Principal	Funding Date	Maturity Date	Rate <sup>(1)</sup>	Min/Max
GEC Project 1 loan <sup>(2)</sup>	\$ 10,000,000	October 2017	January 2019	8.25%	-
GEC Project 2 loan <sup>(3)</sup>	\$ 35,000,000	August 2018	Sept 2020	3.90%	-
GEC Project 2 loan <sup>(4)</sup>	\$ 2,400,000	August 2018	Sept 2020	Prime + 6.55%	10.0%
GEC Project 3 loan <sup>(5)</sup>	\$ 10,000,000	June 2016	Repaid	Prime + 6.85%	9.5%
GEC Project 3 loan <sup>(5)</sup>	\$ 22,000,000	July 2016	Repaid	Prime + 1.50%	4.2%
GEC Project 5 loan <sup>(6)</sup>	\$ 12,000,000	October 2016	Nov 2018	Prime + 1.50%	4.2%
GEC Project 5 loan <sup>(7)</sup>	\$ 4,300,000	October 2016	February 2019	Prime + 7.30%	10.0%
GEC Project 6 loan <sup>(8)</sup>	\$ 9,500,000	Nov 2017	December 2018	9.80%	-
GEC Project 8 loan <sup>(9)</sup>	\$ 21,000,000	March 2018	Sept 2019	Prime + 2.00%	5.2%
GEC Project 8 loan <sup>(10)</sup>	\$ 19,000,000	March 2018	Dec 2019	Prime + 7.05%	10.2%
Convertible debentures <sup>(11)</sup>	\$ 1,267,800	May 2017	June 2022	4.00%	-
Credit facility <sup>(11)</sup>	\$ 2,500,000	March 2017	April 2022	Prime + 1.50%	-

Secured loans

All payments are interest only until maturity unless otherwise noted. The fair values of the secured loans are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. Full repayment of loans before maturity is permitted subject to specific criteria and satisfaction of minimum interest payment requirements. The loans are secured by a first and/or second mortgage, as applicable, whereby the first mortgagor must approve the second mortgage and any additional mortgages. For income-producing properties, the security is the assets of the specific real estate project, an assignment of rents and a general security agreement from each of the borrowers. For property under development, security represents refundable deposits provided by the Company to the developer, a general assignment of all fixed price contracts, development permits and plans related to the proposed development, and other guarantees from the Company and its subsidiaries. In the majority of cases, the associated limited partnership is required to pay the insurance premium in favor of the lender. All changes in terms during the year were determined to be non-substantial modifications.

**NOTE 17 – BORROWINGS (cont'd)**

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**Terms and repayment schedule (cont'd)**

- (1) Rates are per annum subject to minimum and maximum rates. Several of the secured bank loans included escalation clauses for the interest rate; however, loans are generally renegotiated before these rates are applicable and as such they have not been presented.
- (2) Effective November 1, 2018, renewal agreement executed that extends maturity date to July 31, 2019 and allows for prepayment up to April 30, 2019 of up to \$1,000,000 in \$500,000 increments with decreases of 0.5% interest per annum per increment. Interest rate increased from 8.25% to 10.5% for first six months of renewal period and 18.0% thereafter.
- (3) First mortgage. Monthly blended payments of interest and capital.
- (4) Second mortgage. Interest only payments. Interest reserve of \$400,000 to be used for future interest payments deducted from funding.
- (5) In conjunction with the sale of the GEC Project 3 (Note 7(c)) the existing debt carrying value of \$31,908,279 was extinguished on August 13, 2018. There is no further obligation or pledged security at August 31, 2018.
- (6) First mortgage. Monthly payments of \$1,000 principal plus interest. Principal includes \$1,000,000 holdback subject to certain release provisions which has been presented as Deposit reserve on the Consolidated Statements of Financial Position. In September 2018 there was a partial repayment of \$5,400,000 of this loan and the release of the \$1,000,000 holdback, resulting in a new principal amount of \$6,578,000. Lender agreed to extend maturity to December 2018 at which time the loan will be repaid. As additional security, SSCC has provided a guarantee and all GEC LP 5 limited partnership units have been pledged. Subsequent to yearend, the Company executed a two-year term commitment letter with a new lender for principal of \$7,200,000 at 4% interest per annum which will replace this loan.
- (7) Second mortgage. Interest only payments. In September 2018 there was a partial repayment of \$1,000,000 resulting from the release of the holdback referenced above. The lender may extend a six-month renewal offer in advance of maturity date. Subsequent to August 31, 2018, the remaining principal balance was repaid and new commitment letter executed.
- (8) First mortgage. Interest only payments. The borrower has two rights to extend the maturity date of the loan by six months subject to certain provisions, including payment of extension fees and therefore borrowings have been classified as non-current at August 31, 2018, as this loan was renewed before November 15, 2018. In addition, the lender has the right to provide first mortgage financing for the adjacent lands that GEC LP 6 has the option to purchase. As additional security, GECH provided an unlimited guarantee of repayment and SSCC provided a guarantee of interest due. The previous September 2016 mortgage of \$8,500,000 principal was repaid on maturity in October 2017.
- (9) First mortgage assumed in business combination (Note 6), with \$1,500,000 principal immediately paid down. Interest only payments.
- (10) Second mortgage. Interest only payments.
- (11) Monthly principal and interest payments as described further below.

**Convertible Debentures**

In June 2017, the Company issued convertible debentures (the “Debentures”) in the aggregate principal sum of \$1,267,800 maturing on June 7, 2022. The Debentures were issued in connection with the KGIC business combination as payment for a collection right under agreements with certain KGIC creditors. Payments of 60 equal principal instalments plus accrued interest at the rate of 4% per annum are paid monthly. The Company has the right to prepay all or a portion of the principal sum then outstanding and accrued but unpaid interest, without payment of a bonus or penalty. All or part of the principal sum is convertible to common shares at the election of the holder at a price of \$0.79 per share. The Company has the right to deliver repayment of the principal sum then outstanding should it chose. The Company also has the right to convert the principal sum into common shares if a condition precedent is met. During the year ended August 31, 2018, holders of \$4,800 of Debentures converted their instruments for 6,075 common shares of the Company.

At initial recognition, the net proceeds of the Debentures were recognized at fair value through profit or loss (“FVTPL”). The financial instrument includes an embedded derivative as the Company has the right to settle the Debentures by cash repayment instead of accepting the holders’ conversion notice. The embedded derivative has a value of \$nil and as such the host debt and derivative do not require bifurcation. Transaction costs of \$13,800 associated with the Debentures were expensed during the year ended August 31, 2017 as finance costs.

In addition, on May 31, 2017, two promissory notes totalling \$125,000 were issued to a previous KGIC creditor in connection with the KGIC business combination. The promissory notes were paid during the year ended August 31, 2017.

**NOTE 17 – BORROWINGS (cont'd)**

**Credit Facility**

On March 15, 2017, SSCC executed a Commitment Letter with a major Canadian bank for a total of \$5,000,000 in the form of two facilities. Facility A, a \$2,500,000 non-revolving demand loan, was fully drawn bearing interest at prime plus 1.5% to be repaid in 60 monthly payments of blended principal and interest payments with total repayment in April 2022. At August 31, 2018, the facility had a remaining outstanding balance of \$1,896,035 (August 31, 2017 - \$2,350,317). During the years ended August 31, 2018 and 2017, respectively, interest expense of \$104,391 and \$37,112 was incurred. Facility B is a \$2,500,000 revolving facility which is available in the form of an operating demand loan, commercial letter of credit, or corporate credit card and which will attract different interest rates and repayment terms depending on the availability drawn. At August 31, 2018, Facility B remained undrawn; however, corporate credit cards were issued. The facilities are eligible for early prepayment in part or full and are subject to certain covenants and guarantees. At August 31, 2018, the Company had letters of credit outstanding under Facility B of \$125,000 (August 31, 2017 - \$25,000).

**Finance lease liabilities**

Finance lease liabilities are payable as follows:

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2018	2017	2018	2017	2018	2017
Less than one year	\$ 218,931	\$ 237,862	\$ 42,330	\$ 43,929	\$ 176,601	\$ 193,933
Between one and five years	540,926	677,359	62,512	92,780	478,414	584,579
Later than 5 years	-	-	-	-	-	-
	\$ 759,857	\$ 915,221	\$ 104,842	\$ 136,709	\$ 655,015	\$ 778,512

At August 31, 2018, the remaining average lease term is 37 months (2017 – 36 months). The Company has options to purchase the equipment at fair market value at the end of the lease terms and must pay any remaining minimum lease payments upon early cancellation of the lease. The Company's obligations under finance leases are secured by the lessors' title to the leased assets.

**NOTE 18 – SHARE CAPITAL**

**(a) Authorized shares**

Authorized share capital consists of 150,000,000 common shares without par value.

**(b) Treasury shares**

Pursuant to the provisions of a normal course issuer bid (“NCIB”) approved by the Toronto Stock Exchange (the “TSX”), the Company from time to time acquires its own common shares for cancellation. Effective December 12, 2017, the Company received approval from the TSX to purchase up to 2,000,000 of the Company’s common shares, subject to daily limits, to a maximum aggregate acquisition cost of \$1,500,000 between the period of December 14, 2017 to December 13, 2018. The prior NCIB expired on February 28, 2017.

**NOTE 18 – SHARE CAPITAL (cont'd)**

**(b) Treasury shares (cont'd)**

The following table details changes in the treasury shares balance:

	Number		Value
Balance, August 31, 2016	372,600	\$	173,855
Purchases of treasury shares	1,121,100		661,512
Cancellation of treasury shares	(1,238,700)		(671,162)
Balance, August 31, 2017	255,000	\$	164,205
Purchases of treasury shares	849,500		689,148
Cancellation of treasury shares	(721,000)		(531,455)
Balance, August 31, 2018	383,500	\$	321,898

**(c) Private Placements**

On January 25, 2017, the Company closed out of escrow a private placement raising \$2,039,940 by the issuance of 3,238,000 units at a price of \$0.63 per unit. Each unit consists of one common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one common share for a period of one year at a price of \$0.75. The fair value of the share purchase warrants was determined to be \$Nil using the residual value method. Accordingly, the net proceeds of the private placement have been allocated 100% to the common shares. The proceeds from this private placement were used as partial consideration for the assumption of the KGIC Debt (Note 5). The Company paid cash finder's fee totalling \$44,100. In addition, the Company issued 66,667 finder's warrants, each finder's warrant exercisable for one common share at a price of \$0.75 per share for a period of one year. The fair value of the finder's warrants was estimated to be \$6,667. The share purchase warrants and finder's warrants which were not exercised by January 25, 2018 expired (Note 18(d)).

On February 22, 2017, the Company closed the first tranche of a private placement, raising \$1,357,400 by the issuance of 2,262,333 units at a price of \$0.60 per unit. Each unit consists of one common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one common share for a period of two years at a price of \$0.75. The fair value of the share purchase warrants was determined to be \$Nil using the residual value method. Accordingly, the net proceeds of the private placement have been allocated 100% to the common shares. The securities issued in this private placement were subject to a four month hold period. The proceeds from this private placement were used for school acquisition and expansion. The Company paid cash finder's fee totalling \$55,992. In addition, the Company issued 80,780 finder's warrants, each finder's warrant exercisable, for a period of two years, for one common share at a price of \$0.75 per share. The fair value of the finder's warrants was estimated to be \$14,540.

On March 10, 2017, the Company closed the second tranche of a private placement, raising \$860,999 by the issuance of 1,434,999 units at a price of \$0.60 per unit. Each unit consists of one common share and one-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one common share for a period of two years at a price of \$0.75. The fair value of the share purchase warrants was determined to be \$Nil using the residual value method. Accordingly, the net proceeds of the private placement have been allocated 100% to the common shares. The securities issued in this private placement were subject to a four month hold period. The proceeds from this private placement were used to provide a fund for school acquisition and expansion. The Company paid cash finder's fee totalling \$58,190. In addition, the Company issued 75,250 finder's warrants, each finder's warrant exercisable, for a period of two years, for one common share at a price of \$0.75 per share. The fair value of the finder's warrants was estimated to be \$12,040.

**NOTE 18 – SHARE CAPITAL (cont'd)**

**(c) Private Placements (cont'd)**

The total fair value of the finder's warrants issued during the year ended August 31, 2017 was estimated to be \$33,247 using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

Exercise price	\$0.75 per share
Expected dividend yield	0.00 %
Expected volatility	53.84 %
Risk-free interest rate	0.72 %
Expected life	1.70 years

**(d) Reconciliation of and share purchase warrants outstanding**

Details of share purchase warrants outstanding and exercisable as at August 31, 2018 are as follows:

Number of Warrants	Exercise Price	Expiry Date	Remaining Contractual Life
1,211,946	\$0.75	February 22, 2019	0.48 years
<u>775,250</u>	<u>\$0.75</u>	<u>March 10, 2019</u>	<u>0.52 years</u>
<u>1,987,196</u>			

Details of share purchase warrants outstanding and exercisable as at August 31, 2017 are as follows:

Number of Warrants	Exercise Price	Expiry Date	Remaining Contractual Life
1,685,667	\$0.75	January 23, 2018	0.40 years
1,211,946	\$0.75	February 22, 2019	1.48 years
<u>792,749</u>	<u>\$0.75</u>	<u>March 10, 2019</u>	<u>1.52 years</u>
<u>3,690,362</u>			

The Company's share purchase warrant activity is summarized as follows:

	Number of Warrants	Weighted Average Exercise Price (\$)	Weighted Average Remaining Life
Balance, August 31, 2016	2,546,340	0.30	0.88 years
- warrants issued during the year	3,690,362	0.75	
- warrants exercised during the year	(2,446,540)	0.30	
- warrants expired during the year	(99,800)	0.30	
	<u>3,690,362</u>	<u>0.75</u>	<u>0.99 years</u>
Balance, August 31, 2017	3,690,362	0.75	0.99 years
- warrants issued during the year	-	0.00	
- warrants exercised during the year	(493,690)	0.75	
- warrants expired during the year	(1,209,476)	0.75	
	<u>1,987,196</u>	<u>0.75</u>	<u>0.50 years</u>

**NOTE 18 – SHARE CAPITAL (cont'd)**

**(e) Basic and diluted common shares outstanding**

The following table shows the weighted average number of common shares outstanding.

	August 31, 2018	August 31, 2017
Basic weighted average number of common shares outstanding	78,287,329	73,022,506
Effect of in-the-money share purchase warrants <sup>(1)</sup>	2,646	912,702
Effect of in-the-money stock options <sup>(1)</sup>	154,983	546,304
Diluted weighted average number of common shares outstanding	78,444,958	74,481,512

<sup>(1)</sup> The average market value of the Company's shares for the purpose of calculating the dilutive effect was based on the quoted market prices for the year the instruments were outstanding.

At August 31, 2018, the following instruments were excluded from the diluted weighted average number of common shares outstanding as they were anti-dilutive: nil share purchase warrants; 1,265,000 stock options; and 1,171,866 common shares underlying potential conversion of convertible debt (August 31, 2017 - 1,685,666 share purchase warrants; 100,000 stock options; and 1,490,135 common shares underlying potential conversion of convertible debt).

**NOTE 19 – SHARE BASED PAYMENT ARRANGEMENTS**

**(a) Description of share-based payment arrangements – equity settled**

The Company established a rolling stock option plan (the "Plan") whereby a maximum of 10% of the issued and outstanding shares of the Company, from time to time, may be reserved for issuance pursuant to the exercise of options. The material terms of the Plan are as follows:

- The term of any options granted under the Plan is fixed by the board of directors at the time the options are granted, to a maximum term of 10 years.
- The exercise price of any options granted under the Plan is determined by the board of directors but shall not be less than the average closing price of the Company's common shares on the Toronto Stock Exchange ("TSX") for the five trading days (on which at least one board lot of the common shares was traded) preceding the grant of such options.
- The board of directors sets the vesting schedule of the stock options granted under the Plan. A hold period of four months, commencing from the date of grant of an option, applies to all shares issued upon exercise of an option.
- All options granted under the Plan are non-assignable and non-transferable.
- If an option holder ceases to hold a position with the Company in which the option holder would be eligible to be granted an option (other than by reason of death), then the option granted shall expire on the first business day following the date that the option holder ceases to hold any such position.

For the year ended August 31, 2018, share-based payment expense was \$262,718 (year-ended August 31, 2017 - \$194,365) and is included as a separate line item on the Consolidated Statements of Comprehensive Income.

**NOTE 19 – SHARE BASED PAYMENT ARRANGEMENTS (cont'd)**

**(b) Measurement of fair values – equity settled arrangements**

The weighted average fair value of stock options granted during the year ended August 31, 2018 of \$0.44 per option (August 31, 2017 - \$0.35) was calculated as of the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions and inputs:

	Year Ended August 31, 2018	Year Ended August 31, 2017
Expected life	5.00 years	3.50 years
Risk-free interest rate	2.01%	1.35%
Expected dividend yield	0.00%	0.00%
Expected volatility	63.84%	55.73%
Weighted average share price	\$ 0.78	\$ 0.77

The expected volatility assumption is based on historical and implied volatility of the Company's common share price on the Toronto Stock Exchange. the risk-free interest rate assumption is based on yield curves on Canadian government zero coupon bonds with the remaining term equal to the stock options expected life. The company estimated a forfeiture rate of 3.52% for the options granted during the year ended August 31, 2018 (August 31, 2017 – 5.25%).

**(c) Reconciliation of and stock options outstanding**

The Company's stock option activity is summarized as follows:

	Number of Options	Weighted Average Exercise Price (\$)	Weighted Average Remaining Life
Balance, August 31, 2016	2,373,000	0.26	0.99 years
Granted	1,315,000	0.79	
Exercised	(1,777,500)	0.24	
Expired/forfeited	(273,000)	0.25	
Balance, August 31, 2017 - outstanding	1,637,500	0.71	4.67 years
Granted	300,000	0.74	
Exercised	(10,000)	0.38	
Expired/forfeited	(60,000)	0.71	
Balance, August 31, 2018 - outstanding	1,867,500	0.72	3.79 years

**NOTE 19 – SHARE BASED PAYMENT ARRANGEMENTS (cont'd)**

**(c) Reconciliation of and stock options outstanding**

Details of options outstanding and exercisable are as follows:

Expiry Date	Exercise Price	Number of Options Outstanding – August 31, 2018	Number of Options Outstanding– August 31, 2017
July 10, 2019	\$0.37	30,000	30,000
July 21, 2021	\$0.38	122,500	142,500
August 5, 2021	\$0.41	150,000	150,000
May 4, 2022	\$0.86	100,000	100,000
August 1, 2022	\$0.78	1,165,000	1,215,000
January 23, 2023	\$0.74	200,000	-
March 16, 2023	\$0.75	100,000	-
<b>Options outstanding</b>		<b>1,867,500</b>	<b>1,637,500</b>
<b>Options exercisable</b>		<b>941,250</b>	<b>503,750</b>
<b>Weighted average exercise price – options exercisable</b>		<b>\$ 0.69</b>	<b>\$ 0.65</b>

The weighted average remaining contractual life of the outstanding options at August 31, 2018 is 3.79 years (August 31, 2017 – 4.67 years).

**NOTE 20 – INCOME TAXES**

The Company's operations are subject to income taxes primarily in Canada and China. Income tax provision (recovery) in these consolidated financial statements relates to CIBT's domestic operations in China and to SSCC's domestic operations in Canada.

Statutory tax rates	2018	2017
China	25.00%	25.00%
Canada	26.67%	26.00%

The following table is a reconciliation of income tax expense (recovery), at the Canadian income tax rate and the amount of reported income tax expense in the Consolidated Statements of Comprehensive Income.

	Year Ended August 31, 2018	Year Ended August 31, 2017
Income before taxes	\$ 52,353,840	\$ 10,175,116
Statutory Canadian income tax rate	26.67%	26.00%
Income tax recovery at statutory rate	13,962,769	2,645,530
Effect of differences in foreign tax rates	(241)	2,262
Impact of KGIC acquisition	(50,934)	(179,771)
Gain on disposal of investment for tax	3,117,998	36,885
Reverse of tax provision	(38,665)	-
Non-deductible expenses, net	156,197	94,731
Effect of differences in prior period tax returns as filed	(155,112)	162,002
Change in deferred tax assets not recognized	(2,845,843)	(52,309)
Financing costs deducted	(347,422)	-
Change in fair value of investment property	(5,851,734)	(1,268,803)
Impact of partnership loss (income) allocation	(1,082,888)	430,645
Other	118,550	19,910
Income tax expense	\$ 6,982,675	\$ 1,891,082
Consisting of:		
Current tax expense	\$ 4,922,710	\$ 159,489
Deferred tax expense	2,059,965	1,731,593
	\$ 6,982,675	\$ 1,891,082

Effective January 1, 2012, the Canadian Federal corporate tax rate decreased from 16.5% to 15.0%. Effective January 1, 2018, the British Columbia provincial tax rate increased from 11.0% to 12.0%. The following table shows deferred income taxes resulting from temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amount used for tax purposes, as well as tax loss carry-forwards.

	Year Ended August 31, 2018	Year Ended August 31, 2017
Deferred income tax assets - Canada		
Non-capital loss carry-forwards	\$ 2,873,385	\$ 4,201,483
Share issuance and finance costs	339,437	276,625
Property and equipment	271,836	283,858
Intangible assets	76,945	17,726
Limited partnership interest	2,175,624	-
Net capital losses	6,636	6,555
Total deferred income tax assets	\$ 5,743,863	\$ 4,786,247

**NOTE 20 – INCOME TAXES (cont'd)**

	Year Ended August 31, 2018		Year Ended August 31, 2017
Deferred income tax liabilities			
Canada			
Property and equipment	\$ (197,126)	\$	(210,933)
Change in fair value of investment property	(7,100,550)		(3,706,522)
Goodwill and intangible assets	(2,804,752)		(2,867,392)
China			
Intangible assets	(115,248)		(115,248)
Total deferred income tax liabilities	<u>\$ (10,217,676)</u>	<u>\$</u>	<u>(6,900,095)</u>
Classified as:			
Deferred tax assets, net	\$ 3,867,389	\$	2,046,307
Deferred tax liabilities, net	(8,341,202)		(4,160,155)
Net deferred income tax liabilities	<u>\$ (4,473,813)</u>	<u>\$</u>	<u>(2,113,848)</u>

The Company recorded a deferred tax liability of approximately \$300,000 directly to the Consolidated Statement of Financial Position as the result of a business combination (Note 6).

The Company has recognized \$2,185,336 (2017 - \$1,152,014) of deferred tax assets that are dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable differences. The Company has been profitable in the last two fiscal years in the tax jurisdictions to which the deferred tax assets relate. The Company has undertaken tax planning in the current and prior year that is expected to increase future taxable income, which supports the recognition of the deferred tax asset. The Company has also projected, that its current program investment activities that are giving rise to net income in the last two fiscal years will result in future taxable profits that will be sufficient to utilize the deferred tax assets.

Deductible temporary differences and unused tax losses for which a future benefit has not been recognized as a deferred tax asset include the following:

	August 31, 2018		August 31, 2017
Non-capital loss carry-forwards <sup>(1)</sup>	\$ 835,144	\$	1,240,486
Net capital loss carry-forwards <sup>(2)</sup>	194,534		1,314,530
Investments	1,593,918		1,399,384
Property and equipment	606,345		565,758
	<u>\$ 3,229,941</u>	<u>\$</u>	<u>4,520,158</u>

<sup>(1)</sup> Carry-forwards are eligible to be applied to CIBT China earnings and expire in the year ending August 31, 2019 to 2023.

<sup>(2)</sup> Carry-forwards are eligible to be applied for Canadian tax purposes and are carried forward indefinitely.

**NOTE 21 – SUPPLEMENTAL INFORMATION**

(a) **General and administrative expenses** are comprised of the following:

	Year Ended August 31, 2018	Year Ended August 31, 2017
Advertising	\$ 4,343,507	\$ 3,728,021
Bank charges and interest	375,482	290,709
Consulting and management fees	3,048,555	1,439,252
Directors insurance	46,881	16,515
Investor relations	96,179	225,367
Office and general	3,019,844	2,549,587
Professional fees	2,396,777	2,043,301
Rent	6,179,120	4,728,640
Salaries and benefits	12,462,997	9,246,124
Travel and promotion	425,823	425,226
	<u>\$ 32,395,165</u>	<u>\$ 24,692,742</u>

(b) **Gain on disposal of assets** are comprised of the following:

	Year Ended August 31, 2018	Year Ended August 31, 2017
Loss on disposition of GEC Project 3 (Note 7(c))	\$ (2,188,154)	\$ -
Loss on disposition of commercial units GEC Project 5 (Note 7(d))	(222,920)	-
Gain on fair value acquisition date remeasurement (Note 6(a))	4,714,578	-
Gain (loss) on disposal of property and equipment (Note 12)	(7,832)	34,771
Gain on disposal of KGIC assets (Note 5(d))	-	109,362
	<u>\$ 2,295,672</u>	<u>\$ 144,133</u>

**NOTE 22 – FINANCIAL INSTRUMENTS**

(a) **Financial assets and liabilities by category**

The following represents the carrying values of the financial assets and liabilities of the Company and the associated classifications and measurement basis for each balance:

			August 31, 2018	August 31, 2017
<b>Financial assets</b>				
	<u>Level</u>	<u>Measurement basis</u>		
Cash and cash equivalents	1	Amortized cost	\$ 33,246,248	\$ 6,880,384
<u>Loans and receivables</u>				
Restricted cash	1	Amortized cost	249,550	249,508
Trade and other receivables	1	Amortized cost	18,327,693	12,047,524
Promissory note	1	Amortized cost	862,746	930,149
Refundable deposits	1	Amortized cost	52,500,000	13,300,000
			<u>\$ 105,186,237</u>	<u>\$ 33,407,565</u>

**NOTE 22 – FINANCIAL INSTRUMENTS (cont'd)**

**(a) Financial assets and liabilities by category (cont'd)**

			August 31, 2018	August 31, 2017
<b>Financial liabilities</b>	<u>Level</u>	<u>Measurement basis</u>		
<u>Other financial liabilities</u>				
Trade and other payables	1	Amortized cost	16,596,566	7,474,305
Finance lease obligations	2	Amortized cost	655,015	778,512
Borrowings	2	Amortized cost	114,023,817	57,648,090
Convertible debentures	2	FVTPL	925,774	1,177,207
			<u>\$ 132,201,172</u>	<u>\$ 67,078,114</u>

**(b) Measurement of Fair value**

*(i) Fair value of financial instruments and fair value hierarchy*

The carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables, promissory note, refundable deposits, and trade and other payables are considered reasonable approximations of their fair values due to the short-term nature of these instruments. The fair value hierarchy establishes three levels to classify the significance of inputs to valuation techniques used in making fair value measurements of financial assets and liabilities (Note 7(d)) and specified above. Level 1 instruments are measured on a recurring basis based on estimated fair value on exchange between willing parties.

Secured loans, convertible debentures, and finance lease obligations are categorized within Level 2 of the fair value hierarchy. At August 31, 2018 and 2017 there were no financial assets and financial liabilities measured and recognized at fair value on a non-recurring basis.

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between any of the levels during the years ended August 31, 2018 and 2017.

*(ii) Valuation methodologies used in the measurement of fair value for Level 2 financial liabilities*

The fair value of secured loans and finance lease obligations approximates their carrying value and has been determined by discounting the contractual cash flows using implied yields of obligations bearing similar credit risk and maturities. The convertible debentures include a derivative liability which has been fair valued at \$Nil, with the principal balance representing the fair value of the convertible debt at the end of each reporting period.

**NOTE 23 – RISK MANAGEMENT**

The Company's risks related to financial instruments, including liquidity risk, credit risk, interest rate risk and currency risk, and the Company's strategy to manage risks, are described below.

**(a) Liquidity risk**

The Company is exposed to liquidity risk which is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due in the normal course of business. The Company manages its liquidity risk by monitoring its operating requirements. Cash and cash equivalents as at August 31, 2018 were \$33,246,248 (August 31, 2017 - \$6,880,384). At August 31, 2018, the cash balance included approximately \$16,000,000 associated with the disposal proceeds of GEC Project 3, the majority of which have been distributed to limited partners after the reporting period.

**NOTE 23 – RISK MANAGEMENT (cont'd)**

**(a) Liquidity risk (cont'd)**

In addition, the Company has a fully drawn non-revolving demand loan facility of \$2,500,000, of which \$1,896,035, was due at August 31, 2018, and an undrawn demand operating credit facility of \$2,500,000. The Company anticipates capital financing could be raised if required which it has successfully raised in the past. However, there is no assurance that such financing will be available on favourable terms. Management prepares budgets and cash forecasts to ensure that the Company has sufficient funds to fulfill its financial obligations.

At August 31, 2018 and 2017, the Company was in a working capital deficit position. The majority of the Company's assets are long-term in nature; however, there are a significant amount of current borrowings and deferred educational revenue that contribute to the working capital deficit position. Total working capital deficit decreased in the year ended August 31, 2018 from the prior year. Subsequent to August 31, 2018, certain loans totaling \$26,233,681 which were classified as current at August 31, 2018 were either renewed or replaced according to agreements executed before the date of filing, some of which will be classified as non-current (Note 28).

**Exposure to liquidity risk**

The following are the remaining contractual maturities of financial liabilities at August 31, 2018 and August 31, 2017. The amounts are gross and include contractual interest payments based on current market interest rates for variable debt and these rates may change. Minimum rental and lease payments under operating lease commitments and real estate project commitments are presented in Note 25.

<u>August 31, 2018</u>	Less than one year	Between one and five years	Later than 5 years	Total
Trade and other payables	\$ 16,596,566	\$ -	\$ -	\$ 16,596,566
Income taxes payable	5,069,250	-	-	5,069,250
Secured loans	33,135,177	90,714,218	-	123,849,395
Finance lease payments	218,931	540,926	-	759,857
Convertible debentures	246,873	678,901	-	925,774
	<u>\$ 55,266,797</u>	<u>\$ 91,934,045</u>	<u>\$ -</u>	<u>\$ 147,200,842</u>

<u>August 31, 2017</u>	Less than one year	Between one and five years	Later than 5 years	Total
Trade and other payables	\$ 7,454,305	\$ -	\$ -	\$ 7,454,305
Income taxes payable	273,212	-	-	273,212
Secured loans	37,327,795	25,975,678	-	63,303,473
Finance leases payments	237,862	677,359	-	915,221
Convertible debentures	242,220	934,987	-	1,177,207
	<u>\$ 45,535,394</u>	<u>\$ 27,588,024</u>	<u>\$ -</u>	<u>\$ 73,123,418</u>

At August 31, 2018, SSCC had two letters of credit outstanding in the total amount of \$125,000 (2017 – \$25,000).

**NOTE 23 – RISK MANAGEMENT (cont’d)**

**(b) Credit risk**

Credit risk is the risk that a third party might fail to discharge its obligations under the terms of a financial contract. Credit risk is limited to the following instruments. The Company’s maximum exposure to credit risk is the carrying value of the financial assets (Note 22(a)).

- Cash and cash equivalents are held on deposit at major financial institutions and risk of loss is considered low. Restricted cash is held on deposit with major financial institutions.
- Trade accounts receivable are reviewed on an ongoing basis to ensure collection and minimize losses. Payment of receivables are scheduled, routine and generally received within contractually agreed time frames. The Company generates revenues from multiple sources and from a broad customer/client base and accordingly is not exposed to significant credit concentration risk. Accounts receivable as at August 31, 2018 is reported net of allowance for bad debts of \$1,448,856 (August 31, 2017 - \$803,072) (Note 10).

An analysis of the credit quality of trade receivables that were neither past due nor impaired and the aging of the trade receivables that were past due but not impaired were as follows:

<b>Past due but not impaired</b>	August 31, 2018	August 31, 2017
Past due 30 to 60 days	\$ 228,889	\$ 180,232
Past due 60 to 90 days	68,715	115,931
Past due over 90 days	194,999	-
	\$ 492,603	\$ 296,163

- Credit risk associated with the promissory note receivable increased during the year associated with continued collection issues (Note 11). Management believes the security held including a general security agreement with the Developer, personal guarantees, and an assignment associated with unused funds currently held by a regulatory agency, is sufficient to reduce this risk.
- Refundable deposits are secured by mortgages against the property associated with the refundable deposits. Credit risk has been assessed by Management as low and amounts are expected to be applied on date of purchase closing or on termination of an agreement received in cash.
- The Company’s policy is to provide financial guarantees only for subsidiaries’ liabilities. At August 31, 2018, the Company has issued a guarantee to certain financial institutions as security against loans.

**(c) Market Risk**

This is the risk that the fair values of financial instruments will fluctuate owing to changes in market prices. The Company is exposed to currency risk and interest rate risk.

**i. Interest Rate Risk**

Interest rate risk is the risk that the fair values and future cash flows of the Company’s financial instruments will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk primarily on its outstanding borrowings subject to floating rates of interest and its cash and cash equivalents. The Company monitors its exposure to interest rates and is comfortable with its exposures given its mix of fixed and floating rate debt, with floating rate debt tied to the Canadian prime rate. During the year ended August 31, 2018, there was an increase in interest rate risk associated with additional borrowings. The weighted-average interest rate paid by the Company during the year ended August 31, 2018 on its secured loans and convertible debt was 6.61% (2017 – 6.33%). A 1% increase in the floating interest rate would result in a decrease in the Company’s net income of approximately \$642,000 for the year ended August 31, 2018 (2017 - \$164,000).

**NOTE 23 – RISK MANAGEMENT (cont'd)**

**(c) Market risk (cont'd)**

**ii. Currency risk**

Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign currency rates. The Company conducts business in Canada, the United States, China and Hong Kong giving rise to exposure to market risks from changes in foreign currency rates. The financial risk is the risk to the Company's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments or other measures to reduce its exposure to foreign currency risk. In addition, the Company is exposed to Chinese currency fluctuations and restrictions on Chinese currency exchange, which may affect the Company's ability to repatriate profits from China. The Company also holds a minor amount of cash in US dollars, the exchange rate fluctuation between Canadian dollar and US dollar will not have a material impact on net income.

Foreign currency denominated financial assets and financial liabilities which expose the Company to currency risk are as follows (shown in Chinese renminbi with the Canadian dollar equivalent):

	August 31, 2018		August 31, 2017	
	RMB	Canadian \$	RMB	Canadian \$
Financial assets	15,074,175	\$ 2,876,489	13,963,478	\$ 2,653,063
Financial liabilities	1,710,210	326,346	1,650,099	313,519
Exposure	13,363,965	\$ 2,550,143	12,313,379	\$ 2,339,544

An appreciation or depreciation of the RMB against the Canadian dollar of 1% results in nominal differences in both years. The 1% represents the possible exposure based on fluctuations of foreign exchanges rates during the year ended August 31, 2018.

Capital control exists in China. China still has many restrictions on the movement of money in and out of the country for anything except payments associated with exports and imports. At present, a company can repatriate up to 90% of profits from their China-based operations. A portion (at least 10% for wholly owned foreign entities), must be placed in a reserve account. This reserve is capped at 50% of a company's registered capital. To distribute the remainder, a company must obtain a board resolution authorizing distribution and file an application with China's State Administration of Taxation ("SAT") that includes an annual audit, tax receipts and other documents as required. SAT will then issue a Foreign Enterprise Income Tax Payment Certificate which will enable the bank to exchange Chinese RMB into the desired currency for remission of funds. As of August 31, 2018, the amount in the statutory reserve in China is \$Nil (2017 - \$Nil).

**NOTE 24 – CAPITAL MANAGEMENT**

The Company's objectives in managing capital are to safeguard the Company's normal operating requirements on an ongoing basis and to ensure sufficient liquidity to conduct its strategy of organic growth in conjunction with strategic acquisitions, and to utilize capital to provide an appropriate return on investment to its shareholders. The Company's overall capital strategy remains unchanged from the prior periods. The Company manages and adjusts its capital structure considering economic conditions and the risk characteristics of the underlying assets. The Company monitors its capital using various financial ratios and non-financial performance indicators. The Company's primary uses of capital are to finance working capital requirements, capital expenditures and acquisitions. The Company's capital is as follows:

	August 31, 2018		August 31, 2017	
Total borrowings	\$	115,604,606	\$	59,603,809
Less: cash and cash equivalents		(33,246,248)		(6,880,384)
Net debt		82,358,358		52,723,425

**NOTE 24 – CAPITAL MANAGEMENT (cont'd)**

	August 31, 2018	August 31, 2017
Total equity	171,652,181	76,974,760
Less: Non-controlling interests' equity	(122,210,962)	(47,280,963)
CIBT shareholders' total equity	\$ 49,441,219	\$ 29,693,797

At August 31, 2018 the Company expects its capital resources and projected future cash flows from operations to support its normal operating requirements on an ongoing basis, and other expansionary plans. At August 31, 2018, there was no externally imposed capital requirement to which the Company was subject and with which the Company did not comply.

**NOTE 25 – COMMITMENTS & CONTINGENCIES**

**(a) Operating Leases**

**Leases as lessee**

**(i) Future minimum lease payments**

The Company leases office space under operating leases including corporate office space in Vancouver, B.C., office space in China, office and campus premises rental and equipment leases for SSCC and SSLC/VIC, and the rental of a previous property held as an investment property (Note 7(c)). The future minimum lease payments under non-cancellable leases were payable as follows:

	August 31, 2018	August 31, 2017
Less than one year	\$ 4,824,946	\$ 3,390,296
Between one and five years	14,198,355	8,103,316
More than five years	1,680,968	2,002,557
	\$ 20,704,269	\$ 13,496,169

**(ii) Amounts recognized in net income**

	August 31, 2018	August 31, 2017
Operating lease expense included in direct costs	\$ 93,161	\$ -
Rent included in general and administrative expense	6,179,120	4,728,640
	\$ 6,272,281	\$ 4,728,640

**Leases as lessor**

The following presents the operating activities associated with properties leased to tenants in the Company's real estate portfolio:

	August 31, 2018	August 31, 2017
Rental revenues	\$ 10,609,929	\$ 8,623,826
Direct operating costs generating revenue	5,271,325	5,766,940
Other indirect costs, including financing	7,179,864	3,538,442
Net loss	\$ (1,841,260)	\$ (681,556)

As described in Note 6, the Company consolidates the hotel property and operations thereof after March 15, 2018.

**NOTE 25 – COMMITMENTS & CONTINGENCIES (cont'd)**

**(b) Real Estate Projects**

The Company and certain of its subsidiaries entered into agreement in connection with the development of the Company's student housing arm (Note 8). The following table provides commitments made by certain limited partnerships at August 31, 2018.

	Less than one year	Between one and five years	Later than five years	Total
<u>Other Commitments</u>				
GEC Project 7	\$ 65,500,000	\$ 164,400,000	\$ -	\$ 229,900,000
GEC Project 9	15,000,000	153,287,000	-	168,287,000
Total other commitments	<u>\$ 80,500,000</u>	<u>\$ 317,687,000</u>	<u>\$ -</u>	<u>\$ 398,187,000</u>

The above amounts exclude refundable deposits made to August 31, 2018 (Note 8). Amounts due in less than one year represent additional deposits due under the relevant agreements during construction, with amounts due between one and five years representing amounts due when the constructed property is completed and purchased by the respective limited partnership. Both projects are expected to be completed in the year ending August 31, 2022. These capital commitments do not include costs for renovation, furnishings, closing costs or taxes which are not committed expenditures.

**(a) Contingencies**

The Company is a party to various other legal proceedings and claims that arise in the ordinary course of business as either a plaintiff or defendant. The Company analyzes all legal proceedings and the allegations therein. The outcome of any of these other proceedings, either individually or in the aggregate, is not expected to have a material adverse effect on the Company's financial position, results of operations or liquidity.

**NOTE 26 – RELATED PARTY TRANSACTIONS**

The Company's related parties include its subsidiaries, associates over which it exercises significant influence, and key management personnel. During its normal course of operation, the Company enters into transactions with its related parties for goods and services. Transactions with related parties are in the normal course of operations and are measured at fair value.

**(a) Amounts due from officers, employees, directors and non-arm's length investors:**

	August 31, 2018	August 31, 2017
Due from investor of GEC Project 2 <sup>(1)</sup>	\$ -	\$ 635,000
Due from GEC LP 4 <sup>(2)</sup>	-	1,961,922
Due from Beihai College <sup>(3)</sup>	204,126	179,398
	<u>\$ 204,126</u>	<u>\$ 2,776,320</u>

(1) Amount previously due from an investor in GEC Project 2, which was non-interest bearing with no set terms of payment, was repaid with the final limited partnership contribution requirements during the year ended August 31, 2018.

(2) GEC LP 4 was an associate of the Company until March 15, 2018 (Note 6). The August 31, 2017 balance represented the non-eliminating portion of the intercompany account resulting from equity accounting. In addition, on January 31, 2018, one of the Company's wholly owned subsidiaries accepted a \$12,000,573 promissory note as lender associated with GEC Project 4. The promissory note and accrued interest were settled on March 15, 2018.

(3) The amount due from Beihai College is non-interest bearing with no set terms of repayment the represents the non-eliminating portion of the intercompany account resulting from joint venture accounting.

**NOTE 26 – RELATED PARTY TRANSACTIONS (cont'd)**

**(b) Amounts due to officers, employees, directors and non-arm's length investors:**

	August 31, 2018	August 31, 2017
Due to officers and directors of the Company <sup>(1)</sup>	\$ 1,335,717	\$ 67,548
Due to the President of IRIX <sup>(2)</sup>	126,486	145,218
Due to investors of GEC Project 3 <sup>(3)</sup>	721,871	789,681
	<u>\$ 2,184,074</u>	<u>\$ 1,002,447</u>

<sup>(1)</sup> Amounts due are non-interest bearing and have no fixed terms of repayment. Transactions include amounts paid or accrued as management fees or salaries.

<sup>(2)</sup> Short-term advances and repayments have no terms of fixed terms of repayment and attract interest at 6% per annum.

<sup>(3)</sup> Amount due to investors in GEC Project 3 associated with short-term advances attract interest at 5% per annum. Subsequent to August 31, 2018, the full balance of principal and accrued interest was paid.

**(c) Amounts due to Weifang University on behalf of Beihai College:**

	August 31, 2018	August 31, 2017
Accounts receivable – Weifang University	\$ 3,741,149	\$ 2,871,054
Accounts payable – Weifang University	1,649,176	915,031
	<u>\$ 2,091,973</u>	<u>\$ 1,956,023</u>

Beihai College has a joint arrangement with Weifang University (Note 9(c)). Beihai College tuition fees received in RMB are remitted directly to the Chinese Government and retained in RMB with the Chinese Government under the account of Weifang. Weifang requests funds from this account as required to fund operations, with the net amount presented above representing the amount available to fund operations converted to Canadian dollars. The amounts due represents the Company's share and balances are non-interest bearing and have no specific terms of repayment.

**(d) Remuneration of directors and other members of key management personnel:**

	Year Ended August 31, 2018	Year Ended August 31, 2017
Management fees and salaries	\$ 2,608,412	\$ 1,137,170
Share-based payments	55,987	59,959
	<u>\$ 2,664,399</u>	<u>\$ 1,197,129</u>

**NOTE 27 – SUPPLEMENTAL CASH FLOW INFORMATION**

(a) Net changes in working capital not including cash items are comprised of the following:

	Year Ended August 31, 2018	Year Ended August 31, 2017
Accounts receivable (increase) decrease	\$ (3,477,110)	\$ (1,349,712)
Prepaid expenses (increase) decrease	198,945	(329,463)
Inventory (increase) decrease	(167,350)	(14,342)
Accounts payable and accrued liabilities increase (decrease)	2,257,424	3,206,003
Other payables (Note 16)	4,972,878	-
Income taxes payable	4,796,038	158,376
Deferred educational revenues increase	5,120,780	4,339,171
Interest reserves	(300,000)	1,097,613
	<u>\$ 13,401,605</u>	<u>\$ 7,108,759</u>
Decrease in working capital		

The working capital items have been adjusted for the effects of non-cash changes and unrealized foreign exchange changes.

(b) The cash received and paid included in the Company's operating and investing activities were as follows:

	Year Ended August 31, 2018	Year Ended August 31, 2017
Interest received	\$ 1,264,686	\$ 118,918
Interest paid	5,882,542	3,180,017
Income taxes paid	128,642	-

(c) The changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes were as follows in accordance with the IAS 7 amendment. Comparative information is not required.

	Secured loans	Convertible debt	Finance leases	Total
Balances at August 31, 2017	\$ 57,648,090	\$ 1,177,207	\$ 778,512	\$ 59,603,809
Cash flows, comprised of: <sup>(1)</sup>	34,432,037	(246,633)	(206,991)	33,978,413
Repayments of principal	(42,374,561)	(246,633)	-	(42,621,194)
New advances	76,806,598	-	-	76,806,598
Finance lease liability payments	-	-	(206,991)	(206,991)
<u>Liability related items:</u>				
Finance fees paid	(1,251,075)	-	-	(1,251,075)
<u>Non-cash related items:</u>				
Secured loans assumed (Note 6)	22,500,000	-	-	22,500,000
Finance lease additions	-	-	140,465	140,465
Finance lease disposals	-	-	(56,971)	(56,971)
Conversion of convertible debt	-	(4,800)	-	(4,800)
Finance cost accretion	1,039,765	-	-	1,039,765
Other	(345,000)	-	-	(345,000)
	<u>\$ 114,023,817</u>	<u>925,774</u>	<u>655,015</u>	<u>115,604,606</u>
<b>Balances at August 31, 2018</b>				

<sup>(1)</sup> For the year ended August 31, 2017, borrowing repayments were \$899,738, borrowing advances were \$29,476,661, and finance lease liability payments were \$137,529, totalling cash inflow of \$28,439,394.

**NOTE 28 – EVENTS AFTER THE REPORTING PERIOD**

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**GEC Project 10 Acquisition**

In October 2018, a new limited partnership (“GEC LP 10”) was formed, of which a subsidiary of the Company is the general partner. On November 1, 2018, GEC LP 10 signed a formal purchase and sale agreement for the purchase of two parcels of land, on which it plans to develop a high rise serviced investment property, for a purchase price of \$25,000,000. The closing of the purchase of the land is expected by the end of January 2019 subject to satisfactory completion of due diligence reviews and the removal or satisfaction of other conditions. A total development building including land, construction, furniture and fixtures and financing costs is estimated at \$60,000,000. A total of \$500,000 of refundable deposits have been paid by GEC LP 10 in conjunction with this agreement. GEC LP 10 anticipates funding the purchase via issuance of limited partnership units, debt financing and a vendor take back mortgage.

**Promissory Note**

In November 2018, one of the limited partnerships that Company is an investor entered into a revised agreement for the repayment of the promissory note described in Note 11. Under the terms of this agreement the outstanding balance will attract interest commencing December 1, 2018 at 10% per annum, with set payments of principal and interest each month with full repayment on December 1, 2019.

**Borrowings**

In November 2018, the Company entered into commitment letters to renew or replace certain secured loans held by GEC LP1 and GEC LP 5, as further described in Note 17.

## **NOTE 29 – SIGNIFICANT ACCOUNTING POLICIES**

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The Company has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if otherwise noted.

### **A. Basis of Consolidation**

#### **i. Principles of Consolidation**

The consolidated financial statements include the financial statements of the Company and all its subsidiaries as at August 31, 2018. Control exists over an investee when the Company is exposed, or has rights, to variable returns from its investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control. Unless otherwise stated, the subsidiaries have share capital consisting solely of ordinary shares and the proportion of ownership interests held equals the voting rights held by the entity. The country of incorporation or registration is also their principal place of business. The Company's principal subsidiaries and percentage of ownership are presented in Note 2.

All intercompany transactions, balances, revenues and expenses have been eliminated on consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Company. The Company attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

#### **ii. Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Certain acquisition related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12, *Income Taxes* and IAS 19, *Employee Benefits*, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*, are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment during the remeasurement period, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests represent ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

**NOTE 29 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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**ii. Business combinations (cont'd)**

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which is limited to one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (the date when the Company obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

**iii. Investments in associates**

Associates are those entities over which the Company is able to exert significant influence but which it does not control, and which are not interests in a joint venture. Control is reassessed on an ongoing basis. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method. Acquired investments in associates are also subject to the acquisition method; however, any goodwill or fair value adjustment attributable to the Company's share in the associate is included in the amount recognized as investments in associates.

All subsequent changes to the Company's share of interest in the equity of the associate are recognized in the carrying amount of the investment. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of assets and liabilities. Changes resulting from earnings of the associate or items recognized directly in the associate's equity are recognized in earnings or equity of the Company, as applicable. However, when the Company's share of losses in an associate equal or exceeds its interest in the associate, including any unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports earnings, the Company resumes recognizing its share of those earnings only after its share of the earnings exceeds the accumulated share of losses that had previously not been recognized. When changes in ownership interests are disproportionate to cumulative contributions, distributions and income (loss) allocations, the carrying value of the Company's interest in the equity of the associate is adjusted through a direct charge to equity.

Unrealized gains and losses on transactions between the Company and its associates are eliminated to the extent of the Company's interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment losses from a Company perspective. At each reporting period end date, the Company assesses whether there are any indicators of impairment in its investment in associates. For entities which are not publicly traded, value-in-use of the investment is determined by estimating the Company's share of the present value of the estimated cash flow's expected to be generated by the investee. If impaired, the carrying value of the Company's investment is written down to its estimated recoverable amount, being the higher of fair value less cost of disposal and value-in-use.

**NOTE 29 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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In the process of measuring future cash flows, management makes assumptions about future growth of profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Company's investments in associates in the subsequent financial years.

**iv. Joint operations**

A joint arrangement is an arrangement of which two or more parties have joint control. The Company determines the type of joint arrangement in which it is involved either was a joint operation or a joint venture and this depends upon the rights and obligations of the parties to the joint arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement on a proportionate basis. Those parties are called joint operators. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. None of the parties involved have unilateral control of a joint venture. The Company accounts for its interests' joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

**v. Non-controlling interests**

Non-controlling interests exist in less than wholly-owned subsidiaries and divisions of the Company and represent the outside interests' share in the carrying values and operations of the subsidiaries and divisions. The interests of the non-controlling shareholders are initially measured at either fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Any subsequent income/loss, dividends and foreign translation adjustments attributable to the non-controlling interests is recognized as part of the non-controlling interests' income or equity. When changes in ownership interests are disproportionate to cumulative contributions, distributions and income (loss) allocations, non-controlling interest are adjusted through direct charges to equity.

**B. Foreign currency**

Functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the Company is Canadian dollars with the exception of the Company's subsidiaries in China, which has a functional currency of RMB. These consolidated financial statements are presented in Canadian dollars.

In preparing the financial statements of each individual subsidiary, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the dates those fair values are determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into Canadian dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

**C. Revenue recognition**

The Company recognizes revenue when the amount of revenue can be reliably measured, if it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. Revenue is measured at the fair value of the consideration received or receivable. The primary sources of the Company's revenues are as follows:

**NOTE 29 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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**C. Revenue recognition (cont'd)**

- (a) *Educational programs and services*  
The educational programs and services consist of tuition fee (net of discounts) on course offerings by CIBT, SSCC and SSLC. Tuition is paid in advance and is initially recorded as deferred revenue. Tuition revenue for educational programs and services is recognized proportionately as the instructions are delivered, and is reported net of scholarships, business taxes and related surcharges, and tuition refunds. Students are entitled to a short-term course trial period which commences on the date the course begins. Partial tuition refunds are provided to students if they decide within the trial period that they no longer want to take the course. After the trial period, if a student withdraws from a class, no refunds will be provided, and any collected but unearned portion of the fee is recognized at that time.
- (b) *Revenue sharing arrangement with education service providers*  
One of the Company's subsidiaries, CIBT, has entered into numerous educational delivery agreements with various educational service providers whereby a portion of the tuition fees, net of discounts, are paid to these educational service providers for the provision of facilities and/or teaching staff. For the majority of these revenue sharing arrangements, CIBT is considered the primary obligor and accordingly records the tuition fee revenues on a gross basis and the portion paid to the educational service providers is included in direct educational costs.
- (c) *Design and advertising*  
IRIX recognizes revenue for services provided using the percentage-of-completion method when the contract revenues, contract costs to complete and the stage of contract completion at the end of the reporting period can be measured reliably and when the contract costs can be identified and measured reliably so that actual contract costs incurred can be compared with prior estimates, and the economic benefits associated with the transaction will flow to IRIX.
- (d) *Commissions and referral fees*  
CIBT has agreements with various private schools in North America to recruit students from overseas (primarily in China) for the primary and secondary private school sector in North America. CIBT is paid commissions and referral fees by the private schools for recruiting students that are accepted into and start the school's programs in North America. Commissions and referral fees are paid to CIBT only when the student can no longer obtain a refund on tuition fees paid to the private school. Commissions and referral fees are recognized as revenue by CIBT when the services to recruit students have been provided and when there is substantial certainty that the recruited students will attend the private school.
- (e) *Development fees*  
The Company earns fees in connection with certain real estate development activities (Note 8). The services provided by the Company include, but are not limited to, land identification and acquisition, preparation of financial models, market analysis, development of investment structure, and engagement of construction consultants. Revenue is generally considered earned in the period that the Project agreements are executed.
- (f) *Rental revenues*  
Rental revenues include rents from commercial tenants and variable term residential accommodations. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. Generally, this occurs on lease inception date when the tenant occupies their leased space. Rental revenue is recognized systematically over the term of the lease, which is generally not more than twelve months. Any suite specific incentives offered, or initial direct costs incurred in negotiating and arranging an operating lease are also amortized over the term of the operating lease. Rental revenue is recorded based on the amount received or to be received in accordance with the operating lease. For short term tenants such as the Company's hotel property, revenues are recognized when the amount of revenue can be reliably measured, and collection is probable, which conditions are generally satisfied on a nightly basis. For students who enter into leases which range in duration generally from one to six months, rental revenue is recognized systematically over the term of the lease.

**NOTE 29 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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**D. Financial Instruments**

**Cash and cash equivalents**

Cash is held in bank accounts. The Company considers only those investments that are highly liquid, readily convertible to cash with original maturities of three months or less at date of purchase as cash equivalents.

**Restricted cash**

Restricted cash represents Canadian dollar bank deposits as collateral for the credit cards used in business operations, and Chinese RMB deposits at governmental accounts as security to conduct business in China.

**Financial instruments**

Classification and measurement - initial recognition

On initial recognition, all financial assets and liabilities are classified and recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at fair value through profit or loss (“FVTPL”).

Classification and measurement - subsequent to initial recognition

Subsequent measurement of financial assets and liabilities depends on the classifications of such assets and liabilities at initial recognition as follows:

Financial assets and liabilities classified at FVTPL are initially recognized measured at fair value and transaction costs are expensed in the period in which they are incurred. Realized and unrealized gains and loss arising from changes in fair value of the financial assets or liabilities held at FVTPL are included in the consolidated statement of net income (loss) in the period in which they arise. They are classified as such when: (i) they are acquired or incurred principally for short-term profit taking and/or meet the definition of a derivative; or (ii) they meet the criteria for being designated as FVTPL and have been designated as such on initial recognition.

A financial asset is classified as available-for-sale when: (i) it is not classified as a loan and receivable or as at FVTPL; or (ii) it is designated as available-for-sale on initial recognition. The Company does not have any financial assets classified as available for sale. Changes in fair value that remain unrealized for available-for-sale financial instruments are recorded in other comprehensive income until realized or determined to be impaired at which time the gain, loss or impairment is recognized in net income (loss) for the period.

Financial assets classified as loans and receivables and other financial liabilities are measured at amortized cost, using the effective interest method, less any impairment. The effective interest method calculates the amortized cost of a financial asset or financial liability and allocates the effective interest income or interest expense over the term of the financial asset or liability, respectively. The interest rate is the rate that exactly discounts estimated future cash receipts or payments throughout the term of the financial instrument to the net carrying amount.

**Fair value hierarchy**

The fair value hierarchy establishes three levels to classify the significance of inputs to valuation techniques used in making fair value measurements of financial assets and liabilities. The categories are:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities;
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 inputs are not based on unobservable market data.

**NOTE 29 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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The estimated fair value of the Company's financial instruments approximates the amount for which the financial instrument could currently be exchanged in an arm's length transaction between willing parties who are under no compulsion to act. These instruments are considered Level 1 and are measured on a recurring basis. The estimated fair value of the borrowings, convertible debentures, and finance lease obligations are categorized within Level 2 of the fair value hierarchy. At August 31, 2018 and 2017 there were no financial assets and financial liabilities measured and recognized at fair value on a non-recurring basis.

Impairment of Financial Assets

The Company assesses at each reporting date whether there is objective evidence that financial assets are impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset that has a negative impact on the estimated future cash flows of the financial asset that can be reliably measured.

Derecognition of Financial Assets and Liabilities

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or the Company transfers the financial assets and substantially all the risks and rewards of ownership have been transferred. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Gains and losses on derecognition are recognized in the Consolidated Statements of Comprehensive Income.

**E. Investment properties**

**i. Recognition and measurement**

A property is determined to be an investment property when it is held either to earn rental income or for capital appreciation, rather than for the use in the production of supply for services or for administrative purposes for sale in the ordinary course of business. Investment properties are measured initially at cost, including transaction costs except where the investment property is purchased as part of a business combination. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in fair value of investment properties are including in profit or loss in the period in which they arise. Fair value is determined based on available market evidence at each reporting date. Subsequent capital expenditures are added to the carrying value of the investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value at the date of change in use and reclassified accordingly. Any gain arising on this remeasurement is recognized in profit or loss to the extent that reverses a previous impairment loss on the specific property, with any remaining gain recognized in OCI and presented in the revaluation reserve. Any loss is recognized immediately.

**ii. Borrowing costs**

Borrowing costs directly attributable to the acquisition and redevelopment of Investment Properties are added to the costs of the related Investment Properties until such time as the redevelopment of the Investment properties is substantially completed. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**iii. Assets held for sale**

Non-current assets or disposal groups comprising assets and liabilities are classified as held for sale when: (a) assets are available for immediate sale; management has committed to a plan to sell; it is unlikely that significant changes in the plan will be made or that the plan will be withdrawn; an active program to locate a buyer has been initiated; the asset or disposal group is being marketed at a reasonable price in relation to its value; and the sales expected to complete within 12 months from the date from the date of the classification. Such assets are generally measured at the lower of carrying amount and fair value less costs to sell. In the case of investment properties, IFRS requires that these properties continue to be accounted for under the fair value model.

**NOTE 29 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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Once classified as held for sale, intangible assets and property, plant and equipment, is no longer amortized or depreciated.

Discontinued operations are a component of the Company's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively for the view to resale, that has been disposed of or has met the criteria to be classified as held for sale. Discontinued operations are presented in the Consolidated Statements of Comprehensive Income as a single line which comprises the post-tax profit or loss of the discontinued operation along with the post-tax gain or loss recognized on the re measurement to fair value less cost to sell or on disposal of the asset consisting discontinued operations.

**F. Property and equipment**

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price and any costs directly attributable to bringing the asset into working condition for its intended purpose. Amortization is provided over the estimated useful lives of assets as follows. Land is not depreciated.

- Building – straight line over fifty years;
- Leasehold improvements – straight-line over the lesser of five years and remaining lease term;
- Furniture and equipment – 20% to 30% declining balance or straight line;
- Equipment under finance leases – straight line over lease term.

Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges. Depreciation commences on the date the asset is available for use and capable of operating in the manner intended by management.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Consolidated Statements of Comprehensive Income in the period in which the item is derecognized.

**G. Intangible assets and goodwill**

**i. Intangible Assets**

The Company's finite life and indefinite life intangible assets are recorded at their cost which, for intangible assets acquired in business combinations, represents the acquisition date fair value.

Indefinite life intangible assets include accreditations and registrations, brand and trade names, and Chinese university partnership contracts. The Company considers such assets to represent an ongoing benefit to the Company through an indefinite period of control of such assets and expected usage. Such intangible assets are not subject to amortization and are tested for impairment annually or where an indication of impairment exists as described under "Impairment of intangible assets and property and equipment" below.

Finite life intangible assets, which include curriculum, foreign cooperative agreements, and agency fees, are carried at cost less accumulated amortization and impairment losses. The Company capitalizes direct costs incurred in developing programs and curriculums for new courses as intangible assets with finite life. These costs are amortized to direct educational cost on a straight-line basis over the expected life of the course (ranging from 3 to 48 months) upon commencement of the new courses. Costs relating to the ongoing development and maintenance of existing courses are expensed as incurred. For language programs in SSCC, SSLC and VIC, the Company engages a network of agents in foreign countries, who recruit and/or provide ongoing services to international students to attend the Company's programs in Canada. Agency fees attributable to each student, are deferred as intangible assets and recognized proportionately over the period in which the student receives instruction to match with the tuition fee revenues.

**NOTE 29 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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Amortization is calculated over periods ranging from less than 1 year to 15 years on a straight-line basis, being their estimated useful lives. The expected useful lives of assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively. Finite life intangible assets are tested for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable as described under *Impairment of intangible assets and property and equipment* below.

**ii. Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the cash generating unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods. Management evaluates goodwill for impairment annually as of August 31st. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**H. Impairment of intangible assets and property and equipment**

The carrying amount of property and equipment and intangible assets with a finite life are reviewed each reporting period to determine whether events or changes in circumstances indicate that their carrying amounts may not be recoverable. Intangible assets with an infinite life are reviewed and tested on an annual basis or whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The recoverable amount is the higher of an asset's fair value less costs of disposal or its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**I. Leases**

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognized at the lower of the fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of lease expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**NOTE 29 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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**J. Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where appropriate, the future cash flow estimates are adjusted to reflect risks specific to the liability.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized within financing costs.

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Company. Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of economic resources is considered remote.

**K. Inventory**

Inventories, which are comprised primarily of textbooks and other education materials, are valued at the lower of cost and net realizable value, with cost being determined on a weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**L. Share related items**

**Treasury Shares**

The Company from time to time acquires its own common shares into treasury. The carrying amount of these reacquired shares is recorded as a separate component of shareholders' equity. If any of these shares are resold, the resulting gains are recorded as reserves in equity and resulting losses are applied first against prior reserves, if any, and secondly to retained earnings (deficit). When treasury shares are cancelled, the cost of the shares is charged first to the prior reserve gains, if any, and secondly to retained earnings (deficit).

**Share-based payments**

The Company grants stock options to certain directors and employees to acquire shares in the common stock of the Company in accordance with the terms of the Company's stock option plan. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. The fair value is measured for each tranche at grant date and is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted, and management's estimate of forfeitures and expected volatility based on historical volatility. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that vest.

**Earnings per share**

Basic earnings per share figures have been calculated by dividing net income (loss) attributable to common shareholders by the weighted monthly average number of shares outstanding during the respective reporting periods. The Company follows the treasury stock method for determining diluted earnings per share. This method assumes that proceeds received from in-the-money stock options and share purchase warrants are used to repurchase common shares at the average prevailing market rate during the reporting period. Anti-dilutive stock options and share purchase warrants are not considered in computing diluted earnings per share. Treasury shares are excluded from the calculation of earnings per share.

**NOTE 29 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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**M. Income taxes**

Income tax expense represents current tax and deferred tax. The Company records current tax based on the taxable profits for the period which is calculated using tax rates that have been enacted or substantively enacted by the reporting date. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred income taxes are accounted for using the liability method. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax basis of assets and liabilities and measured using the substantively enacted tax rates and laws in effect when the differences are expected to reverse. The effect of a change in tax rates or tax legislation is recognized in the period of substantive enactment. Deferred tax assets, such as unused tax losses, income tax reductions, and certain items that have a tax basis but cannot be identified with an asset or liability on the statement of financial position, are recognized to the extent it is probable that taxable profit will be available against which the asset can be utilized.

**NOTE 30 – SEGMENTED INFORMATION**

The Company's primary industry and geographic segments are in China where CIBT operates technical and career training schools, and in Canada where SSCC operates technical and career training schools, where SSLC and VIC operates English language schools, IRIX conducts web design and advertising services, and GECH conducts education related real estate projects. The Company's corporate operations are also in Canada. Transactions between CIBT, SSCC, SSLC / VIC, IRIX, GECH and the Company (Corporate) are reported as inter-segment transactions and are eliminated on consolidation. Information reported to the Company's Chief Executive Officer for the purposes of resource allocation and assessment of segment performance focuses on the Company's business segments by geographic segments. During the year ended August 31, 2017, and directly associated with the purchase of KGIC assets (Note 5), management assessed that SSLC/VIC constituted a reportable segment.

**Industry and Geographic Segments**

	Year Ended August 31, 2018						
	CIBT China	SSCC (Canada)	SSLC/VIC (Canada)	IRIX (Canada)	GECH (Canada)	Corporate (Canada)	Consolidated
Revenues							
Educational	\$ 2,115,193	\$ 34,383,836	\$ 12,984,992	\$ -	\$ -	\$ -	\$ 49,484,021
Design and advertising	-	-	-	1,096,658	-	-	1,096,658
Commissions and referral fees	903,903	-	-	-	-	-	903,903
Development fees	-	-	-	-	-	12,805,410	12,805,410
Rental	-	-	-	-	10,609,929	-	10,609,929
	<u>\$ 3,019,096</u>	<u>\$ 34,383,836</u>	<u>\$ 12,984,992</u>	<u>\$ 1,096,658</u>	<u>\$ 10,609,929</u>	<u>\$ 12,805,410</u>	<u>\$ 74,899,921</u>
Revenues, net of direct costs	\$ 1,230,109	\$ 21,299,235	\$ 4,472,955	\$ 846,823	\$ 5,338,604	\$ 12,805,410	\$ 45,993,136
Other expenses and items:							
General and administrative	(1,034,198)	(16,372,760)	(6,656,822)	(854,100)	(2,064,059)	(5,413,226)	(32,395,165)
Amortization	(94,336)	(995,128)	(287,676)	(11,133)	(419,382)	(3,760)	(1,811,415)
Share-based payment expense	-	-	-	-	-	(262,718)	(262,718)
Interest and other income	102,152	-	183,008	4,059	1,781,655	-	2,070,874
Foreign exchange gain (loss)	3,427	-	-	19,320	(244)	(5,516)	16,987
Finance costs	-	(157,560)	-	-	(4,395,999)	(42,416)	(4,595,975)
Finance fees	-	-	-	-	(1,039,765)	-	(1,039,765)
Income (loss) from investment in associates	-	-	-	-	(669,951)	-	(669,951)
Business acquisition costs	-	-	-	-	(85,079)	-	(85,079)
Impairment in value of long-lived assets	-	(134,000)	(526,104)	-	-	-	(660,104)
Gain on fair value changes in investment properties	-	-	-	-	43,497,343	-	43,497,343
Gain (loss) on disposal of assets	-	(7,832)	-	-	2,303,504	-	2,295,672
Income tax recovery (provision), net	(128,057)	(843,547)	898,403	(16,629)	(3,822,631)	(3,070,214)	(6,982,675)
Inter-segment transactions	290,691	(747,589)	5,352	46,107	166,708	238,731	-
Net income (loss)	<u>\$ 369,788</u>	<u>\$ 2,040,819</u>	<u>\$ (1,910,884)</u>	<u>\$ 34,447</u>	<u>\$ 40,590,704</u>	<u>\$ 4,246,291</u>	<u>\$ 45,371,165</u>

**NOTE 30 – SEGMENTED INFORMATION (cont'd)**

**Industry and Geographic Segments**

**August 31, 2018**

	CIBT China	SSCC (Canada)	SSLC / VIC (Canada)	IRIX (Canada)	GECH (Canada)	Corporate (Canada)	Consolidated
Total assets	\$ 3,979,003	\$ 33,258,307	\$ 8,750,645	\$ 265,840	\$ 291,367,850	\$ 3,214,987	\$ 340,836,632
Property and equipment	\$ 121,961	\$ 3,012,570	\$ 428,295	\$ 50,785	\$ 58,648,871	\$ 15,042	\$ 62,277,524
Investment properties	\$ -	\$ -	\$ -	\$ -	\$ 144,670,000	\$ -	\$ 144,670,000
Intangible assets	\$ 613,007	\$ 7,579,365	\$ 1,265,071	\$ -	\$ -	\$ -	\$ 9,457,443
Goodwill	\$ -	\$ 5,218,228	\$ 4,838,025	\$ -	\$ 300,000	\$ -	\$ 10,356,253
Total liabilities	\$ 845,877	\$ 30,253,861	\$ 3,473,019	\$ 346,409	\$ 127,185,851	\$ 7,079,434	\$ 169,184,451
Non-controlling interests	\$ 36,155	\$ -	\$ -	\$ (167,080)	\$ 122,341,887	\$ -	\$ 122,210,962
Capital expenditures	\$ 7,868	\$ 1,194,500	\$ 93,170	\$ 34,601	\$ 1,208,292	\$ -	\$ 2,538,431

**NOTE 30 – SEGMENTED INFORMATION (cont'd)**

**Industry and Geographic Segments**

	Year ended August 31, 2017						
	CIBT China	SSCC (Canada)	SSLC/VIC (Canada)	IRIX (Canada)	GECH (Canada)	Corporate (Canada)	Consolidated
Revenues							
Educational	\$ 1,726,461	\$ 27,953,447	\$ 8,030,989	\$ -	\$ -	\$ -	\$ 37,710,897
Design and advertising	-	-	-	998,824	-	-	998,824
Commissions and referral fees	852,172	-	-	-	-	-	852,172
Development fees	-	-	-	-	15,000	5,357,144	5,372,144
Rental	-	-	-	-	8,623,826	-	8,623,826
	<u>2,578,633</u>	<u>\$ 27,953,447</u>	<u>\$ 8,030,989</u>	<u>\$ 998,824</u>	<u>\$ 8,638,826</u>	<u>\$ 5,357,144</u>	<u>\$ 53,557,863</u>
Revenues, net of direct costs	\$ 1,142,560	\$ 16,463,049	\$ 2,823,065	\$ 758,015	\$ 2,871,886	\$ 5,357,144	\$ 29,415,719
Other expenses and items:							
General and administrative	(1,181,567)	(13,778,770)	(3,991,388)	(751,464)	(845,119)	(4,144,434)	(24,692,742)
Amortization	(76,081)	(844,750)	(120,316)	(17,335)	(127,147)	(4,700)	(1,190,329)
Share-based payment expense	-	-	-	-	-	(194,365)	(194,365)
Interest and other income	193,266	180,000	19,936	2,425	1,385,217	1,017	1,781,861
Foreign exchange gain (loss)	(81,827)	-	-	41,606	1,647	(1,714)	(40,288)
Finance costs	-	(81,940)	-	-	(1,775,472)	(16,367)	(1,873,779)
Finance fees	-	-	-	-	(752,467)	(13,800)	(766,267)
Income (loss) from investment in associates	-	-	-	-	(1,268,036)	-	(1,268,036)
Business acquisition costs	-	-	(461,191)	-	-	-	(461,191)
Settlement of pre-existing conditions	-	-	(1,149,922)	-	-	-	(1,149,922)
Gain on fair value changes in investment properties	-	-	-	-	10,470,322	-	10,470,322
Gain (loss) on disposal of assets	-	(1,468)	107,833	37,768	-	-	144,133
Income tax recovery (provision), net	(11,491)	(409,221)	851,920	(34,368)	(1,409,633)	(878,289)	(1,891,082)
Inter-segment transactions	-	(493,067)	-	49,391	(1,814,487)	2,258,163	-
Net income (loss)	<u>\$ (15,140)</u>	<u>\$ 1,033,833</u>	<u>\$ (1,920,063)</u>	<u>\$ 86,038</u>	<u>\$ 6,736,711</u>	<u>\$ 2,362,655</u>	<u>\$ 8,284,034</u>

**NOTE 30 – SEGMENTED INFORMATION (cont'd)**

Industry and Geographic Segments	August 31, 2017						
	CIBT	SSCC	SSLC / VIC	IRIX	GECH	Corporate	Consolidated
	China	(Canada)	(Canada)	(Canada)	(Canada)	(Canada)	
Total assets	\$ 3,819,200	\$ 28,367,254	\$ 7,335,537	\$ 181,335	\$ 125,478,529	\$ 1,736,433	\$ 166,918,288
Property and equipment	\$ 180,446	\$ 2,613,516	\$ 586,201	\$ 27,317	\$ 716,017	\$ 18,802	\$ 4,142,299
Investment properties	\$ -	\$ -	\$ -	\$ -	\$ 101,010,000	\$ -	\$ 101,010,000
Intangible assets	\$ 637,685	\$ 8,318,673	\$ 1,458,754	\$ -	\$ -	\$ -	\$ 10,415,112
Goodwill	\$ -	\$ 5,556,538	\$ 4,499,715	\$ -	\$ -	\$ -	\$ 10,056,253
Total liabilities	\$ 590,161	\$ 24,169,647	\$ 2,590,739	\$ 277,409	\$ 60,618,404	\$ 1,697,168	\$ 89,943,528
Non-controlling interests	\$ 44,889	\$ -	\$ -	\$ (183,959)	\$ 47,420,033	\$ -	\$ 47,280,963
Capital expenditures	\$ 110,230	\$ 1,020,259	\$ 128,438	\$ (52,905)	\$ 576,219	\$ -	\$ 1,782,241

**--- END OF FINANCIAL STATEMENTS ---**