



CIBT EDUCATION GROUP INC.
CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2021

EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE NOTED

INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

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CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Shareholders of CIBT Education Group Inc.

Opinion

We have audited the consolidated financial statements of CIBT Education Group Inc. (the "Entity"), which comprise:

- the consolidated statement of financial position as at August 31, 2021
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at August 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

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

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

Emphasis of Matter – Comparative Information

We draw attention to Note 28(q) to the financial statements ("Note 28"), which explains that certain comparative information presented for the year ended August 31, 2021 has been recasted.

Note 28 explains the reason for the recast and also explains the adjustments that were applied to recast certain comparative information.



Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended August 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Evaluation of the Fair Value of Investment Properties

Description of the Matter

We draw attention to Note 3(b), Note 5, and Note 28(e) to the financial statements. The Entity has recorded investment properties at fair value. The fair value of investment properties is \$323 million. Significant assumptions in determining the fair value of investment properties include:

- stabilized future cash flows to be generated by the investment properties;
- capitalization rates applied to these cash flows; and
- price per buildable square foot.

Why the Matter is a Key Audit Matter

We identified the evaluation of the fair value of investment properties as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of investment properties and the high degree of estimation uncertainty in determining the fair value of investment properties. In addition, significant auditor judgment and specialized skills and knowledge were required in evaluating the results of our audit procedures due to the sensitivity of the Entity's determination of the fair value of investment properties to minor changes to certain significant assumptions.

How the Matter was Addressed in the Audit

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

- For a selection of investment properties, we compared the stabilized future cash flows to be generated by the investment properties to the actual historical cash flows generated in prior years and local real estate market outlook reports. We took into account changes in conditions and events affecting the investment properties to assess the adjustments, or lack of adjustments, made by the Entity.



- We involved valuations professionals with specialized skills and knowledge, who assisted in evaluating the appropriateness of the capitalization rates and price per buildable square foot. For a selection of investment properties, the capitalization rates were evaluated by comparing them to published reports of real estate industry commentators, while considering the features of the specific investment property. For a selection of investment properties, the price per buildable square foot was evaluated by comparing them to comparable market transactions.

Other Matter – Comparative Information

The financial statements for the year ended August 31, 2020, excluding the adjustments that were applied to recast certain comparative information, were audited by another auditor who expressed an unmodified opinion on those financial statements on November 30, 2020.

As part of our audit of the financial statements for the year ended August 31, 2021, we also audited the adjustments that were applied to recast certain comparative information presented for the year ended August 31, 2020. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to recast certain comparative information, we were not engaged to audit, review or apply any procedures to the financial statements for the year ended August 31, 2020. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

Other Information

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

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

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

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

We have nothing to report in this regard.



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

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

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

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

Auditors’ Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
November 29, 2021

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

	August 31, 2021	August 31, 2020
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 18,338	\$ 23,030
Restricted cash	739	239
Trade and other receivables (Note 11)	21,173	26,179
Current development assets (Note 6)	25,931	500
Income taxes receivable	-	28
Prepayments	2,909	4,157
Inventory	852	656
TOTAL CURRENT ASSETS	69,942	54,789
Investment properties (Note 5)	322,606	246,327
Property and equipment (Note 7)	58,390	59,126
Right-of-use assets (Note 8(a))	11,920	11,908
Development assets (Note 6)	41,390	64,498
Intangible assets and goodwill (Note 9)	12,716	13,304
Deferred income tax assets (Note 20(c))	1,020	1,631
Other	1,055	1,184
TOTAL ASSETS	\$ 519,039	\$ 452,767
LIABILITIES		
CURRENT		
Trade and other payables (Note 12)	\$ 18,866	\$ 16,438
Income taxes payable	176	1,501
Deferred revenue	25,001	20,405
Current portion of borrowings (Note 13)	156,894	118,601
Current lease liabilities (Note 8(b))	3,894	3,970
TOTAL CURRENT LIABILITIES	204,831	160,915
Borrowings (Note 13)	87,356	86,314
Lease liabilities (Note 8(b))	12,283	13,480
Deferred income tax liabilities (Note 20(c))	10,986	11,479
TOTAL LIABILITIES	315,456	272,188
EQUITY		
SHARE CAPITAL	46,573	49,534
RESERVES (Note 14(c))	6,770	6,108
DEFICIT	(2,841)	(4,616)
ACCUMULATED OTHER COMPREHENSIVE INCOME	295	243
Shareholders Equity	50,797	51,269
Non-controlling interests (Note 16(a))	152,786	129,310
TOTAL EQUITY	203,583	180,579
TOTAL LIABILITIES AND EQUITY	\$ 519,039	\$ 452,767

COMMITMENTS & CONTINGENCIES (Note 24)
EVENTS AFTER THE REPORTING PERIOD (Note 27)

Approved on behalf of the Board:

"Toby Chu"

Toby Chu, Chief Executive Officer & Director

"Troy Rice"

Troy Rice, Director

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

CIBT EDUCATION GROUP INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS EXCEPT PER SHARE DATA

	Year Ended August 31, 2021	Year Ended August 31, 2020
REVENUES		
Educational	\$ 46,233	\$ 46,875
Rental (Note 5(c))	9,878	10,016
Development fees	3,134	4,540
Design and advertising	996	716
Commissions and referral fees	628	401
	60,869	62,548
DIRECT COSTS		
Educational	20,065	20,548
Rental (Note 5(c))	4,752	4,750
Design and advertising	514	158
Commissions and referral fees	338	183
	25,669	25,639
OTHER EXPENSES		
General and administrative (Note 17)	28,734	27,952
Amortization of property, equipment and intangible assets	5,114	4,609
Share-based payment expense (Note 15)	108	208
	33,956	32,769
OPERATING INCOME	1,244	4,140
Finance costs (Note 18)	(12,513)	(8,168)
Net gain (loss) on fair value changes in investment properties (Note 5(a))	8,802	(5,730)
Other income, net (Note 19)	8,175	5,317
INCOME (LOSS) BEFORE INCOME TAXES	5,708	(4,441)
INCOME TAX PROVISION (Note 20(a))	531	310
NET INCOME (LOSS)	\$ 5,177	\$ (4,751)
ATTRIBUTABLE TO:		
CIBT Education Group Inc. shareholders	\$ 4,703	\$ 1,229
Non-controlling interests (Note 16)	\$ 474	\$ (5,980)
	\$ 5,177	\$ (4,751)
Net income (loss) per share attributable to equity holders of CIBT Education Group Inc. (Note 14(d))		
Basic	\$ 0.07	\$ 0.02
Diluted	\$ (0.01)	\$ (0.01)

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

CIBT EDUCATION GROUP INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS EXCEPT PER SHARE DATA

	Year Ended August 31, 2021	Year Ended August 31, 2020
NET INCOME (LOSS)	\$ 5,177	\$ (4,751)
OTHER COMPREHENSIVE INCOME:		
Items that are or may be reclassified subsequent to profit or loss:		
Exchange differences on translating foreign operations	50	45
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ 5,227	\$ (4,706)
ATTRIBUTABLE TO:		
CIBT Education Group Inc. shareholders	\$ 4,755	\$ 1,273
Non-controlling interests (Note 16)	\$ 472	\$ (5,979)
	\$ 5,227	\$ (4,706)

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

CIBT EDUCATION GROUP INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS EXCEPT SHARE DATA

	Note	Share Capital		Reserves	AOCI	Deficit	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
		Number of Common Shares	Dollar Amount						
August 31, 2019		76,532,540	\$ 50,786	\$ 6,571	\$ 199	\$ (6,108)	\$ 51,448	\$ 142,706	\$ 194,154
IFRS 16 adoption adjustment		-	-	-	-	263	263	-	263
September 1, 2019 as restated		76,532,540	\$ 50,786	\$ 6,571	\$ 199	(5,845)	51,711	142,706	194,417
Net income (loss) for the year		-	-	-	-	1,229	1,229	(5,980)	(4,751)
Unrealized translation adjustments		-	-	-	44	-	44	1	45
Total comprehensive income (loss)					44	1,229	1,273	(5,979)	(4,706)
Share-based payments	15	-	-	208	-	-	208	-	208
Payments to non-controlling interests	16(a)	-	-	-	-	-	-	(900)	(900)
Non-controlling interests' contributions	16(a)	-	-	-	-	-	-	4,783	4,783
Changes in ownership interests, net of tax	16(a)	-	-	(398)	-	-	(398)	(13,680)	(14,078)
Purchase of treasury shares	14(b)	-	-	(1,138)	-	-	(1,138)	-	(1,138)
Treasury share cancellations	14(b)	(1,991,500)	(1,253)	1,253	-	-	-	-	-
Shares issued – stock option exercises		2,500	1	-	-	-	1	-	1
Equity component of convertible debt, net		-	-	(388)	-	-	(388)	2,380	1,992
August 31, 2020		74,543,540	\$ 49,534	\$ 6,108	\$ 243	\$ (4,616)	\$ 51,269	\$ 129,310	\$ 180,579
Net income for the year		-	-	-	-	4,703	4,703	474	5,177
Unrealized translation adjustments		-	-	-	52	-	52	(2)	50
Total comprehensive income					52	4,703	4,755	472	5,227
Share-based payments	15	-	-	108	-	-	108	-	108
Payments to non-controlling interests	16(a)	-	-	-	-	-	-	(1,704)	(1,704)
Non-controlling interests' contributions	16(a)	-	-	-	-	-	-	5,246	5,246
Changes in ownership interests, net of tax	16(a)	-	-	201	-	(2,928)	(2,727)	18,689	15,962
Purchase of treasury shares	14(b)	-	-	(2,401)	-	-	(2,401)	-	(2,401)
Treasury share cancellations	14(b)	(4,570,300)	(2,964)	2,964	-	-	-	-	-
Shares issued – stock option exercises	14(a)	5,000	3	(1)	-	-	2	-	2
Equity component of convertible debt, net	13(c)	-	-	(209)	-	-	(209)	773	564
August 31, 2021		69,978,240	\$ 46,573	\$ 6,770	\$ 295	\$ (2,841)	\$ 50,797	\$ 152,786	\$ 203,583

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

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

	Year Ended August 31, 2021	Year Ended August 31, 2020
		Adjusted (Note 28(Q))
OPERATING ACTIVITIES		
Net income (loss)	\$ 5,177	\$ (4,751)
Items not affecting cash:		
Depreciation and amortization (Note 7, 8, 9)	6,799	7,927
Share-based payment expense (Note 15(a))	108	208
Net (gain) loss on fair value changes in investment properties (Note 5(a))	(8,802)	5,730
Impairment of intangible assets and goodwill (Note 19)	410	3,556
Finance costs (Note 18)	12,513	8,168
Interest income on deposit due from developer (Note 19)	(3,411)	(2,794)
Current income tax expense (Note 20(a))	414	1,319
Deferred income tax expense (recovery) (Note 20(a))	117	(1,009)
Loss on disposal of assets (Note 19)	237	53
Other	(1,376)	222
Increase (decrease) in working capital (Note 26(a))	13,906	(8,806)
Cash generated from operations	26,092	9,823
Interest paid	(7,313)	(5,587)
Income taxes paid	(1,673)	3,358
Net cash provided by operating activities	17,106	7,594
INVESTING ACTIVITIES		
Purchases of property and equipment (Note 7)	(1,608)	(476)
Acquisitions of investment properties, net (Note 5)	(55,743)	(29,658)
Capitalized borrowing costs paid	(8,183)	(7,102)
Refundable property deposits (Note 6)	(1,000)	(3,000)
Additions of intangible assets (Note 9)	(1,666)	(2,754)
Other	(516)	(224)
Net cash used in investing activities	(68,716)	(43,214)
FINANCING ACTIVITIES		
Cash flows associated with borrowings (Note 26(b))	56,335	52,791
Payments of lease liabilities (Note 8(c))	(5,311)	(5,252)
Promissory note receivable proceeds, net (Note 11)	217	196
Advances to related parties, net	(905)	(614)
Proceeds from issuance of shares, net of costs (Note 14(b))	2	1
Repurchase of common shares (Note 14(b))	(2,401)	(1,138)
Non-controlling interests, net (Note 16(a))	2,968	(500)
Payment of financing costs (Note 26(b))	(3,960)	(2,087)
Net cash provided from financing activities	46,945	43,397
Effects of exchange rate changes on cash and cash equivalents	(27)	40
Increase (decrease) in cash and cash equivalents	(4,692)	7,817
Cash and cash equivalents, beginning of year	23,030	15,213
Cash and cash equivalents, end of the year	\$ 18,338	\$ 23,030

Supplemental cash flow information (Note 26)

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

CIBT EDUCATION GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of Canadian Dollars except share and per share amounts

August 31, 2021

NOTE 1 – NATURE OF OPERATIONS

CIBT Education Group Inc. (the “Company”) is an educational and student-housing real estate company headquartered in Vancouver, British Columbia, Canada. The Company’s current business operations include education, media communications, revenue producing properties 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 China 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

These consolidated financial statements include the accounts of CIBT Education Group Inc., the ultimate parent company of its consolidated group, and its subsidiaries and are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), effective as of August 31, 2021.

These consolidated financial statements of the Company were approved by the Company’s Board of Directors and authorized for issue on November 29, 2021.

Basis of preparation

These consolidated financial statements were prepared on a going-concern basis, under the historical cost convention except for investment properties and convertible debenture derivatives classified as at fair value through profit or loss. The Company’s accounting policies are described in Note 28 and these policies are consistently applied to all the periods presented.

The Company’s presentation currency is Canadian dollars, and all amounts are presented in thousands of Canadian dollars unless otherwise stated. The consolidated financial statements include the accounts of the Company and those of its subsidiaries, which are entities over which the Company has control (Note 28(A)(i)).

These consolidated financial statements have been prepared on a going concern basis, which contemplates the Company will continue in operation and be able to realize its assets and discharge its liabilities and commitments in the normal course of business for the foreseeable future. For the year ended August 31, 2021, the Company reported a working capital deficiency of \$134,889. Further, as at August 31, 2021, \$156,894 of the Company’s debt was due within the next 12 months. The Company’s approach to managing liquidity is to either renew debt as it comes due or to have sufficient liquidity to settle the obligations and liabilities when due. The Company manages its liquidity risk by forecasting cashflows from operations and anticipating any investing and financing activities. Management is actively involved in the review, planning and approval of significant expenditures and commitments. See Note 22(a) for additional liquidity risk disclosure.

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the preparation of the consolidated financial statements and the application of the Company’s accounting policies, management is required to make judgements, estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosure of contingent liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during each reporting period. The estimates and associated assumptions are limited by the relevance of historical data and uncertainty of future events. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future periods.

CIBT EDUCATION GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of Canadian Dollars except share and per share amounts

August 31, 2021

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus, or “COVID-19” as a pandemic. COVID-19 has resulted and may continue to result in significant business disruption and a significant decline in the global economy. As the Company's business includes providing education services and rental housing to international students and one hotel operation, the travel restriction because of COVID-19 have adversely impacted the Company's operations. COVID-19 was also a contributing factor to the impairment of goodwill and certain intangible assets. Given the dynamic nature of these circumstances, the full extent to which the COVID-19 pandemic may have direct or indirect impact on the Company's business and the related financial reporting implications cannot be reasonably estimated at this time, although the pandemic could materially affect the Company's business, results of operations and financial condition in the future.

As a result of the uncertainty associated with the unprecedented nature of the pandemic, certain significant assumptions made by the Company may be impacted. Uncertain environments make estimating several items in the financial statements more challenging and are likely to result in more frequent changes in management's expectations about the future. In particular, significant assumptions are required when measuring the fair value of the Company's investment properties which are based in part on market conditions. During the year ended August 31, 2021, market conditions have stabilized resulting in less uncertainty surrounding the measurement of fair value; however, the situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the Company are not known at this time. These impacts could include decreases in the valuation of investment properties and potential future decreases in revenue or the profitability of ongoing expenses.

(a) Critical judgements in applying accounting policies

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

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 at August 31, 2021, it controls all the limited partnerships which have been formed to hold the GECH operations of the business (Note 16).

The classification of joint arrangements structured through separate vehicles or joint operations requires significant judgment and depends on the legal form and contractual terms of their arrangements, as well as other facts and circumstances. Where the Company's investment is determined to be a joint arrangement and the parties have joint control of the arrangement of the rights to the assets, and obligations for the liabilities, related to the arrangement, the investment is accounted for using the proportionate consolidation method.

Business combinations

Management uses judgement in determining if a transaction constitutes a business combination, including the use of the optional concentration test which considers whether substantially all the fair value of the gross assets acquired is concentrated in a single asset or a group of similar assets.

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 are offered, which are in addition to and separate from the main source of revenues; management must assess if those ancillary services are insignificant to the business as a whole to determine appropriate classification (Note 5 and 7). The Company operates one hotel which is considered to be owner-occupied and is not considered investment property. Both investments properties and the hotel collectively are part of the GECH operating segment.

CIBT EDUCATION GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of Canadian Dollars except share and per share amounts

August 31, 2021

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

Assessment of indicators of impairment for long-lived assets, finite and indefinite life intangibles

Management reviews depreciable long-lived assets, finite and indefinite life intangibles for impairment triggers to determine if any events or changes in circumstances exist that would indicate that the carrying amount of an asset may not be recoverable over time. If impairment indicators exist, impairment assessments are conducted at the asset level or level of cash generating units (“CGUs”) as appropriate.

The Company holds indefinite life intangible assets including accreditations and registrations, brand-names and trade-names, and Chinese university agreements. Management assesses at each annual reporting period whether there have been any changes in the current market or regulatory environment that would impact the conclusion that these intangibles have indefinite life.

Value of convertible debt components

At inception of an instrument, the Company determines the value of the components of the convertible debt depending on the nature of each component. Judgement is required in determining the inputs used in the fair value calculations and in determining the probability of certain outcomes, and changes in those judgements may result in a change to the recognized value of the convertible debt. The Company determines the fair value of embedded derivatives within the convertible debentures at the end of each reporting period until maturity or conversion.

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).

(b) Key sources of estimation uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities and results of operations in future periods, are as follows:

Valuation of investment properties

The Company determines the fair value of each investment property using the appropriate valuation techniques based on whether the investment property is a revenue producing, a property under development or a right-of-use asset. Assumptions and estimates are 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 (Note 5(b)).

Leases

In measuring the Company’s leases under IFRS 16 – *Leases* (“IFRS 16”) which was adopted on September 1, 2019, judgment is required to determine the lease term of the contract including whether the Company is reasonably certain to exercise extension options where it is the lessee. A longer lease term results in a larger lease liability and right-of-use asset to be recognized by the Company and future changes in this lease term will result in modifications. In addition, estimates and assumptions are required to determine the incremental borrowing rate used to measure lease liabilities on adoption and at inception of a lease.

Expected credit loss allowance and provision

The Company determines an expected credit loss allowance for trade receivables based on the estimated expected lifetime credit loss, considering the actual credit loss in prior years and forward-looking estimates of expected collections. This estimate varies depending on the nature of the trade receivables, the majority of which are associated with the education business; however, also includes receivables from the student housing arm and other lines of business. The loss allowance is reviewed at each reporting date and any change in the estimate of the loss allowance required is accounted for prospectively. The Company also assesses the expected credit loss of non-trade financial assets to determine if an allowance is required. Collectivity of customer balances classified as trade receivables may vary from the Company’s estimation (Note 22(b)).

CIBT EDUCATION GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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August 31, 2021

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Key sources of estimation uncertainty (continued)

Impairment of long-lived assets, indefinite life intangible assets and goodwill

Indefinite life intangible assets and goodwill are reviewed for impairment annually on August 31 or more frequently if changes in circumstances indicate that the carrying value may be impaired. The Company completed its annual impairment testing at August 31, 2021 and determined certain intangible assets and goodwill were impaired.

Management reviews depreciable long-lived assets for impairment indicators to determine if any events or changes in circumstances exist that would indicate that the carrying amount of an asset may not be recoverable over time. Impairment assessments are conducted at the level of CGU. Impairment of an asset occurs when the carrying value of an asset 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 CGU being measured. The recoverable amount is most sensitive to the discount rate used in the discounted cash flow model as well as to the expected future cash flows and the growth rate.

To arrive at cash flow projections the Company uses estimates of economic and market information over the forecast period, including expected results which incorporate assumptions underlying the length of time management expects it will take for revenue and operational activities to recover from the impacts of COVID-19. Where goodwill is considered impaired, impairment losses are not reversed in subsequent periods if the recoverable amount increases. If future growth and results of the CGU 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 CGU, including the amounts of allocated goodwill and indefinite life intangible assets, and result in an impairment charge (Note 10).

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 may change the utilization of certain assets (Note 7 and 9).

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

(a) Application of new and revised IFRSs

The Company has applied the following new standards and amendments starting September 1, 2020 as issued by the IASB and incorporated in the Chartered Professionals Accountants of Canada Handbook.

- Conceptual Framework and Definition of Material (Amendments to IAS 1 and 8). The amendments to IAS 1 – *Presentation of financial statements* provide guidance on determining what accounting policies should be disclosed by determining whether they are material or significant accounting policies. The amendments to IAS 8 – *Accounting policies, changes in accounting estimates and errors* clarify how to distinguish changes in accounting policies from changes in accounting estimates. The Company adopted the standard effective September 1, 2020. There was no impact as a result of the adoption of the amendments on the Company's consolidated financial statements.
- Definition of a Business (Amendments to IFRS 3). The amendments provide guidance on whether a transaction should be accounted for as a business combination or an asset acquisition. The amendments include an election to use a concentration test which is a simplified assessment that results in an asset acquisition of substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. The Company adopted the standard effective September 1, 2020. There was no impact as a result of the adoption of the amendment on the Company's consolidated financial statements.

CIBT EDUCATION GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 4 – APPLICATION OF NEW AND REVISED IFRSs AND FUTURE ACCOUNTING POLICIES (continued)

(b) New accounting standards, interpretations and amendments not yet effective

There are a number of new accounting standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to early adopt.

In February 2021, the IASB issued amendments to two existing accounting standards regarding accounting estimates and accounting policies. The amendments issued were *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)*, which helps preparers determine which accounting policies to disclose in their financial statements, and *Definition of Accounting Estimates (Amendments to IAS 8)* which helps entities to distinguish between accounting policies and accounting estimates. These amendments are applicable to the Company starting September 1, 2023 with early adoption permitted and are not expected to have a material impact. The Company has decided not to early adopt any of these standards at this time.

Other narrow scope amendments/interpretations

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current (Amendments to IAS 1)* which provides a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments are effective for annual periods beginning on or after January 1, 2023 with early adoption permitted. The Company has not yet assessed the impact of this amendment.

NOTE 5 – 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. The Company selected the fair value model to apply to its investment properties.

	August 31, 2021	August 31, 2020
Balance, beginning of period	\$ 246,327	\$ 201,450
Recognition of right-of-use asset on initial application of IFRS 16 ⁽¹⁾	-	6,823
Adjusted balance	246,327	208,273
Acquisitions ⁽²⁾	48,500	31,569
Capital additions	16	61
Remeasurement of lease liability	-	97
Development costs	8,740	2,728
Capitalized borrowing costs ⁽³⁾	10,221	9,329
Net (loss) gain on change in fair value	8,802	(5,730)
Balance, end of period	\$ 322,606	\$ 246,327

⁽¹⁾ Land and building sold in August 2018 and leased back by the Company represents a right-of-use asset on adoption of IFRS 16 on September 1, 2019. The right-of-use asset is classified as an investment property and is not included in the balances presented in Note 8 – Leases. The fair value of the right-of-use asset is determined based on present value of the estimated future net cash flows of the right-of-use asset. The change in fair value of the right-of-use asset between the lease commencement date and September 1, 2019, the initial application date of IFRS 16, was recorded as an adjustment to opening deficit net of tax.

⁽²⁾ On October 27, 2020, a limited partnership controlled by the Company purchased two occupied rental apartment buildings located in Metro Vancouver for a total purchase price of \$48,500. The Company obtained financing to fund a portion of the purchase price. The Company accounted for this transaction as an asset acquisition in accordance with its accounting policy.

⁽³⁾ Borrowing costs are capitalized on properties under development which are considered qualifying assets. Borrowings are directly associated with the specific project.

CIBT EDUCATION GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 5 – INVESTMENT PROPERTIES (continued)

(b) Fair value and measurement of fair values

The Company has chosen to apply the fair value model and as such is required to measure all its investment properties at fair value, with any gain or loss arising from changes in the fair values of investment properties required to be recognised in profit or loss in the period of change. The following table presents the carrying value of investment properties using the fair value model:

	August 31, 2021		August 31, 2020
Total revenue producing properties	\$ 156,606	\$	105,327
Total properties under development	166,000		141,000
Total fair value of investment properties	\$ 322,606	\$	246,327

i. Fair value hierarchy

The fair value of each investment property is valued at least annually at the end of each financial year by external independent professionally qualified appraisers with recent experience in the location and category of the investment property being valued, with the exception of investment property classified as right-of-use assets. At the end of each reporting period, the Company records the fair value of its investment properties taking into consideration such valuations and existing at the date of valuation. For the investment property classified as a right-of-use asset, the fair value is determined at the end of each reporting period based on the present value of discounted cash flows receivable under the lease until the end of the lease.

The valuation of investment properties is a level 3 fair value measurement as it involves significant unobservable inputs and fluctuations in the inputs could significantly alter the fair value. There was an additional valuation technique applied in determining the fair value of investment properties for the year ended August 31, 2021 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, the significant unobservable inputs used, and the interrelationship between the unobservable inputs and the resulting fair value measurement. The revenue producing investment properties are valued based on the highest and best use for the specific property, which does not differ from their actual use.

Valuation Technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement
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Valuation method used for revenue producing properties

Income approach:

The valuation method is based on forecasted stabilized net operating income (“NOI”)⁽¹⁾ divided by an overall capitalization rate based on current market expectations.

- Stabilized future cash flows to be generated by the investment properties.
- Capitalization rates.

The estimated fair value would increase (decrease) if: (a) stabilized future cash flows to be generated by the investment properties was higher (lower); and (b) capitalization rates were lower (higher).⁽²⁾

⁽¹⁾ 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.

⁽²⁾ When the capitalization rate is applied to NOI there is a significant impact whereby the lower the capitalization rate, the higher the fair value. Small incremental increases or decreases in unobservable inputs can have a significant impact on the measurement of fair value.

CIBT EDUCATION GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 5 – INVESTMENT PROPERTIES (continued)

(b) Fair value and measurement of fair values (ii) (continued)

Valuation methods used for properties under development

Valuation Technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement
<p><u>Direct comparison approach:</u> The valuation method is based on comparison to recent sales of properties of similar types, location and quality.</p>	<ul style="list-style-type: none"> Price per buildable square foot. 	The estimated fair value would increase (decrease) if: the price per buildable square foot based on comparable market transactions increased (decreased).
<p><u>Residual land value approach:</u> The valuation method is based on determining the value of the property when complete and adjusting for development, financing and other costs required to complete and developer's profit.</p>	<ul style="list-style-type: none"> Stabilized future cash flows to be generated by the investment properties. Capitalization rates. 	The estimated fair value would increase (decrease) if: (a) stabilized future cash flows to be generated by the investment properties was higher (lower); and (b) capitalization rates were lower (higher).

iii. Sensitivity analysis

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, 2021. This amount reflects expectations about the potential economic impact of COVID-19 on these properties over the year. The right-of-use asset investment property is not included in the analysis below.

Net operating income		-1.00%	-0.50%	As Forecasted	+0.50%	+1.00%
Capitalization Rate						
-0.25%	3.47%	9,366	10,185	11,003	11,822	12,640
Capitalization Rate ⁽¹⁾	3.72%	(1,527)	(764)	-	764	1,527
+0.25%	3.97%	(11,048)	(10,333)	(9,617)	(8,902)	(8,187)

⁽¹⁾ Weighted-average capitalization rate for revenue producing properties used in fair value measurement with range of inputs between 3.50% and 3.75%. For the year ended August 31, 2020, the weighted average capitalization rate was 3.80%.

Properties under development

The fair value of properties under development has been measured under one of two methods depending on the stage of development of the property; the direct comparison approach or the residual land value approach.

The direct comparison approach uses 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 the planned building, development time frame and planning status at measurement date. For the three properties under development at August 31, 2021, an increase/decrease in the price per buildable sq. ft. of 2.0% would increase/decrease the fair value of the properties under development assets by \$2,798 and a 4% increase/decrease would increase/decrease the fair value by \$5,596. At August 31, 2020, an increase/decrease in the price per buildable sq. ft. of 2.0% would increase/decrease the fair value of the properties under development assets by \$2,820 and a 4% increase/decrease would increase/decrease the fair value by \$5,640.

CIBT EDUCATION GROUP INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

All amounts in thousands of Canadian Dollars except share and per share amounts

August 31, 2021

NOTE 5 – INVESTMENT PROPERTIES (continued)**(b) Fair value and measurement of fair values, *iii. Sensitivity analysis (continued)***

The residual land value approach uses the projected NOI and comparable property capitalization rates to the property once completed to determine a residual value which is then reduced by the estimated direct development costs to complete the project. The following table summarizes the sensitivity impact of changes in both capitalization rates and NOI on the fair value of the property measured under the residual land value approach as at August 31, 2021.

Net operating income		-1.00%	-0.50%	As Forecasted	+0.50%	+1.00%
Capitalization Rate						
-0.25%	3.50%	3,104	3,378	3,651	3,925	4,199
Capitalization Rate	3.75%	(511)	(256)	-	256	511
+0.25%	4.00%	(3,674)	(3,435)	(3,195)	(2,955)	(2,716)

During the year ended August 31, 2020, the fair value of properties under development were measured with reference to fewer transactions of a comparable nature compared to the year ended August 31, 2019 as a result of the impacts of COVID-19 on real estate markets. During the year ended August 31, 2021, there were several more comparable properties to consider in the valuation of these properties.

(c) Rental operations

The following presents the activities of the revenue producing investment properties and the hotel included within the Company's real estate portfolio:

	Year ended August 31, 2021	Year ended August 31, 2020
Rental revenues	\$ 9,878	\$ 10,016
Direct operating costs generating revenue	(4,752)	(4,750)
Other indirect costs, including financing	(12,349)	(8,022)
Loss on change in fair value of right-of-use investment property	(1,448)	(1,604)
Net loss	\$ (8,671)	\$ (4,360)

Rental revenues include: (a) lease revenues under IFRS 16 for investment properties; (b) revenue from owner-occupied property service contracts (i.e., hotel); and (c) non-lease components and other revenues under IFRS 15 – *Revenue from contracts with customers*. Substantially all of the investment properties rental contracts with tenants have a term of one year or less.

CIBT EDUCATION GROUP INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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NOTE 6 – DEVELOPMENT ASSETS

The following represents balances associated with the Company's real estate properties under development:

	August 31, 2021		August 31, 2020	
Deposits ⁽¹⁾	\$	40,000	\$	40,500
Receivable from developer ⁽²⁾		25,931		23,044
Deferred costs ⁽³⁾		1,390		1,454
	\$	67,321	\$	64,998
Current deposits		-		500
Current receivable from developer		25,931		-
Current development assets	\$	25,931	\$	500
Non-current development assets	\$	41,390	\$	64,498

⁽¹⁾ Deposits advanced to parties under real estate agreements which are applied to the purchase price of a property in the period the property is purchased. Deposits are refundable subject to the terms of the agreement if the purchase of a property is not completed. At August 31, 2021, all of this balance relates to transactions with GEC Limited Partnership 9 related to GEC Project 9 (Note 16(b)) (August 31, 2020 - \$40,000 of balance relates to GEC Project 9).

⁽²⁾ Relates to GEC Project 9 described below. At August 31, 2021, the amount includes \$5,931 interest receivable on deposit due from developer (August 31, 2020 - \$3,044). (Note 22(b)).

⁽³⁾ Deferred costs are mainly associated with costs incurred on properties under development which are transferred to the investment property carrying value on purchase.

GEC Project 9

Pursuant to a Purchase and Development Agreement ("LP9 PDA") with a Vancouver developer for the construction of a number of buildings, at August 31, 2019, a controlled subsidiary of the Company, GEC Limited Partnership 9 ("LP 9") had paid a total of \$60,000 in deposits associated with the right to purchase the completed project. In March 2019, the LP9 PDA was amended to reflect that \$20,000 of the deposits already paid would be returned to GEC LP 9 in accordance with the terms of the agreement versus being applied to the purchase. The \$20,000 deposit became subject to interest of 15% per annum when certain milestones were not met by the developer. During the year ended August 31, 2020, there was an amendment to the terms of the LP9 PDA to further define certain terms including escalating interest and it was determined that repayment at a date in advance of closing of the purchase will be based on the developer receiving third party financing. The Company expects to fully realize all amounts based on the value of collateral securing the deposit. See Note 22(b) for additional credit risk disclosure.

CIBT EDUCATION GROUP INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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NOTE 7 – PROPERTY AND EQUIPMENT**Reconciliation of carrying amounts**

	Land & Buildings ⁽²⁾	Furniture & equipment	Leaseholds	Equipment Lease	Total
Cost					
At August 31, 2019	56,879	8,400	4,434	1,187	70,900
IFRS 16 adoption adjustments ⁽¹⁾	-	-	(1,134)	(1,148)	(2,282)
At September 1, 2019	56,879	8,400	3,300	39	68,618
Additions and other movements	-	345	170	(39)	476
Disposals	-	(31)	-	-	(31)
Foreign exchange adjustments	-	10	-	-	10
August 31, 2020	\$ 56,879	\$ 8,724	\$ 3,470	\$ -	\$ 69,073
Additions	-	732	876	-	1,608
Disposals and other ⁽³⁾	-	(4,706)	(442)	-	(5,148)
Foreign exchange adjustments	-	164	49	-	213
August 31, 2021	\$ 56,879	\$ 4,914	\$ 3,953	\$ -	\$ 65,746
Accumulated Depreciation					
At August 31, 2019	(423)	(5,376)	(2,980)	(705)	(9,484)
IFRS 16 adoption adjustments ⁽¹⁾	-	-	168	705	873
At September 1, 2019	(423)	(5,376)	(2,812)	-	(8,611)
Depreciation for the year	(287)	(1,005)	(79)	-	(1,371)
Disposals	-	29	16	-	45
Foreign exchange adjustments	-	(10)	-	-	(10)
August 31, 2020	\$ (710)	\$ (6,362)	\$ (2,875)	\$ -	\$ (9,947)
Depreciation for the year	(288)	(1,488)	(409)	-	(2,185)
Disposals and other ⁽³⁾	-	4,478	433	-	4,911
Foreign exchange adjustments	-	(86)	(49)	-	(135)
August 31, 2021	\$ (998)	\$ (3,458)	\$ (2,900)	\$ -	\$ (7,356)
Net carrying amounts					
At August 31, 2020	\$ 56,169	\$ 2,362	\$ 595	\$ -	\$ 59,126
At August 31, 2021	\$ 55,881	\$ 1,456	\$ 1,053	\$ -	\$ 58,390

⁽¹⁾ As at September 1, 2019, equipment under finance leases were assessed under IFRS 16 and removed from the caption Equipment Lease above and included as right-of-use assets – equipment. In addition, tenant improvement allowances were adjusted from leasehold assets on adoption of IFRS 16 and do not form part of the right-of-use asset. Right-of-use assets associated with premises are classified separately from Property and Equipment.

⁽²⁾ At August 31, 2021, the land and buildings form security for the principal borrowing of \$45,390 of the Company's one hotel beneficially owned by GEC Limited Partnership 8.

⁽³⁾ At August 31, 2021, disposals include assets which are fully amortized and no longer in use.

CIBT EDUCATION GROUP INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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NOTE 8 – LEASES

The Company has leased a number of campus premises and equipment in connection with its education business and office premises. The campus leases typically run for a period of at least five years with an option to renew the lease after that date. The Company has also leased a serviced apartment building for its student housing business which has been classified as investment property and for which it earns short-term sublease income. The majority of campus leases require the payment of variable rent for operating costs and taxes which are not based on an index or rate and are recognized as rent expense. Lease payments for short-term leases and leases of low value assets are recognized as rent expense on a straight-line basis over the lease term. For leases where the Company is the lessor see Note 5(c). The maturity analysis of the undiscounted cash flows for lease liabilities is included in Note 22(a).

(a) Right-of-use assets

The following table presents the change in the carrying amount of the Company's right-of-use assets, excluding a right-of-use asset that is classified as investment property:

	Premises		Equipment		Total
September 1, 2019	\$	13,474	\$	522	\$ 13,996
Additions		681		110	791
Changes to leases		101		(40)	61
Depreciation		(2,783)		(157)	(2,940)
August 31, 2020	\$	11,473	\$	435	\$ 11,908
Additions		889		25	914
Changes to leases		1,868		-	1,868
Depreciation		(2,601)		(169)	(2,770)
August 31, 2021	\$	11,629	\$	291	\$ 11,920

(b) Amounts recognized in consolidated statement of comprehensive income (loss)

	Year ended August 31, 2021		Year ended August 31, 2020	
Income from subleasing right-of-use assets ⁽¹⁾	\$	2,012	\$	2,732
<i>The following items are expense items:</i>				
Accretion of lease liabilities ⁽²⁾		1,256		1,486
Depreciation of right-of-use assets		2,770		2,940
Expense relating to short-term and low-value leases ⁽³⁾		162		268
Expense relating to variable lease payments ⁽⁴⁾		2,113		2,155
Expense relating to unrecoverable taxes ⁽³⁾		269		269
Loss on fair value change – right-of-use asset ⁽⁵⁾		1,448		1,604

⁽¹⁾ Included in rental revenues with the exception of \$89 recognized as other income for the year ended August 31, 2021 (August 31, 2020 - \$131). During the year ended August 31, 2021, one leased campus was subleased to third parties in addition to the right-of-use asset classified as investment property.

⁽²⁾ Included in finance costs (Note 18).

⁽³⁾ Included in rent expense within general and administrative expense (Note 17).

⁽⁴⁾ Included in rent expense within general and administrative expense except for \$105 for year ended August 31, 2021 (August 31, 2020 - \$47), respectively, included in direct costs.

⁽⁵⁾ Included in net gain (loss) on fair value changes in investment properties (Note 5(a)(c)).

(c) Amounts recognized in consolidated statement of cash flows

For the year ended August 31, 2021, \$5,311 of payments related to lease liabilities were recognized in the consolidated statement of cash flows as cash outflows classified within financing activities (August 31, 2020 - \$5,252). During the year ended August 31, 2021, total cash outflows associated with leases was \$7,724 which includes payment for variable costs, short-term leases, low-value leases, and non-refundable taxes (August 31, 2020 - \$7,637). These additional costs are included in cash provided by operating activities.

CIBT EDUCATION GROUP INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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NOTE 9 – INTANGIBLE ASSETS AND GOODWILL

Summary of total intangible assets and goodwill is as follows:

	August 31, 2021	August 31, 2020
Intangible assets with definite life (a)	\$ 880	\$ 1,151
Intangible assets with indefinite life (b)	6,318	6,318
Goodwill	5,518	5,835
Total intangible assets and goodwill	\$ 12,716	\$ 13,304

(a) Intangible assets with definite life

	Curriculum	Foreign cooperative agreements	Agency fees	Total
Cost				
August 31, 2019	\$ 2,066	\$ 906	\$ 8,409	\$ 11,381
Additions	47	-	2,707	2,754
Disposals ⁽¹⁾	-	-	(9,434)	(9,434)
Foreign exchange adjustments	-	12	-	12
August 31, 2020	\$ 2,113	\$ 918	\$ 1,682	\$ 4,713
Additions	-	-	1,666	1,666
Disposals ⁽¹⁾	-	-	(2,205)	(2,205)
August 31, 2021	\$ 2,113	\$ 918	\$ 1,143	\$ 4,174
Accumulated amortization				
August 31, 2019	\$ (1,356)	\$ (773)	\$ (7,196)	\$ (9,325)
Amortization ⁽²⁾	(160)	(138)	(3,318)	(3,616)
Disposals ⁽¹⁾	-	-	9,434	9,434
Impairment	(48)	-	-	(48)
Foreign exchange adjustments	-	(7)	-	(7)
August 31, 2020	\$ (1,564)	\$ (918)	\$ (1,080)	\$ (3,562)
Amortization ⁽²⁾	(159)	-	(1,685)	(1,844)
Disposals ⁽¹⁾	-	-	2,205	2,205
Impairment (Note 10)	(93)	-	-	(93)
August 31, 2021	\$ (1,816)	\$ (918)	\$ (560)	\$ (3,294)
Net carrying amounts				
At August 31, 2020	\$ 549	\$ -	\$ 602	\$ 1,151
At August 31, 2021 ⁽³⁾	\$ 297	\$ -	\$ 583	\$ 880

⁽¹⁾ Disposals represent intangible assets which are fully amortized. The amount for the year ended August 31, 2020 includes write-off of amounts fully amortized in prior years.

⁽²⁾ Amortization of agency fees are included in direct educational costs on the consolidated statements of comprehensive income (loss).

⁽³⁾ At August 31, 2021, the weighted average remaining useful life was 4.23 years for curriculum and 0.58 years for agency fees.

CIBT EDUCATION GROUP INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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NOTE 9 – INTANGIBLE ASSETS AND GOODWILL (continued)**(b) Intangible assets with indefinite life**

	Accreditations & registrations	Brand-names & tradenames	Chinese university agreements	Total
Cost				
At August 31, 2019	\$ 2,563	\$ 3,581	\$ 461	\$ 6,605
Impairment loss ⁽¹⁾	(182)	(105)	-	(287)
At August 31, 2020 and 2021	\$ 2,381	\$ 3,476	\$ 461	\$ 6,318

⁽¹⁾ During the year ended August 31, 2020, an impairment loss of \$287 was recognized in other income, net in the consolidated statements of comprehensive income (loss) as certain indefinite life assets were determined to have no recoverable value and were written off. During the year ended August 31, 2021, there was no impairment of these assets.

NOTE 10 – IMPAIRMENT TESTING OF INTANGIBLE ASSETS AND GOODWILL**(a) Carrying amounts**

The following tables reflect the carrying amounts of indefinite life intangible assets and goodwill by cash-generating unit (“CGU”) after the recognition of impairment losses.

Intangible assets with indefinite life	August 31, 2021	August 31, 2020
Sprott Shaw College Corp.	\$ 5,857	\$ 5,857
CIBT Beihai International College	461	461
	\$ 6,318	\$ 6,318
Goodwill ⁽¹⁾	August 31, 2021	August 31, 2020
Sprott Shaw College Corp.	\$ 5,218	\$ 5,218
Sprott Shaw Language College (Ontario) Corp. (“SSLC Ontario”)	-	317
GEC Master 1 Limited Partnership	300	300
	\$ 5,518	\$ 5,835

⁽¹⁾ The carrying amount of goodwill reflects impairment losses totalling \$317 for the year ended August 31, 2021 and \$3,221 for the year ended August 31, 2020.

The Company is required to perform impairment testing on an annual basis. In addition, the Company assesses whether there are indicators of impairment at each reporting date and if they exist, then test whether impairment exists at that date. The recoverable amount was calculated using the value in use method which determines the recoverable amount by discounting the future cash flows expected to be generated from the continuing use of the assets and/or CGU.

(b) Impairment testing for CGUs containing goodwill

The annual impairment tests concluded that the recoverable amount of the SSLC Ontario CGU was less than the carrying amount and the Company recognized an impairment loss of \$410 in the consolidated statements of comprehensive income (loss) for the year ended August 31, 2021 which was allocated \$317 to goodwill and \$93 to curriculum definite life intangible assets. The business unit’s value in use was adversely impacted by a decline in revenues associated with the economic impact of COVID-19 on international education revenues. There was no impairment in the other CGUs.

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NOTE 10 – IMPAIRMENT TESTING OF INTANGIBLE ASSETS AND GOODWILL (continued)**(b) Impairment testing for CGUs containing goodwill (continued)**

The key assumptions used in the estimation of the recoverable amounts for CGUs were as follows. The values assigned to the key assumptions represent management's assessment of cash flow projections for each CGU based on expectations of revenue growth, expense and margin changes based on data from both external and internal sources. The Company's estimates of cash flows incorporated assumptions on the length of time management expects it will take for revenue and operational activities to recover from the impacts of COVID-19. Cash flows were projected over a five-year period including considerations of past experience and actual operating results taking into consideration the expected pattern of recovery from the impact of COVID-19.

	Discount rate ⁽¹⁾		Growth Rate ⁽²⁾⁽³⁾	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Sprott Shaw College Corp.	22.1%	22.1%	1.3%	0.2%
Sprott Shaw Language College (Ontario) Corp.	21.4%	27.5%	24.3%	3.1%
GEC Master 1 Limited Partnership	9.3%	9.5%	3.4%	23.5%

⁽¹⁾ The discount rate is a pre-tax measure estimated based on market sources in the relevant market and in the same currency as the cash flows. Discount rates were not adjusted for a risk premium for COVID-19 as the cash flows were adjusted to consider the estimated economic impact of COVID-19. Discount rates represents the current market assessment of the risks specific to the respective CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate represents the midpoint of the ranges of risks. GEC Master 1 Limited Partnership discount and growth rates are associated with the property held by GEC Granville Limited Partnership.

⁽²⁾ Growth rate represents the five-year compound annual forecasted revenue growth rate. Growth rates are based on expected revenue growth considering past experience, estimated sales volume, and price growth. The growth rate used for SSLC Ontario in the August 31, 2021 impairment test reflect the fact that revenues for the year ended August 31, 2021 were abnormally low due to the impact of COVID-19, and when used as the basis of calculating future growth, resulted in the higher growth rates compared to the prior year. The higher growth rate reflects the expectation that revenues will return to normal levels in future periods. The growth rates used in the August 31, 2021 impairment test for Sprott Shaw College Corp. and GEC Granville Limited Partnership reflect substantial progression already made towards the stabilization of revenues.

⁽³⁾ The terminal value capitalization rate used was 2.0% (August 31, 2020 – 2.0%), which is consistent with the Bank of Canada's inflation target and a reasonable representation of expected long term growth.

Significant management judgement is necessary to evaluate the impact of operating and economic changes, including the estimated economic impacts of COVID-19 on the recoverable amount of the respective CGU. Critical assumptions include timing and rate of revenue recovery which impacts the 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 loss.

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NOTE 11 – TRADE AND OTHER RECEIVABLES

	August 31, 2021		August 31, 2020
Trade receivables	\$ 14,897	\$	16,204
Less: credit loss allowance (Note 22(b))	(3,079)		(1,824)
Net trade receivables	\$ 11,818	\$	14,380
Loans receivable and promissory note receivable	8,098		10,537
Government grant receivable ⁽¹⁾	264		1,183
Other	993		79
	\$ 21,173	\$	26,179

⁽¹⁾ Amounts due from Government of Canada associated with the Canadian Emergency Wage Subsidy and Canada Emergency Rent Subsidy claims which were received after year end.

Loan receivables and promissory note receivable

In August 2019, a limited partnership controlled by the Company (GEC LP 9) advanced a total of \$7,000 to an arm's-length limited partner under a loan receivable agreement. The loan receivable is due on demand and starting September 1, 2020, interest of 7% on the principal amount started to accrue. In December 2020, an additional \$500 was advanced by GEC LP 9 to the same arm's-length party attracting 10% interest since inception. The loan receivables are secured by a pledge against limited partnership units of GEC LP 9 held by the borrower. In November 2021, the principal and accrued interest on the \$500 loan receivable was repaid in full. The promissory note receivable of \$75 as at August 31, 2021 (August 31, 2020 - \$292) was repaid in full in September 2021. In addition, at August 31, 2020 this balance included amounts due to the Company or real estate limited partnerships controlled by the Company from third parties associated with real estate development transactions.

Other

Includes indirect taxes receivable and other amounts associated with security deposits on leased premises. All other amounts have repayment and interest terms in accordance with the agreements or are due on demand and do not attract interest.

NOTE 12 – TRADE AND OTHER PAYABLES

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

	August 31, 2021		August 31, 2020
Trade accounts payable and accrued liabilities	\$ 14,548	\$	11,838
Due to related parties (Note 25(b))	801		781
Other payables	3,517		3,819
Trade and other payables	\$ 18,866	\$	16,438
Trade accounts payable	\$ 6,801	\$	4,708
Payroll and related liabilities	1,781		2,426
Tuition fees and grants payable	2,828		2,239
Tenant lease deposits	947		671
Interest payable on borrowings	1,715		1,794
Other	476		-
Trade accounts payable and accrued liabilities	\$ 14,548	\$	11,838

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NOTE 12 – TRADE AND OTHER PAYABLES (continued)**Other Payables**

Certain subsidiaries of the Company may owe amounts to certain third parties as the result of advances provided either: (a) from prospective third-party investors in certain real estate limited partnerships for the proposed sale of limited partnership units which represents a payable until the units are subscribed and issued; or (b) from other parties associated with real estate limited partnership agreements. At August 31, 2021 and 2020, other payables are mainly associated with amounts due to one real estate limited partnership. There are no terms of repayment and balances do not attract interest.

NOTE 13 – BORROWINGS

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

	August 31, 2021	August 31, 2020
Current liabilities		
Current portion of secured loans (a)	\$ 138,859	\$ 87,605
Credit facility ⁽¹⁾	359	910
Current portion of convertible debentures issued in 2017	185	247
Current portion of convertible debentures (b)	1,133	7,879
Convertible promissory notes (c)	14,358	21,960
Bond payable ⁽²⁾	2,000	-
	<u>\$ 156,894</u>	<u>\$ 118,601</u>
Non-current liabilities		
Secured loans (a)	78,192	85,227
Convertible debentures issued in 2017	-	185
Convertible debentures (b)	5,221	615
Loans payable ⁽³⁾	3,703	-
Other	240	287
	<u>\$ 87,356</u>	<u>\$ 86,314</u>
Total borrowings	<u>\$ 244,250</u>	<u>\$ 204,915</u>

⁽¹⁾ Secured, non-revolving variable rate demand loan repayable in monthly instalments of principal and interest maturing April 2022.

⁽²⁾ In April 2021, the Company issued a bond in the principal sum of \$2,000, maturing twelve months after issuance and bearing interest at 8% per annum payable semi-annually. There are no extension, redemption or conversion options attached to the bond.

⁽³⁾ In April 2021, the Company issued two loans with total principal of \$3,700 which mature in April 2024 subject to certain prepayment and interest deferral provisions. These loans are secured by units in a specific limited partnership controlled by the Company.

Total interest expense associated with borrowings, including interest capitalized to investment properties, was \$21,330 for the year ended August 31, 2021 (August 31, 2020 - \$16,339). Total interest expense associated with borrowings recognized in net income was \$11,109 for the year ended August 31, 2021 (August 31, 2020 - \$7,010). Approximately 61% of the outstanding borrowings at August 31, 2021 have variable interest rates linked to the Canadian prime rate (August 31, 2020 – 67%); however, most of these loans have minimum interest rates. Certain interest rates are subject to minimum and maximum rates with certain loans including escalation clauses.

(a) Secured loans

The following table is a continuity of the activity of the loans secured by mortgages associated with the real estate business. Loan payments are interest only or blended payments of principal and interest. Secured loans have maturity dates ranging from October 2021 to March 2031. Full repayment of loans before maturity is permitted subject to specific criteria and satisfaction of minimum interest payment requirements. See Note 22(a) for cash flow commitments related to these loans and Note 27(a) for financing activity occurring after August 31, 2021.

CIBT EDUCATION GROUP INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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NOTE 13 – BORROWINGS (continued)**(a) Secured loans (continued)**

	August 31, 2021	August 31, 2020
Balance, beginning of year	\$ 172,832	\$ 133,720
Advances ⁽¹⁾	84,249	75,500
Repayments ⁽²⁾	(38,048)	(37,017)
Finance costs incurred	(3,838)	(2,074)
Accretion of finance costs	2,855	2,339
Modification (gain) loss on non-substantial modification ⁽³⁾	(999)	364
Total current and non-current secured loans, end of year	\$ 217,051	\$ 172,832

⁽¹⁾ During the year ended August 31, 2021, real estate limited partnerships controlled by the Company entered into new funding arrangements including the refinancing of certain mortgages. Approximately \$37,000 of these advances were associated with the purchase of an investment property in October 2020 (Note 5(a)) with the majority of this advance bearing interest at 1.88% per annum over the term of 10 years. The remaining advances include new construction loan financing and refinancing of certain mortgages. Interest rates on new loans range from 4.0 to 12.50% with maturities ranging from November 2021 to March 2023. Interest reserves of \$4,670 were deducted from proceeds of these advances to fund future interest payments.

⁽²⁾ Limited partnerships controlled by the Company made required principal and interest payments and repaid loans with the proceeds of refinancing. Interest payable at the end of the year is included in trade accounts payable (Note 12).

⁽³⁾ During the year ended August 31, 2021, certain terms for three secured mortgages were changed resulting in non-substantial modifications resulting in a non-cash modification gains, net (Note 19).

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 revenue producing properties, the mortgage 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 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 most cases, the associated limited partnership is required to pay the insurance premium in favor of the lender. Certain commitment fees are customarily paid associated with commitment letters and other financing costs are incurred which are expensed over the term of the loans.

(b) 2019 and 2020 Convertible debentures

In May 2019, the Company issued Hong Kong dollar (“HKD”) denominated and Canadian dollar denominated convertible debentures (the “2019 Debentures”) and received proceeds in the aggregate principal equivalent sum of \$8,642. In February 2020, the Company issued Canadian dollar denominated convertible debentures (the “2020 Debentures”) and received proceeds of \$860. The 2019 Debentures mature in May 2021 and the 2020 Debentures mature in February 2022, subject to the Company’s exercise of the prepayment option or extension option as part of the terms of these debentures. For the 2019 Debentures, conversion prices are set in the currency of funding and range between HKD 4.80 and 5.00 for HKD denominated debentures and \$0.78 for Canadian dollar debentures. Conversion prices for the 2020 Debentures were \$0.81. Interest payments are made either quarterly or semi-annually at a rate ranging between 8% to 10% per annum as specified in the individual debenture.

In March 2021, the debenture terms for certain holders of the 2019 Debentures, accounting for approximately 68% of the principal balance of the 2019 Debentures, were extended or modified resulting in transaction costs and a non-cash gain on modification of \$116 for one of the debentures. The remainder of the 2019 Debentures denominated in HKD were repaid in May 2021 on maturity and a loss on derecognition of the financial liabilities of \$150 was recognized. The 2020 Debentures mature in February 2022 (subject to a one-year extension), and the remaining 2019 Debentures mature in May 2022 and November 2022.

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NOTE 13 – BORROWINGS (continued)**(b) 2019 and 2020 Convertible debentures (continued)**

The balances associated with the 2019 and 2020 Debentures are presented as follows:

	August 31, 2021	August 31, 2020
Carrying value of host liability at beginning of year	\$ 8,123	\$ 7,057
Proceeds of issue of 2020 Debentures	-	860
Repayment of 2019 Debentures	(2,555)	-
Add: fair value of 2020 embedded derivatives ⁽¹⁾	-	50
Less: equity component of 2020 Debentures, net of transaction costs	-	(255)
Less: transaction costs	(50)	(15)
Modification gain (Note 19)	(116)	-
Loss on derecognition of financial liabilities (Note 19)	150	-
Accretion of carrying value of host liabilities	566	525
Foreign exchange adjustments	(292)	(99)
Carrying value of host liability at end of year	\$ 5,826	\$ 8,123
Fair value of embedded derivatives at beginning of year	\$ 371	\$ 790
Fair value of embedded derivatives at inception ⁽¹⁾	-	(50)
Fair value increase (decrease) in liability ⁽¹⁾ (Note 18)	168	(381)
Foreign exchange adjustments	(11)	12
Balance, embedded derivatives at end of year	\$ 528	\$ 371
Total Debentures at end of year ⁽²⁾⁽³⁾	\$ 6,354	\$ 8,494
Current portion of debentures	\$ 1,133	\$ 7,879
Non-current portion of debentures	5,221	615
Total 2019 and 2020 Debentures	\$ 6,354	\$ 8,494

⁽¹⁾ At initial recognition, the HKD denominated convertible debentures included a host liability classified as a financial liability at amortized cost, an embedded derivative classified as FVTPL, and an embedded conversion option classified as FVTPL. The fair value of the embedded derivatives was determined first with the residual amount of the principal amount allocated to the host liability. At initial recognition, the Canadian denominated convertible debentures were considered a compound financial instrument and included a host liability classified as amortized cost, an embedded derivative classified as FVTPL, and a conversion option classified as equity. The fair value of the host liability and combined embedded derivatives were determined first with the residual amount of the principal amount allocated to the equity component. Fair values of embedded derivatives are remeasured at the end of each reporting period as discussed in Note 21(b).

⁽²⁾ Accrued interest is included in trade and other payables on the consolidated statements of financial position within the caption trade accounts payable and accrued liabilities (Note 12) at August 31, 2021 and August 31, 2020.

⁽³⁾ GECH granted a guarantee to each of the holders of the debentures guaranteeing the payment of all amounts owing by the Company to the holder.

(c) Convertible promissory notes payable

During the year ended August 31, 2020, the Company issued convertible promissory notes in the principal amount of \$23,800 which bear interest at 8% per annum and mature one year after the date of issuance unless the lender exercises its option to convert into a fixed number of units of specific limited partnerships controlled by the Company. Principal and interest are due on maturity unless otherwise repaid before maturity or extended. During the year ended August 31, 2021, the Company issued additional convertible promissory notes in the principal amount of \$7,727. The convertible promissory notes are convertible into class A units limited partnership units for GEC Limited Partnership 11 and 12 (Note 16(a)).

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NOTE 13 – BORROWINGS (continued)**(c) Convertible promissory notes payable (continued)**

At initial recognition, the convertible promissory notes are considered a compound financial instrument that included a liability classified as amortized cost and a conversion option classified as equity. The fair value of the liability component was determined first by discounting the cash flows using a discount rate of 20% with the residual amount of the principal allocated to the equity component.

In December 2020, a portion of the convertible promissory notes payable issued with an aggregate principal value of \$17,099 were converted into units of GEC Limited Partnership 11 which was a wholly owned entity of the Company until the date of this transaction. Accrued and unpaid interest on these convertible promissory notes was paid. The associated borrowings were derecognized and recognized as non-controlling interests' equity in the limited partnership. This transaction results in the non-controlling ownership interest of GEC Limited Partnership 11 increasing from zero to 80% on the date of this transaction. The carrying amount of the non-controlling interest recognized in the consolidated statement of changes in equity was \$16,327. The Company has determined that, despite the increase in the non-controlling interest, it continues to control this limited partnership (Note 16(c)).

The balances associated with the convertible promissory notes are presented as follows:

	August 31, 2021	August 31, 2020
Carrying value of liability at beginning of year	\$ 21,960	\$ -
Proceeds of issue of convertible promissory notes	7,727	23,800
Less: equity component	(773)	(2,380)
Accretion of carrying value of liability	1,771	540
Conversion of principal portion of notes payable into units (Note 16(b))	(16,327)	-
Carrying value of liability at end of year ⁽¹⁾	\$ 14,358	\$ 21,960

⁽¹⁾ At August 31, 2021, convertible promissory notes in the principal amount of \$14,427 were outstanding convertible into class A units of GEC Limited Partnership 12 which would result in the note holder owning 80% of the limited partnership after the transaction. Convertible promissory notes maturities range from September 2021 to August 2022. Convertible promissory notes maturing after August 31, 2021, were extended for one year.

NOTE 14 – CAPITAL AND RESERVES**(a) Common Shares**

Authorized share capital consists of 150,000,000 common shares without par value. During the year ended August 31, 2021, the Company issued 5,000 common shares associated with the exercise of stock options. During the year ended August 31, 2020, the Company issued 2,500 common shares associated with the exercise of stock options.

(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. The following table details changes in the treasury shares balance:

	Number	Value
Balance, August 31, 2019	1,345,000	\$ 831
Purchases of treasury shares	2,098,200	1,138
Cancellation of treasury shares	(1,991,500)	(1,253)
Balance, August 31, 2020	1,451,700	\$ 716
Purchases of treasury shares	3,325,600	2,401
Cancellation of treasury shares	(4,570,300)	(2,964)
Balance, August 31, 2021	207,000	\$ 153

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NOTE 14 – CAPITAL AND RESERVES (continued)**(c) Reserves**

The following table presents the components of reserves which are part of shareholder's equity. A description of the nature and purpose of each reserve is provided below the table.

	August 31, 2021	August 31, 2020
Total reserves at beginning of year	\$ 6,108	\$ 6,571
Share-based payment expenses	108	208
Change in ownership interests	201	(398)
Treasury share purchases	(2,401)	(1,138)
Treasury share cancellations	2,964	1,253
Contributed surplus on stock option exercise	(1)	-
Equity component of convertible debt, net	(209)	(388)
Total reserves at end of year	\$ 6,770	\$ 6,108

The Company has the following reserves included within shareholders' equity.

- *Share-based payments reserve.* The reserve includes the amount of share-based payment expense for the period less the corresponding amounts reclassified to share capital on exercise of the underlying stock options. Reserve was \$4,419 at August 31, 2021 and \$4,312 at August 31, 2020.
- *Ownership changes reserve.* The reserve is comprised of amounts resulting from changes in ownership and other transactions associated with the Company's non-controlling interests that do not result in a loss of control (Note 16). Reserve was \$459 at August 31, 2021 and \$467 at August 31, 2020.
- *Treasury shares reserve.* The reserve comprises the cost of the Company's shares currently held by the Company in treasury for future cancellation (Note 14(b)). The cost of the Company's shares previously held is charged to share capital upon cancellation and return to treasury of these shares. Reserve was \$(153) at August 31, 2021 and \$(716) at August 31, 2020.
- *Convertible debt instrument reserve.* The reserve includes the value of the equity component of convertible instruments, offset by taxes. Reserve was \$(237) at August 31, 2021 and \$(237) at August 31, 2020.
- *Warrant reserve.* The reserve for stock purchase warrants represents the amount recorded on issuance of share purchase warrants less the corresponding amounts charged to share capital on exercise of the underlying share purchase warrants. The balance at August 31, 2021 and 2020 was \$2,282. There were no warrants outstanding at either reporting period end.

(d) Basic and diluted common shares outstanding

The calculations of basic and diluted earnings per share are based on the following.

	August 31, 2021	August 31, 2020
Net income attributable to CIBT shareholders	\$ 4,703	\$ 1,229
<i>Adjustment for dilutive instruments:</i>		
Impact of convertible promissory notes, net of tax ⁽¹⁾	(5,547)	(2,155)
Net (loss) used in dilutive calculation	\$ (844)	\$ (926)

⁽¹⁾ Assumes conversion of convertible promissory notes and associated allocation to non-controlling interests on this basis.

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NOTE 14 – CAPITAL AND RESERVES (continued)**(d) Basic and diluted common shares outstanding (continued)**

	August 31, 2021	August 31, 2020
Basic weighted average number of common shares outstanding	71,288,932	74,237,590
Effect of in-the-money stock options ⁽¹⁾⁽²⁾	433,743	-
Diluted weighted average number	71,722,675	74,237,590

⁽¹⁾ The average market value of the Company's common shares for the purpose of calculating the dilutive effect of stock options was based on the quoted market prices for the period of time the instruments were outstanding.

⁽²⁾ For the year ended August 31, 2021, the following instruments were excluded from the calculation of the diluted weighted average number of common shares outstanding as they were anti-dilutive: 2,285,000 stock options, 234,373 common shares underlying potential conversion of 2017 Debentures, and 8,258,172 common shares underlying potential conversions of 2019 and 2020 Debentures (August 31, 2020 – 3,490,000 stock options, 546,871 common shares underlying potential conversion of 2017 Debentures, and 11,467,123 common shares underlying potential conversions of 2019 and 2020 Debentures).

NOTE 15 – SHARE BASED PAYMENT ARRANGEMENTS**(a) Description of share-based payment arrangements – equity settled**

The Company has 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 board of directors or committee set the terms of share-based payment arrangements under the Plan, however, generally terms of stock options are as follows. The options have a maximum term of 10 years and vest as to 25% on the date of grant with the remainder vesting 25% on each of the next three anniversary dates of the grant. The exercise price is equal to the average closing price of the Company's common shares on the TSX for five trading days preceding the grant date. Unvested options granted expire on the date the option holder gives notice of cessation of employment.

For the year ended August 31, 2021, share-based payment expense was \$108 (August 31, 2020 - \$208) and is included as a separate line item on the consolidated statements of comprehensive income (loss).

(b) Measurement of fair values – equity settled arrangements

There were no option grants during the year ended August 31, 2021. The weighted average fair value of stock options granted during the year ended August 31, 2020 of \$0.19 per option was calculated as of the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions and inputs: expected life of 5 years, risk-free interest rate of 0.55%, expected volatility of 47.8% and weighted average share price of \$0.45 at grant date.

(c) Reconciliation of and stock options outstanding

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

	Number of Options 2021	Weighted Average Exercise Price	Number of Options 2020	Weighted Average Exercise Price
Outstanding at September 1	3,490,000	\$ 0.65	2,422,500	\$ 0.74
Granted during the year	-	\$ -	1,080,000	\$ 0.44
Exercised during the year	(5,000)	\$ 0.38	(2,500)	\$ 0.38
Expired/forfeited during the year	(120,000)	\$ 0.71	(10,000)	\$ 0.78
Outstanding at August 31	3,365,000	\$ 0.65	3,490,000	\$ 0.65
Exercisable at August 31	2,615,000	\$ 0.69	2,185,000	\$ 0.71

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NOTE 15 – SHARE BASED PAYMENT ARRANGEMENTS (continued)**(c) Reconciliation of and stock options outstanding**

The options outstanding at August 31, 2021 had an exercise price range of \$0.44 to \$0.86 (August 31, 2020 - \$0.38 to \$0.86) and a weighted average contractual life of 2.17 years (August 31, 2020 – 3.13 years). At August 31, 2021, if all exercisable options were exercised total cash received would be \$1,809 (August 31, 2020 - \$1,550). The weighted average share price at the date of exercise for stock options exercised in the year ended August 31, 2021 was \$0.66 (August 31, 2020 - \$0.68).

NOTE 16 – INTERESTS IN OTHER ENTITIES**(a) Continuity of non-controlling interests**

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 29 – *Segmented Information*.

	August 31, 2021	August 31, 2020
GECH at beginning of year	\$ 129,514	\$ 142,840
Contributions from sale of limited partnership units	5,246	4,783
Distributions	(1,704)	(900)
Ownership changes not resulting in loss of control (b)	18,689	(3,984)
Ownership changes resulting in loss of control (b)	-	(9,696)
Equity component of convertible promissory notes ⁽¹⁾	773	2,380
Allocation of net comprehensive income (loss)	488	(5,909)
GECH at end of year	153,006	129,514
CIBT China	(38)	(31)
IRIX	(182)	(173)
Total non-controlling interests	\$ 152,786	129,310

⁽¹⁾ Represents equity conversion feature of convertible promissory notes allocated to non-controlling interests on consolidation (Note 13(c)).

(b) Transactions with non-controlling interests

The Company's subsidiaries GEC Master 1 Limited Partnership ("Master 1") and GEC Master 2 Limited Partnership ("Master 2") own limited partnership units in the real estate projects controlled by the Company. 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 uses these funds to invest in units of the limited partnership.

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NOTE 16 – INTERESTS IN OTHER ENTITIES (continued)**(b) Transactions with non-controlling interests (continued)**

The following table summarizes the non-controlling interests and the Company's ownership of the individual limited partnerships which hold the real estate projects which are included in the GECH operating segment.

Real Estate Projects	Formed	Non-controlling interest %		Company's Ownership %	
		August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
GEC Limited Partnership 1	March 2016	79.41%	79.41%	20.59%	20.59%
GEC Limited Partnership 2	May 2014	61.50%	61.50%	38.50%	38.50%
GEC Limited Partnership 3	December 2014	80.00%	80.00%	20.00%	20.00%
GEC Limited Partnership 5	November 2015	75.00%	75.00%	25.00%	25.00%
GEC Limited Partnership 6 ⁽¹⁾	August 2016	64.25%	67.64%	35.75%	32.36%
GEC Limited Partnership 7	August 2016	79.01%	78.86%	20.99%	21.14%
GEC Limited Partnership 8	October 2017	53.33%	53.33%	46.67%	46.67%
GEC Limited Partnership 9	February 2018	72.33%	72.33%	27.67%	27.67%
GEC Limited Partnership 10 ⁽²⁾	October 2018	n/a	n/a	n/a	n/a
GEC Limited Partnership 11 ⁽³⁾⁽⁴⁾	January 2020	80.00%	0.00%	20.00%	100.00%
GEC Limited Partnership 12	July 2020	0.00%	0.00%	100.00%	100.00%

⁽¹⁾ During the year ended August 31, 2021, the Company paid \$574 to purchase units held by non-controlling interests. These equity transactions resulted in an increase of the Company's ownership in the limited partnership, a decrease in NCI of \$566 and \$8 decrease in the ownership change reserve.

⁽²⁾ At August 31, 2019, the Company owned 20% of this limited partnership and in the year ended August 31, 2020, the Company sold its units in GEC Limited Partnership 10 and lost control of that subsidiary which had limited activity aside from equity contributions. At the loss of control date, the non-controlling interest of \$9,696 was derecognized with no gain or loss.

⁽³⁾ During the year ended August 31, 2021, conversion options on certain convertible promissory notes were exercised into limited partnership units increasing non-controlling interests' ownership by \$16,327 (Note 13(c)).

⁽⁴⁾ During the year ended August 31, 2021, the general partner of GEC Limited Partnership 11 reallocated \$2,928 of earnings recognized in the year ended August 31, 2020, to non-controlling interests resulting in an increase in total non-controlling interest. Transactions that result in changes in ownership interest while the Company retains control are accounted for between the equity holders and no gain or loss on these changes is recognized in profit or loss but instead is recognized in equity and attributed to the owners of the parent.

Cash flows from net contributions less distributions were \$3,542 for the year ended August 31, 2021 (August 31, 2020 - \$3,883). In addition, the Company paid \$574, for the year ended August 31, 2021, in cash related to the purchase of limited partnership units resulting in ownership changes not resulting in a loss of control (August 31, 2020 - \$4,383).

(c) Control of real estate projects

The Company has a number of real estate project held in limited partnerships with various agreements governing the limited partnership, including the number of units to be issued and the contributions. 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 have been assessed to have complete responsibility for the conduct of all the business activities of the limited partnership.

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 relevant activities of the business of the partnership.

CIBT EDUCATION GROUP INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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NOTE 16 – INTERESTS IN OTHER ENTITIES (continued)**(d) Joint Operations**

CIBT China 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. The Company has recognized its proportionate share of assets, liabilities, revenues, and expenses of this business using the proportionate consolidation method. Beihai results are included within the CIBT China reporting segment. See Note 22(c)(ii) for a description of risks associated with this joint operation.

NOTE 17 – GENERAL AND ADMINISTRATIVE EXPENSES

	Year Ended August 31, 2021	Year Ended August 31, 2020
Salaries and benefits	\$ 12,960	\$ 13,050
Office and general	4,259	3,705
Advertising	3,204	3,245
Professional fees	2,567	2,928
Consulting and management fees	1,081	1,021
Investor relations	132	85
Bank charges and interest	379	395
Rent	2,424	2,741
Credit loss allowance and write-offs	1,534	525
Travel and promotion	194	257
	<u>\$ 28,734</u>	<u>\$ 27,952</u>

NOTE 18 – FINANCE COSTS

	Year Ended August 31, 2021	Year Ended August 31, 2020
<i>Interest expense comprised of:</i>		
Interest expense on borrowings (Note 13)	\$ 15,996	\$ 12,934
Accretion of finance fees and other	5,334	3,405
Accretion of lease liabilities (Note 8(b))	1,256	1,486
	<u>22,586</u>	<u>17,825</u>
Less: capitalized interest (Note 13)	<u>(10,221)</u>	<u>(9,329)</u>
Total interest expense	12,365	8,496
Loss (gain) on embedded derivatives, net (Note 13(b))	168	(381)
Other	(20)	53
	<u>\$ 12,513</u>	<u>\$ 8,168</u>

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NOTE 19 – OTHER INCOME, NET

	Year Ended August 31, 2021	Year Ended August 31, 2020
Interest and other income, net ⁽¹⁾	\$ 5,177	\$ 3,051
Government grants ⁽²⁾	3,378	5,793
Foreign exchange gain	417	82
Impairment of intangibles (Note 9)	(93)	(335)
Impairment of goodwill (Note 10)	(317)	(3,221)
Loss on disposal of equipment	(237)	(53)
Loss on derecognition of financial liabilities (Note 13(b))	(150)	-
	<u>\$ 8,175</u>	<u>\$ 5,317</u>

(1) Includes \$2,887 interest income on a deposit receivable from a developer (Note 6) during the year ended August 31, 2021 (August 31, 2020 - \$2,794). Also includes net gain on debt modifications of \$1,115 during the year ended August 31, 2021 (August 31, 2020 – net loss on debt modifications of \$364).

(2) Amount recognized as other income associated with Government of Canada COVID-19 support programs including the Canadian Emergency Wage Subsidy and the Canadian Emergency Rent Subsidy. At August 31, 2021, \$264 of this amount was included in trade receivables.

NOTE 20 – INCOME TAXES**(a) Amounts recognized in net income (loss)**

	Year Ended August 31, 2021	Year Ended August 31, 2020
<i>Current tax expense</i>		
Current year	\$ 448	\$ 1,416
Changes in estimates related to prior years	(34)	(97)
	<u>\$ 414</u>	<u>\$ 1,319</u>
<i>Deferred tax expense (recovery)</i>		
Origination and reversal of temporary differences	335	(1,412)
Adjustments of prior years	(218)	403
	<u>117</u>	<u>(1,009)</u>
Tax expense	<u>\$ 531</u>	<u>\$ 310</u>

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NOTE 20 – INCOME TAXES (continued)**(b) Reconciliation of effective tax rate**

The following table is a reconciliation of income tax expense, at the Canadian income tax rate and the amount of reported income tax expense in the consolidated statements of comprehensive income (loss). The Company's operations are subject to income taxes primarily in Canada and China.

	Year Ended August 31, 2021	Year Ended August 31, 2020
Income (loss) before taxes	\$ 5,708	\$ (4,441)
Statutory income tax rate ⁽¹⁾	27.0%	27.0%
Income tax provision (recovery) at statutory rate	1,541	(1,199)
Effect of differences in foreign tax rates	(3)	(3)
Non-deductible expenses, net	59	104
Impact of convertible debt	12	(173)
Effect of differences in prior period tax returns as filed	(251)	306
Change in deferred tax assets not recognized	213	777
Change in fair value of investment properties	(1,467)	557
Impact of partnership loss allocation	460	176
Other	(33)	(235)
Income tax expense	\$ 531	\$ 310

⁽¹⁾ Comprised of the Canadian Federal effective corporate tax rate of 15.0% and the British Columbia provincial tax rate of 12.0%. The statutory tax rate in China was 25.0%.

(c) Movement in deferred tax balances

The following tables show deferred income tax assets and liabilities 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 unused tax losses.

	August 31, 2021	August 31, 2020
<i>Deferred income tax assets</i>		
Non-capital losses carried forward	\$ 2,470	\$ 1,802
Share issuance and finance costs	613	663
Property and equipment	924	230
Net capital losses	6	6
Total deferred income tax assets	\$ 4,013	\$ 2,701
<i>Deferred income tax liabilities</i>		
Investment properties	11,244	9,708
Convertible debt ⁽¹⁾	399	730
Intangible assets and goodwill	2,336	2,111
Total deferred income tax liabilities	\$ 13,979	\$ 12,549
Net deferred tax asset (liability)	\$ (9,966)	\$ (9,848)

⁽¹⁾ Associated with convertible debentures and convertible promissory notes, there was no deferred tax recognized directly in equity at August 31, 2021 (August 31, 2020 - \$643 of deferred tax expense).

Classified as:

Deferred tax assets, net	1,020	1,631
Deferred tax liabilities, net	(10,986)	(11,479)
Total deferred income tax liabilities	\$ (9,966)	\$ (9,848)

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NOTE 20 – INCOME TAXES (continued)**(d) Tax losses carried forward**

The Company recognizes deferred tax assets to the extent that it is probable that future taxable profit will be available against which the Company can utilize the benefits of the deductible temporary differences and unused tax losses. 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, 2021	August 31, 2020
Non-capital loss carry-forwards ⁽¹⁾	\$ 1,063	\$ 622
Net capital loss carry-forwards ⁽²⁾	1,026	195
Investments	-	9
Intangible assets in Canada	4,326	3,063
Property and equipment in China	521	589
	<u>\$ 6,936</u>	<u>\$ 4,478</u>

⁽¹⁾ Carry-forwards are eligible to be applied of which \$955 relate to CIBT China earnings and expire in the years ending August 31, 2022 to 2026.

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

(e) Uncertainty over income tax treatments

The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

NOTE 21 – FINANCIAL INSTRUMENTS**(a) Classification and measurement of financial assets and liabilities by category**

The following represents the carrying values of the financial assets and liabilities of the Company and the associated measurement basis for each balance after initial recognition.

		August 31, 2021	August 31, 2020
Financial assets	Measurement basis		
Cash and cash equivalents	Amortized cost	\$ 18,338	\$ 23,030
Restricted cash	Amortized cost	739	239
Trade and other receivables ⁽¹⁾	Amortized cost	19,990	24,995
Receivable from developer (Note 6)	Amortized cost	25,931	23,044
Interest reserves and other assets	Amortized cost	2,188	3,779
		<u>\$ 67,186</u>	<u>\$ 75,087</u>
Financial liabilities	Measurement basis		
Trade and other payables	Amortized cost	14,755	16,438
Secured loans and credit line	Amortized cost	217,410	173,742
Lease liabilities (Note 8(b))	Amortized cost	16,177	17,450
Debentures – liability ⁽²⁾	Amortized cost	5,826	8,123
Debentures – derivatives ⁽²⁾	FVTPL	528	371
2017 Debentures	FVTPL	185	432
Convertible promissory notes (Note 13(c))	Amortized cost	14,358	21,960
Bond payable	Amortized cost	2,000	-
Other loans payable	Amortized cost	3,703	-
		<u>\$ 274,942</u>	<u>\$ 238,516</u>

⁽¹⁾ Note 22 describes credit risk associated with trade receivables including reconciliation of expected credit loss allowance.

⁽²⁾ 2019 and 2020 Debentures (Note 13(b)).

NOTE 21 – FINANCIAL INSTRUMENTS (continued)

Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables, receivable from developer, interest reserves, other assets 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 of secured loans and credit line, bond payable and other loans payable approximate their carrying value as current market interest rates are not significantly different than stated interest rates for these instruments. All financial instruments not measured at fair value are considered level 2 financial assets or liabilities under the fair value hierarchy.

(b) Measurement of fair value

(i) Fair value of financial instruments and 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 (Note 28(O)).

Secured loans and credit line, the host liability of the 2019 Debentures and 2020 Debentures, the 2017 Debentures and liability component of the convertible promissory notes are categorized within Level 2 of the fair value hierarchy. The embedded derivatives portion of the 2019 Debentures and 2020 Debentures are categorized within Level 3 of the fair value hierarchy. At August 31, 2021 and 2020 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, 2021 and 2020.

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

The fair value of secured loans 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 fair value of the host liability for the Canadian denominated 2019 Debentures and 2020 Debentures were calculated using a discounted cash flow analysis using a discount rate for a non-convertible 2-year corporate rate for similar companies. The fair value of the liabilities component of the convertible promissory notes were calculated using a discounted cash flow analysis using the Company's internal rate of return.

(iii) Valuation methodologies used in the measurement of fair value for Level 3 financial liabilities

The 2019 and 2020 Debentures include an embedded derivative for the prepayment and extension options and an embedded conversion option in the HKD denominated debentures. The fair value of the embedded derivative was determined using a discounted cash flow which considers the present value of the expected future payments if the prepayment or extension option were exercised, discounted using a risk-adjusted discount rate. The expected cash flows are impacted by significant unobservable inputs: managements estimate of the probability of these options being exercised and the discount rate. The estimated fair value would increase (decrease) if the probability of the options being exercised was higher (lower) and if the discount rate was lower (higher). The fair value of the HKD denominated debenture conversion feature is calculated using the Black-Scholes option pricing model and is based on observable inputs except for the possible date of conversion. The estimated fair value would increase (decrease) if the date of conversion was later (earlier). The embedded derivatives will be remeasured at each period end. The reconciliation of opening to closing balances for Level 3 fair values is presented in Note 13(b), unrecognized fair value changes recorded as gains in finance costs on the consolidated statements of comprehensive income (loss).

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NOTE 22 – 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.

The length and severity of the global COVID-19 outbreak is currently unknown and may continue to cause general economic uncertainty in key global markets and a worsening of global economic conditions which may cause continued low levels of economic growth. The pace of recovery once the pandemic ends cannot be accurately predicted and may be slow. The Company's cash flows and its ability to obtain additional equity or debt financing, make interest and principal payments to its lenders and debenture holders, and make distributions to limited partnership unit holders may be impacted.

(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, reducing costs where possible given the current crisis, and applying for any available government funding to support its business. Cash and cash equivalents as at August 31, 2021 were \$18,338 (August 31, 2020 - \$23,030). In addition, the Company has a \$2,500 facility upon which it can draw. The facility covers certain credit card transactions and letters of credit and \$1,927 was available at August 31, 2021.

Investment properties tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit the Company's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Company were required to liquidate a real property investment, the proceeds to the Company might be significantly less than the aggregate carrying value of such property.

The Company diligently monitors the repayment dates of its mortgages and intends to refinance all mortgages as they become due. Based on the performance of the Company to date, the Company believes that the liquidity risk described above is not significant and has implemented strategies, including regular monitoring of cash flows to support this conclusion.

Management prepares budgets and cash forecasts to ensure that the Company has sufficient funds to fulfill its financial obligations and has incorporated the estimated impacts of COVID-19 on each business segment to these forecasts. At August 31, 2021 and 2020, the Company was in a working capital deficit position. The majority of the Company's assets are long-term in nature; however, there are significant current borrowings and deferred revenues that contribute to the working capital deficit position. Total working capital deficit increased in the year ended August 31, 2021 from the year ended August 31, 2020.

The Company has successfully raised capital financing in the past and anticipates it will continue to secure new equity or debt financings under reasonable terms and/or to refinance existing borrowings with debts of similar natures as needed; however, there is no assurance that such financing will be available on favourable terms or at all. The Company made all interest and principal payments on its borrowings and interest payments to its debenture holders and does not believe liquidity risk has increased substantially.

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NOTE 22 – RISK MANAGEMENT (continued)**(a) Liquidity risk (continued)***Maturities of financial liabilities*

The tables below present the Company's contractual undiscounted cash flows associated with financial liabilities broken into relevant maturity groupings based on their contractual maturities.

	Less than one year	2 – 3 years	4-5 years	Over 5 years	Total
<u>August 31, 2021</u>					
Trade and other payables	\$ 18,866	\$ -	\$ -	\$ -	\$ 18,866
Secured loans ⁽¹⁾	147,952	49,661	2,426	33,153	233,192
Lease payments ⁽²⁾	7,798	10,089	4,506	7,518	29,911
2019 and 2020 Debentures ⁽³⁾	1,437	5,868	-	-	7,305
2017 Debentures	185	-	-	-	185
Convertible promissory notes ⁽⁴⁾	15,242	-	-	-	15,242
Other loans	2,345	5,725	-	-	8,070
	<u>\$ 193,825</u>	<u>\$ 71,343</u>	<u>\$ 6,932</u>	<u>\$ 40,671</u>	<u>\$ 312,771</u>

⁽¹⁾ Includes credit line. Interest reserves of \$1,831 exist to offset future interest payments on certain borrowings. See Note 27(a) for activity after August 31, 2021.

⁽²⁾ Includes lease liabilities recognized under IFRS 16 of \$16,177 (Note 8) plus estimated variable and associated costs under these leases.

⁽³⁾ Option to extend maturity date on 2020 Debentures of one year is at holders option and not incorporated here.

⁽⁴⁾ At the option of the lender, convertible promissory notes may be converted into units of certain real estate limited partnerships.

	Less than one year	2 – 3 years	4-5 years	Over 5 years	Total
<u>August 31, 2020</u>					
Trade and other payables	\$ 16,438	\$ -	\$ -	\$ -	\$ 16,438
Secured loans	98,004	88,012	-	-	186,016
Lease payments	7,554	11,995	4,101	6,379	30,029
2019 and 2020 Debentures	887	10,185	-	-	11,072
2017 Debentures	247	185	-	-	432
Convertible promissory notes	25,704	-	-	-	25,704
Other loans	-	287	-	-	287
	<u>\$ 148,834</u>	<u>\$ 110,664</u>	<u>\$ 4,101</u>	<u>\$ 6,379</u>	<u>\$ 269,978</u>

At August 31, 2021, there was one letter of credit outstanding in the total amount of \$373 (August 31, 2020 – \$125 for two letters of credit).

(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 21(a)).

Trade receivables

Trade accounts receivable are reviewed by Management on an ongoing basis to ensure collection and minimize losses. Payment of trade receivables are scheduled, routine and received within contractually agreed time frames with limited exceptions. The Company generates revenues from multiple sources and from a broad customer/client base. The majority of trade accounts receivable are from the Company's education business.

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NOTE 22 – RISK MANAGEMENT (continued)**(b) Credit risk (continued)**

Trade accounts receivable are from individual customers and are not assessed based on external credit rating agencies. The Company uses a provision matrix to measure the expected credit loss (“ECL”) of trade receivables from individual customers which comprise a large number of small balances (Note 28(D)(iv)). The weighted average loss rates are calculated by entity based on the following common risk characteristics – age of receivable, type of customer relationship, and for education receivables whether students have completed instruction. Loss rates are based on actual credit loss experience and reflect forward looking conditions over the expected life of the receivable.

The following table provides information about the exposure to credit risk and ECL’s from individual customers at August 31, 2021.

	Weighted- average loss rate	Gross carrying amount	Loss allowance	Credit impaired
Current (not past due)	11.4%	\$ 10,346	\$ 1,180	No
1 – 30 days past due	39.4%	165	65	No
31 – 60 days past due	49.4%	77	38	No
61 – 90 days past due	100.0%	23	23	No
More than 90 days past due	86.9%	1,387	1,205	Yes
WFU accounts receivable ⁽¹⁾	19.6%	2,899	568	No
Total		<u>\$ 14,897</u>	<u>\$ 3,079</u>	

⁽¹⁾ The gross carrying amount of the Weifang University (“WFU”) net trade receivable amount has not been assessed on the same basis as the ECL for other individual customers. 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 net amounts represent the Company’s share of receivables and balances are non-interest bearing and have no specific terms of repayment. At August 31, 2021, the majority of the balance is more than 90 days past due and considering the current state of the Chinese economy, an ECL was assessed as collection is expected to be delayed.

The movement in the expected credit loss allowance in respect of trade receivables was as follows:

	August 31, 2021	August 31, 2020
Beginning balance	\$ 1,824	\$ 1,924
Net remeasurement of loss allowance	1,540	577
Amounts written off during the year as uncollectible	(278)	(677)
Amounts recovered during the year	(7)	-
Ending balance	<u>\$ 3,079</u>	<u>\$ 1,824</u>

Deposit due from developer and property deposits

The receivable from developer became repayable in the year ended August 31, 2020, based on the developer reaching certain milestones (Note 6). This receivable is due and both the receivable and the property deposits’ credit risk has increased to the point where it is considered credit impaired under the ECL framework which requires that the Company measure expected credit losses based on the life of the receivable. Management believes the value of the underlying security is sufficient to cover any potential loss on the receivable and as such, no expected credit loss provision has been recognized.

Deposits made to be applied to the purchase price of a property are secured by a third mortgage against the property associated with the deposits. Management believes the value of the underlying security is sufficient to cover any potential loss on the receivable and as such, no expected credit loss provision has been recognized.

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NOTE 22 – RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Loans receivable and promissory note receivable

Loans receivables with a carrying value of \$8,024 are from a third-party investor limited partnership and are secured by GEC Limited Partnership 9 limited partnership units held by the borrower. The majority of this amount is due on demand, and as such the credit risk has increased since the inception of the loan which requires that the Company measure expected credit losses based on the life of the receivable. Management believes the value of the underlying security is sufficient to cover any potential loss on the receivable and as such, no expected credit loss provision has been recognized. One loan receivable with a carrying amount of \$534 at August 31, 2021, was fully repaid subsequent to August 31, 2021.

The promissory note receivable is considered low risk and was fully repaid subsequent to August 31, 2021.

Other receivables

Other receivables include amounts receivable from tax authorities and other amounts due related to leasing of office space. Credit risk is considered low.

Cash and cash equivalents and restricted cash is held on deposit at major financial institutions and these balances are considered to have low credit risk based on the external credit ratings of the counterparties.

Financial Guarantees are provided in limited cases on certain subsidiary liabilities including debt financing (Note 13).

(c) Market Risk

This is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Company's results or value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters given the nature of the business, while optimizing returns.

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 has a mix of fixed and floating rate debt, with floating rate debt tied to the Canadian prime rate. At August 31, 2021, the variable interest rate risk was reduced as approximately 61% of the outstanding borrowings were linked to variable interest rates compared to 67% at August 31, 2020. The weighted-average interest rate paid by the Company during the year ended August 31, 2021, on its secured loans, convertible and other corporate debt was 6.62% (2020 – 7.11%). A 1% increase in the Canadian prime rate would result in a decrease in the Company's net income (loss) of \$121 for the year ended August 31, 2021 (2020 - \$257), not considering interest costs which are capitalized.

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 and the degree of volatility of these rates.

Exposure to currency risk

The Company conducts most of its business in Canada, with a small portion of its business in the United States, China, and Hong Kong (combined total of approximately 5%) giving rise to exposure to market risks from changes in foreign currency rates. Currently, the Company does not use derivative instruments or other measures to reduce its exposure to foreign currency risk. The Company holds a minor amount of cash in US dollars and the exchange rate fluctuation between the Canadian dollar and US dollar will not have a material impact on net income. The Company is also exposed to currency risk associated with both Chinese currency and Hong Kong currency fluctuations.

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NOTE 22 – RISK MANAGEMENT (continued)**(c) Market risk – ii. currency risk (continued)**Operations of CIBT China

Financial assets and financial liabilities denominated in Chinese renminbi (“RMB”) which expose the Company to currency risk, specifically the net statement of financial position exposure, are as follows (shown in thousands of RMB with the Canadian dollar equivalent in thousands converted at year-end rate):

	August 31, 2021		August 31, 2020	
	RMB	Canadian \$	RMB	Canadian \$
Financial assets	15,930	\$ 3,111	18,639	\$ 3,552
Financial liabilities	(2,172)	(424)	(2,079)	(396)
Net exposure	13,758	\$ 2,687	16,560	\$ 3,156

An appreciation or depreciation of the RMB against the Canadian dollar of 2.5% results in an \$66 increase or decrease in foreign exchange gains/losses included in net income for the year ended August 31, 2021. The 2.5% benchmark represents the possible exposure based on fluctuations of foreign exchanges rates during the year ended August 31, 2021. For the year ended August 31, 2020, a 2.5% fluctuation may have resulted in a \$81 increase or decrease in foreign exchange gains/losses.

Restrictions on Chinese currency exchange may affect the Company’s ability to repatriate profits from China. Capital control exists in China and there are 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, 2021, the amount in the statutory reserve in China is \$Nil (2020 - \$Nil).

2019 Debentures

Financial assets and financial liabilities denominated in HKD which expose the Company to currency risk, specifically the net statement of financial position exposure, are as follows (shown in thousands of HKD with the Canadian dollar equivalent in thousands converted at applicable year-end rate):

	August 31, 2021		August 31, 2020	
	HKD	Canadian \$	HKD	Canadian \$
Financial assets	742	\$ 120	39	\$ 7
Financial liabilities	(33,101)	(5,372)	(45,617)	(7,673)
Net exposure	(32,359)	\$ (5,252)	(45,578)	\$ (7,666)

The net exposure is mitigated at August 31, 2021, as there is only one HKD denominated debenture which does not mature until November 2022. The Company is required to make certain interest payments in HKD each quarter which it funds from the conversion of Canadian dollars to HKD.

The average HKD rate for the year ended August 31, 2021 was 0.1635 and the rate varied by 5% throughout the year. An appreciation or depreciation of the HKD against the Canadian dollar of 5% would result in \$269 increase or decrease in foreign exchange gains/losses included in profit or loss.

CIBT EDUCATION GROUP INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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NOTE 23 – 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, 2021	August 31, 2020
Total borrowings	\$ 244,250	\$ 204,914
Less: cash and cash equivalents	(18,338)	(23,030)
Net debt	225,912	181,884
Total equity	203,583	180,579
Less: Non-controlling interests' equity	(152,786)	(129,310)
Shareholders' equity	\$ 50,797	\$ 51,269

At August 31, 2021, 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, 2021, there was no externally imposed capital requirement to which the Company was subject and with which the Company did not comply. From time to time, the Company purchases its own shares on the market depending on market prices and these treasury shares are cancelled periodically (Note 14(b) and Note 27(b)).

NOTE 24 – COMMITMENTS & CONTINGENCIES**(a) Real Estate Projects**

The Company and certain of its subsidiaries and investment limited partnerships have entered into agreements in connection with the development of investment properties. Significant capital expenditures contracted for at the end of the reporting period but not recognized as liabilities are as follows.

	August 31, 2021	August 31, 2020
Investment property development ⁽¹⁾	\$ 11,630	\$ 11,630
Investment property construction ⁽²⁾	12,888	-
Purchase of investment property, net of deposits ⁽³⁾	69,415	69,415
Total	\$ 93,933	\$ 81,045

⁽¹⁾ Investment property development and construction, net of deposits, which represent contingent liabilities which may be paid if certain milestones are met. Amounts due from GEC Project 7 representing contingent liabilities, net of deposit.

⁽²⁾ Contract balance of costs to complete at August 31, 2021 related to project construction expected to be completed by August 31, 2022. Costs are funded via draws on the construction loan in place for this limited partnership. At August 31, 2021, there was \$17,138 in available funding under the construction loan.

⁽³⁾ Represents additional commitment above deposits already paid to purchase buildings to be paid on completion of construction.

The total commitment does not include costs for contracts not yet in place, renovation, furnishings, closing costs or taxes which are not committed expenditures. The total commitment is subject to change depending on new agreements or amendments to agreements executed after August 31, 2021.

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NOTE 24 – COMMITMENTS & CONTINGENCIES (continued)**(b) 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 25 – 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 the amount exchanged.

(a) Key management personnel compensation:

	Year Ended August 31, 2021	Year Ended August 31, 2020
Management fees and salaries and directors' fees	\$ 1,626	\$ 1,103
Share-based payments	95	175
	<u>\$ 1,721</u>	<u>\$ 1,278</u>

(b) Other related party balances:

	August 31, 2021	August 31, 2020
Payable to officers and directors of the Company ⁽¹⁾	\$ 692	\$ 641
Payable to the president of IRIX ⁽²⁾	109	140
Due to related parties	<u>\$ 801</u>	<u>\$ 781</u>

⁽¹⁾ Amounts due are non-interest bearing and have no fixed terms of repayment.

⁽²⁾ No fixed terms of repayment, bearing interest at a rate of 6% per annum.

NOTE 26 – SUPPLEMENTAL CASH FLOW INFORMATION**(a) Changes in non-cash working capital**

	Year Ended August 31, 2021	Year Ended August 31, 2020
Accounts receivable decrease (increase)	\$ 5,308	\$ (5,227)
Prepayments decrease (increase)	46	(334)
Inventory (increase) decrease	(196)	58
Accounts payable and accrued liabilities increase	2,941	1,643
Other payables (decrease)	(301)	(385)
Income taxes payable (decrease) increase	(37)	187
Deferred revenue increase (decrease)	4,597	(2,772)
Interest reserves decrease (increase) ⁽¹⁾	1,548	(1,976)
Increase (decrease) in working capital	<u>\$ 13,906</u>	<u>\$ (8,806)</u>

⁽¹⁾ Included in prepayments and other assets on the consolidated statements of financial position.

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NOTE 26 – SUPPLEMENTAL CASH FLOW INFORMATION (continued)**(b) Changes in liabilities arising from financing activities**

	August 31, 2021	August 31, 2020
Balances, beginning of year	\$ 204,915	\$ 144,151
Cash flows, comprised of:	56,335	52,791
Repayments of secured loans (Note 13)	(38,048)	(37,017)
Repayments of credit facility	(551)	(515)
Repayment of 2017 convertible debt	(247)	(247)
Repayment of 2019 convertible debt (Note 13(b))	(2,555)	-
New advances of secured loans (Note 13(a))	84,249	75,500
Issuance of convertible debt	-	860
Issuance of convertible promissory notes ⁽¹⁾	7,727	13,930
Bond and other loans payable	5,760	280
<u>Liability related items:</u>		
Finance fees paid	(3,960)	(2,087)
Convertible promissory note issued ⁽¹⁾	-	9,870
<u>Non-cash related items:</u>		
Finance cost accretion ⁽²⁾	4,361	3,775
Reclass finance leases under IFRS 16	-	(483)
Equity component of convertible debentures	(773)	(2,635)
Derivative fair value changes	168	(381)
Conversion of promissory notes into units (Note 16(b))	(16,327)	-
Foreign exchange and other	(469)	(86)
Balances, end of year	\$ 244,250	\$ 204,915

⁽¹⁾ Convertible into units of specific limited partnerships controlled by the Company or repayable on maturity.

⁽²⁾ Includes increase in carrying value of secured debt resulting from net debt modification gain (loss).

NOTE 27 – EVENTS AFTER THE REPORTING PERIOD**(a) New Financing**

In September 2021, the Company refinanced borrowings for one of its real estate limited partnerships with an additional \$3,528 of principal funded which will result in approximately \$6,452 of new commitments of principal and interest payments over the term of the new loan which matures in May 2023.

(b) Treasury Shares

Subsequent to August 31, 2021, the Company repurchased 542,000 common shares at a cost of \$352 and cancelled 646,500 common shares leaving 102,500 common shares held in treasury.

CIBT EDUCATION GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 28 – SIGNIFICANT ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if otherwise noted (Note 4(a)).

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, 2021. 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.

Subsidiaries

The Company's principal subsidiaries include: Sprott Shaw College Corp.; Sprott Shaw Language College Inc.; Vancouver International College (2016) Limited Partnership; CIBT School of Business & Technology Corp.; IRIX Design Group Inc. ("IRIX"); Global Education City Holdings Inc.; GEC Master 1 Limited Partnership ("Master 1"); GEC Master 2 Limited Partnership ("Master 2") and GEC Management Limited Partnership. All subsidiaries were formed under the laws of British Columbia, Canada and their principal place of business is Canada except for CIBT School of Business & Technology Corp., which operates in China. The Company directly and indirectly owns 100% of all subsidiaries except for IRIX which is 51% owned. Master 1 and Master 2 own limited partnership units in the real estate projects controlled by the Company. The percentage of ownership of the Company in each of these real estate limited partnerships and the corresponding non-controlling interest ownership is presented in Note 16(b).

When the Company loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in net income (loss). Any interest retained by the former subsidiary is measured at fair value when control is lost.

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

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. Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not attributable to the common shareholders of the Company. 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. 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. Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

CIBT EDUCATION GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of Canadian Dollars except share and per share amounts

August 31, 2021

NOTE 28 – SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Consolidation (continued)

ii. 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 in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

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 except for the Company's subsidiaries in China, which has a functional currency of RMB. These consolidated financial statements are presented in thousands of Canadian dollars as noted.

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 (loss) and accumulated in equity (attributed to non-controlling interests as appropriate).

C. Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control over a product or service to a customer. The following are the principal activities from which the Company generates its revenue and information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Educational programs and services

The educational programs and services consist of tuition fee (net of discounts) on course offerings by SSCC, SSLC/VIC and CIBT China. Customers (students) obtain control over services and revenue is recognized proportionately as instruction is delivered. Tuition is either paid in advance of delivery of instruction or in accordance with a payment plan over the course of the customer's program. The Company records deferred revenue in full upon commencement of the program and recognizes revenue for educational programs proportionately as instruction is delivered over the length of the contracts, and records refunds only when given. Revenue is reported net of scholarships, business taxes and related surcharges. 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 as revenues at that time.

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NOTE 28 – SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Revenue recognition (continued)

Rental revenues

Rental revenues include rents from commercial tenants and residential accommodations. Rental revenues earned under lease arrangements include both lease components accounted for under IFRS 16, and non-lease components accounted for under IFRS 15 (Note 29). Lease components include the lease for the rental unit including furnishing. Non-lease components include utilities, internet, housekeeping and common area maintenance, and have been determined to be non-distinct performance obligations from each other as the customer cannot benefit from them separately. Customers obtain control of the lease and non-lease components concurrently and revenue is recognized systematically over the term of the contract. For short term tenants such as the Company's hotel property, revenues are recognized in accordance with IFRS 15. Performance obligations for the short-term rental of the hotel units are generally satisfied on a nightly basis, and revenue is recognized based on consideration in the contract.

Development fee revenues

The Company earns fees in connection with certain real estate development activities. As described in Note 16, the Company holds units in various real estate focused limited partnerships. Limited partnership agreements specify that when third-party investors obtain an interest and become limited partners in these limited partnerships, that the Company receives consideration from these third-party investors for services performed. Revenue is recognized when specified third-party investments are made as all performance obligations are fulfilled at that point in time. Development fee revenues is categorized as revenue and is disclosed separately in Note 29.

Revenue sharing arrangement with education service providers

One of the Company's subsidiaries, CIBT China, 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 China 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.

Design and advertising

The Company provides a variety of graphic, design and multi-media services. Revenue is recognized over the duration of the contract reflecting the transfer of control of the promised good or service to the customer, calculated based on the ratio of the Company's efforts or inputs at the reporting date relative to the total number of inputs required to satisfy the performance obligations.

D. Financial Instruments

i. Recognition and initial measurement

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").

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, certain deposits required to be held related to real estate holdbacks, and Chinese RMB deposits at governmental accounts as security to conduct business in China.

ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income; or fair value through profit or loss, depending on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets that do not meet the below classifications are classified as fair value through profit or loss.

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NOTE 28 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Financial Instruments (continued)

ii. Classification and subsequent measurement (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in net income (loss).

When a financial liability is non-substantially modified, a gain or loss is recognized into net income (loss). The gain or loss is calculated at the date of modification as the difference between the remaining original contractual cash flows and the modified cash flows both discounted at the original effective interest rate. Any costs associated with the modified loan is added to the loan carrying amount and amortized over the remaining modified loan term. The carrying amount of the loan is revised to reflect the new cash outflows at the date of modification.

iii. 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 rights to receive the contractual cash flow in a transaction in which substantially all the risks and rewards of ownership have been transferred.

A financial liability is derecognized when its contractual obligations are discharged, cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in net income (loss).

iv. Impairment of non-derivative financial assets

The Company applies an expected credit loss (“ECL”) impairment model, which applies to financial assets measured at amortized cost, contract assets, lease receivables, and financial guarantee contracts. The ECL model results in an allowance for credit losses being recorded on financial assets regardless of whether there has been an actual loss event. Except for trade receivables, the ECL model requires the recognition of credit losses based on 12 months of expected losses for financial assets and the recognition of lifetime expected losses on financial assets that have experienced a significant increase in credit risk since origination or which are considered credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. ECL’s are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls representing the difference between the cash flows due to the entity in accordance with the contract and the cash flow an entity expects to receive. The Company has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECL’s.

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NOTE 28 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Financial Instruments (continued)

iv. Impairment of non-derivative financial assets (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Company's historical experience and including forward looking information.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a portion or the full amount. The Company assesses the timing of write-offs based on whether there is a reasonable expectation of recovery. Impairment losses related to trade and other receivables are presented within general and administrative expenses in the consolidated statements of comprehensive income (loss).

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 net income (loss) in the period in which they arise. 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 net income (loss) to the extent that reverses a previous impairment loss on the specific property, with any remaining gain recognized in other comprehensive income 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 capitalized to the carrying value of the related investment properties until such time as the redevelopment of the investment properties is substantially completed or construction has ceased. All other borrowing costs are recognized in net income (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. IFRS requires investment properties to continue to be accounted for under the fair value model.

Once classified as held for sale, intangible assets, and property 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, which 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 (loss) 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 remeasurement to fair value less cost to sell or on disposal of the asset consisting discontinued operations.

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NOTE 28 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Depreciation is calculated to write off the cost of property and equipment less their estimated residual values 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;

Depreciation commences on the date the asset is available for use and capable of operating in the manner intended by management. Depreciation methods, useful lives and residual values are reviewed annually and any change in estimate is considered in the determination of remaining depreciation charges.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

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 (loss) in the period in which the item is derecognized.

G. Intangible assets and goodwill

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. Subsequent expenditure is capitalized only when it increases the future economic benefits of the specific assets to which it relates.

The Company's indefinite life intangible assets 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. Indefinite life intangible assets include accreditations and registrations, brand-names and trade-names, and other education related agreements, and are carried at cost less impairment losses.

Finite life intangible assets, which include curriculum, foreign cooperative agreements, and agency fees, are carried at cost less accumulated amortization and impairment losses. 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. Finite life intangible assets include:

- 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 10 to 15 years) 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, which is generally 1 year or less.
- Foreign cooperative agreements are amortized over their estimated useful lives.

CIBT EDUCATION GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 28 – SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Intangible assets and goodwill (continued)

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 the 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. 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 or CGU. In determining fair value less costs of disposal, recent market transactions are considered or an appropriate valuation model is used. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statements of comprehensive income (loss). An impairment loss recognized for goodwill is not reversed in subsequent periods. Management evaluates goodwill for impairment annually as of August 31 unless impairment indicators exist at another reporting date. On disposal of a 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 indefinite 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. The recoverable amount is the higher of an asset's fair value less costs of disposal or its value in use. To assess 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. In determining fair value less costs of disposal, recent market transactions are considered or an appropriate valuation model is used. To assess impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). 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

i. Recognition and initial measurement

As a lessee

At the commencement date of a lease, the Company recognizes a right-of-use asset and a lease liability for all leases except leases of low value assets and leases with a duration of 12 months or less.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company determines whether, throughout the period of use, it has the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. When the supplier has a substantive right to substitute the asset throughout the period of use, the asset is not identified. The Company reassesses whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

NOTE 28 – SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Leases (continued)

i. Recognition and initial measurement as a lessee (continued)

For contracts that contain multiple lease components, the Company allocates the consideration in the contract to each lease component based on their relative stand-alone price. The Company has elected not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

At the commencement date of a lease, the Company recognizes a lease liability and a right-of-use asset. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the lease, discounted using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or a rate (such as CPI), initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

Variable rent payments that are not based on an index or rate, including additional rent for operating costs and taxes and non-recoverable goods and services tax, are recognized as rent expense, within general and administrative expense or direct costs, as incurred. Lease payments for short-term leases and leases of low value assets are recognized as rent expense on a straight-line basis over the lease term.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, increased for:

- lease payments made at or before the commencement of the lease;
- initial direct costs incurred; and
- the estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located,
- less any lease incentives received.

ii. Classification and subsequent measurement

Subsequent to the commencement date of the lease, the lease liability is measured at amortized cost using the effective interest method. The lease liability is remeasured by discounting the revised lease payments using a revised discount rate when there is a change in the lease term or there is a change in the assessment of an option to purchase the underlying asset. The lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate when there is a change in the amounts expected to be payable under a residual value guarantee or there is a change in future lease payments resulting from a change in an index or a rate used to determine variable payments. Upon remeasurement of a lease liability, a corresponding adjustment to the right-of-use asset is recognized.

Subsequent to the commencement date of the lease, the Company measures the right-of-use asset at cost, less accumulated depreciation, and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. The right-of-use asset is depreciated using the straight-line method from the commencement date of the lease to the earlier of the end of the useful life of the underlying asset and the end of the lease term. The Company assesses its right-of-use assets for impairment and accounts for identified impairment losses similar to its assessment of impairment on other property and equipment.

Right-of-use assets that meet the definition of an investment property are classified as investment property and measured at fair value at each reporting date. Changes in fair value during each period are recognized and included in net gains on fair value changes in investment properties in the statement of comprehensive income.

CIBT EDUCATION GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of Canadian Dollars except share and per share amounts

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NOTE 28 – SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Leases (continued)

Refundable security deposits are classified as financial assets measured at amortized cost and included in current other receivables or other non-current assets. Tenant improvement allowances are recognized as a reduction in the costs of the associated leasehold improvement assets.

The Company has taken the practical expedient not to assess whether rent concessions arising as a result of COVID-19 are lease modifications. These rent concessions are in the form of rent deferrals and there is no change to the amount recognized in profit or loss as a result of these changes.

As a lessor

The Company accounts for leases as operating leases and recognizes rental revenues on a straight-line basis over the lease term.

J. Government Grants

Government grants are assistance by government agencies in the form of transfers of resources to an entity in return for past or future compliance with certain conditions related to the operating activities of the entity. Grants from the government are recognized at the fair value where there is reasonable assurance that the grant will be received, and the Company will comply with all attached conditions. Government grants related to costs are deferred, if applicable, and recognized gross in profit or loss on a systematic basis in the periods in which the expenses are recognized.

K. 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.

L. 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.

M. Share related items

i. Treasury Shares

Consideration paid for the purchase of treasury shares is recognized directly in equity. The carrying amount of these reacquired shares is presented as a treasury share reserve. If any of these shares are resold, the resulting gains (losses) 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).

CIBT EDUCATION GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 28 – SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Share related items (continued)

ii. 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 using 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 reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that vest.

iii. 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 are used to repurchase common shares at the average prevailing market rate during the reporting period. The potentially issuable dilutive shares are ranked based on dilution.

Anti-dilutive equity instruments and convertible debt instruments are not considered in computing diluted earnings per share. Treasury shares are excluded from the calculation of earnings per share.

N. Compound Financial Instruments

Compound financial instruments are Canadian denominated convertible debentures and convertible promissory notes held by the Company that can be converted at the option of the holder into common shares of the Company in the case of the debentures and limited partnership units in the case of the convertible promissory notes, when the number of shares or units to be issued is fixed and does not vary with changes in fair value or currency.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognised in profit or loss. If the instrument is converted before maturity, any accrued but unpaid interest is paid to the holder, the liability is derecognized and reclassified to equity, and no gain or loss is recognized. If the financial instrument is repaid, the liability is derecognized, and the equity component is unchanged.

O. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date or, in its absence, the most advantageous market to which the group has access at that date. Several the company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities. The Company uses the fair value hierarchy 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.

When one level one input is available the Company measures the fair value of the instrument using the quoted price in an active market for that instrument (Level 1). A market is regarded as active if transactions for the asset or a liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

CIBT EDUCATION GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 28 – SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Fair value measurement (continued)

If there is no quoted price in an active market, then the group uses valuation techniques that maximise the use of relevant observable inputs and minimised the use of unobservable inputs (Level 2 or Level 3). The chosen valuation technique incorporates all the factors that market participants would consider in pricing a transaction.

P. Income taxes and deferred taxation

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 (Loss) 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 difference can be utilized. Deferred taxes arising from investment properties measured at fair value presumes that recovery will be through sale rather than use. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current assets and liabilities.

When there is uncertainty concerning the Company's filing position regarding the tax bases of assets or liabilities, the taxability of certain transactions or other tax-related assumptions, then the Company: (a) considers whether uncertain tax treatments should be considered separately, or as a group, based on which approach provides better predictions of the resolution; (b) determines if it is probable that the tax authorities will accept the uncertain tax treatment; and (c) if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainly based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. Companies are to assume in making this measurement 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 making those examinations.

Q. Recast of prior year consolidated statement of cash flows

The Company recast its consolidated statement of cash flow for the year ended August 31, 2020, by reclassifying \$7,102 in borrowing costs capitalized to investment properties from financing activities to investing activities to conform to the current year presentation. The impact of the reclassification results in an increase in cash flows used in investing activities from \$36,112, as previously reported, to \$43,214, and an increase in cash flows provided by financing activities from \$36,295, as previously reported, to \$43,397 for the year ended August 31, 2020.

CIBT EDUCATION GROUP INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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NOTE 29 – SEGMENTED INFORMATION

The Company's primary industry and geographic segments are in Canada where SSCC operates technical and career training schools, SSLC and VIC operates English language schools, IRIX conducts web design and advertising services, and GECH invests in and manages education related real estate projects, and in China where CIBT operates technical and career training schools. The Company's corporate operations are also in Canada. Transactions between CIBT China, SSCC, SSLC / VIC, IRIX, GECH and the Company (Corporate) are reported as inter-segment transactions and are eliminated on consolidation.

	Year ended August 31, 2021							
	CIBT China	SSCC	SSLC/VIC	IRIX	GECH	Corporate	Total	
Revenues								
Revenues from contracts with customers								
Educational	\$ 2,671	\$ 40,282	\$ 3,280	\$ -	\$ -	\$ -	\$ -	\$ 46,233
Design and advertising	-	-	-	996	-	-	-	996
Commissions and referral fees	628	-	-	-	-	-	-	628
Rental	-	-	-	-	2,570	-	-	2,570
	3,299	40,282	3,280	996	2,570	-	-	50,427
Revenues from leases	-	-	-	-	7,308	-	-	7,308
Revenues from development fees	-	-	-	-	-	3,134	-	3,134
	\$ 3,299	\$ 40,282	\$ 3,280	\$ 996	\$ 9,878	\$ 3,134	\$ -	\$ 60,869
Revenues, net of direct costs	\$ 1,226	\$ 24,712	\$ 520	\$ 482	\$ 5,126	\$ 3,134	\$ -	\$ 35,200
Other income (expenses):								
General and administrative	(1,734)	(16,768)	(2,412)	(665)	(3,185)	(3,970)	-	(28,734)
Depreciation and amortization	(32)	(2,669)	(722)	(39)	(1,548)	(104)	-	(5,114)
Share-based payment expense	-	-	-	-	-	(108)	-	(108)
Interest and other income	236	706	2,016	159	5,285	153	-	8,555
Foreign exchange gain (loss)	102	-	-	3	-	312	-	417
Interest expense	-	(849)	(81)	(5)	(10,026)	(1,404)	-	(12,365)
Finance fees expense and other	-	-	-	-	25	(173)	-	(148)
Gain on fair value changes in investment properties	-	-	-	-	8,802	-	-	8,802
Impairment of intangibles and goodwill	-	-	(410)	-	-	-	-	(410)
Loss on derecognition of financial liabilities	-	-	-	-	-	(150)	-	(150)
Loss on disposal of assets	(15)	(213)	(9)	-	-	-	-	(237)
Income tax recovery (provision), net	86	(339)	(546)	14	(325)	579	-	(531)
Inter-segment transactions	47	(3,088)	1,998	33	95	915	-	-
Net income (loss)	\$ (84)	\$ 1,492	\$ 354	\$ (18)	\$ 4,249	\$ (816)	\$ -	\$ 5,177

CIBT EDUCATION GROUP INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

All amounts in thousands of Canadian Dollars except share and per share amounts

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NOTE 29 - SEGMENTED INFORMATION (continued)**Industry and Geographic Segments**

As at August 31, 2021

	CIBT China	SSCC	SSLC/VIC	IRIX	GECH	Corporate	Consolidated
Total assets	\$ 4,211	\$ 47,035	\$ 2,398	\$ 242	\$ 463,035	\$ 2,118	\$ 519,039
Property and equipment	\$ 93	\$ 2,164	\$ 98	\$ 42	\$ 55,985	\$ 8	\$ 58,390
Investment properties	\$ -	\$ -	\$ -	\$ -	\$ 322,606	\$ -	\$ 322,606
Intangible assets	\$ 461	\$ 6,380	\$ 357	\$ -	\$ -	\$ -	\$ 7,198
Goodwill	\$ -	\$ 5,218	\$ -	\$ -	\$ -	\$ 300	\$ 5,518
Total liabilities	\$ 764	\$ 44,697	\$ 5,017	\$ 374	\$ 257,904	\$ 6,700	\$ 315,456
Non-controlling interests	\$ (38)	\$ -	\$ -	\$ (182)	\$ 153,006	\$ -	\$ 152,786
Capital expenditures	\$ 10	\$ 1,515	\$ 12	\$ 12	\$ 59	\$ -	\$ 1,608

CIBT EDUCATION GROUP INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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NOTE 29 – SEGMENTED INFORMATION (continued)

	Year ended August 31, 2020							Total
	CIBT China	SSCC	SSLC/VIC	IRIX	GECH	Corporate		
Revenues								
Revenues from contracts with customers								
Educational	\$ 2,666	\$ 37,036	\$ 7,173	\$ -	\$ -	\$ -	\$ -	\$ 46,875
Design and advertising	-	-	-	716	-	-	-	716
Commissions and referral fees	401	-	-	-	-	-	-	401
Rental	-	-	-	-	4,009	-	-	4,009
	<u>3,067</u>	<u>37,036</u>	<u>7,173</u>	<u>716</u>	<u>4,009</u>	<u>-</u>	<u>-</u>	<u>52,001</u>
Revenues from leases	-	-	-	-	6,007	-	-	6,007
Revenues from development fees	-	-	-	-	-	4,540	-	4,540
	<u>\$ 3,067</u>	<u>\$ 37,036</u>	<u>\$ 7,173</u>	<u>\$ 716</u>	<u>\$ 10,016</u>	<u>\$ 4,540</u>	<u>\$ -</u>	<u>\$ 62,548</u>
Revenues, net of direct costs	\$ 1,256	\$ 22,907	\$ 2,382	\$ 558	\$ 5,266	\$ 4,540	\$ -	\$ 36,909
Other income (expenses):								
General and administrative	(1,119)	(16,098)	(3,795)	(686)	(2,324)	(3,930)	-	(27,952)
Depreciation and amortization	(179)	(2,520)	(875)	(25)	(907)	(103)	-	(4,609)
Share-based payment expense	-	-	-	-	-	(208)	-	(208)
Interest and other income	196	4,535	1,626	126	2,947	(586)	-	8,844
Foreign exchange gain (loss)	23	-	-	(4)	-	63	-	82
Interest expense	-	(904)	(150)	(3)	(6,073)	(1,366)	-	(8,496)
Finance fees expense and other	-	-	-	-	(53)	381	-	328
Loss on fair value changes in investment properties	-	-	-	-	(5,730)	-	-	(5,730)
Impairment of intangibles and goodwill	-	-	(3,556)	-	-	-	-	(3,556)
Loss on disposal of assets	-	-	(53)	-	-	-	-	(53)
Income tax recovery (provision), net	19	(1,176)	(259)	(12)	870	248	-	(310)
Inter-segment transactions	92	(3,523)	2,146	30	64	1,191	-	-
Net income (loss)	<u>\$ 288</u>	<u>\$ 3,221</u>	<u>\$ (2,534)</u>	<u>\$ (16)</u>	<u>\$ (5,940)</u>	<u>\$ 230</u>	<u>\$ -</u>	<u>\$ (4,751)</u>

CIBT EDUCATION GROUP INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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NOTE 29 – SEGMENTED INFORMATION (continued)**Industry and Geographic Segments**

As at August 31, 2020

	CIBT China	SSCC	SSLC/VIC	IRIX	GECH	Corporate	Total
Total assets	\$ 4,367	\$ 44,547	\$ 2,829	\$ 284	\$ 399,048	\$ 1,692	\$ 452,767
Property and equipment	\$ 52	\$ 1,408	\$ 150	\$ 40	\$ 57,466	\$ 10	\$ 59,126
Investment properties	\$ -	\$ -	\$ -	\$ -	\$ 246,327	\$ -	\$ 246,327
Intangible assets	\$ 461	\$ 6,664	\$ 344	\$ -	\$ -	\$ -	\$ 7,469
Goodwill	\$ -	\$ 5,218	\$ 317	\$ -	\$ -	\$ 300	\$ 5,835
Total liabilities	\$ 748	\$ 46,845	\$ 4,555	\$ 394	\$ 216,627	\$ 3,019	\$ 272,188
Non-controlling interests	\$ (31)	\$ -	\$ -	\$ (173)	\$ 129,514	\$ -	\$ 129,310
Capital expenditures	\$ 4	\$ 368	\$ 17	\$ 11	\$ 76	\$ -	\$ 476

--- END OF FINANCIAL STATEMENTS ---