



CIBT EDUCATION GROUP INC.
CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022

EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE NOTED

INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



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INDEPENDENT AUDITOR'S 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 statements of financial position as at August 31, 2022 and 2021
- the consolidated statements of comprehensive income (loss) for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at August 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.

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

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

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, 2022. 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 auditor's report.

Evaluation of the fair value of investment properties

Description of the matter

We draw attention to Note 3(b), Note 5 and Note 29E to the financial statements. The Entity has recorded investment properties at fair value. The fair value of investment properties is \$356.3 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;
- 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.



Evaluation of impairment of development assets

Description of the matter

We draw attention to Note 3(b), Note 6, and Note 23 to the financial statements. The Entity has recorded impairment of development assets of \$40.0 million on its non-financial development asset and recognized a provision for expected credit loss on development and other assets of \$22.7 million on its receivable due from developer (collectively, the “development assets”). The impairment and provision for expected credit loss were recorded on the Entity’s development assets based on the Entity’s assessment of the recoverable amount of the development assets.

Why the matter is a key audit matter

We identified the evaluation of impairment and provision for expected credit loss of development assets as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of the impairment and provision for expected credit loss. In addition, significant auditor judgment and specialized skills and knowledge were required in evaluating the results of our audit procedures.

How the matter was addressed in the audit

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

- We assessed the Entity’s rights to the collateral security on the development assets based on their priority relative to the other creditors by reviewing relevant agreements.
- We evaluated the recoverable amount of the development assets by reviewing relevant market data.
- We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the appropriateness of the market data used to assess the recoverable amount of the development assets.

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 auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor’s report.

We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

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



The engagement partner on the audit resulting in this auditor's report is Jeremie Jamin.

Chartered Professional Accountants

Vancouver, Canada
November 29, 2022

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

	August 31, 2022	August 31, 2021
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 9,724	\$ 18,338
Restricted cash	2,106	739
Trade and other receivables (Note 11)	13,857	21,173
Current development assets (Note 6)	3,300	25,931
Income taxes receivable	14	-
Prepayments	3,952	2,909
Inventory	840	852
TOTAL CURRENT ASSETS	33,793	69,942
Investment properties (Note 5)	356,335	322,606
Property and equipment (Note 7)	57,931	58,390
Right-of-use assets (Note 8(a))	12,028	11,920
Development assets (Note 6)	1,378	41,390
Intangible assets and goodwill (Note 9)	13,047	12,716
Deferred income tax assets (Note 21(c))	2,229	1,020
Other	992	1,055
TOTAL ASSETS	\$ 477,733	\$ 519,039
LIABILITIES		
CURRENT		
Trade and other payables (Note 12)	\$ 18,233	\$ 18,866
Income taxes payable	273	176
Deferred revenue (Note 13)	20,739	25,001
Current portion of borrowings (Note 14)	182,802	156,894
Current lease liabilities (Note 8(b))	4,186	3,894
TOTAL CURRENT LIABILITIES	226,233	204,831
Borrowings (Note 14)	67,759	87,356
Lease liabilities (Note 8(b))	10,813	12,283
Deferred income tax liabilities (Note 21(c))	10,896	10,986
TOTAL LIABILITIES	\$ 315,701	\$ 315,456
EQUITY		
SHARE CAPITAL	45,565	46,573
RESERVES (Note 15(c))	6,630	6,770
DEFICIT	(24,596)	(2,841)
ACCUMULATED OTHER COMPREHENSIVE INCOME	275	295
Shareholders' Equity	27,874	50,797
Non-controlling interests (Note 17(a))	134,158	152,786
TOTAL EQUITY	\$ 162,032	\$ 203,583
TOTAL LIABILITIES AND EQUITY	\$ 477,733	\$ 519,039

COMMITMENTS & CONTINGENCIES (Note 25)
EVENTS AFTER THE REPORTING PERIOD (Note 28)

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, 2022	Year Ended August 31, 2021
REVENUES		
Educational	\$ 52,534	\$ 46,233
Rental (Note 5(c))	18,547	9,878
Development fees	588	3,134
Design and advertising	581	996
Commissions and referral fees	985	628
	73,235	60,869
DIRECT COSTS		
Educational	24,329	20,065
Rental (Note 5(c))	6,405	4,752
Design and advertising	152	514
Commissions and referral fees	387	338
	31,273	25,669
OTHER EXPENSES		
General and administrative (Note 18)	30,061	28,734
Depreciation and amortization	3,903	5,114
Share-based payment expense (Note 16)	150	108
	34,114	33,956
OPERATING INCOME		
	7,848	1,244
Finance costs (Note 19)	(8,467)	(12,513)
Net gain on fair value changes in investment properties (Note 5(a))	8,650	8,802
Other income, net (Note 20)	1,945	8,175
Provision for expected credit losses on development and other assets (Note 6, 11)	(26,940)	-
Impairment of development assets (Note 6)	(40,000)	-
INCOME (LOSS) BEFORE INCOME TAXES		
	(56,964)	5,708
Income tax (recovery) provision (Note 21(a))	(1,194)	531
NET INCOME (LOSS)		
	\$ (55,770)	\$ 5,177
Other comprehensive income (loss)		
<i>Items that are or may be reclassified subsequent to profit or loss</i>		
Exchange differences on translating foreign operations	(19)	50
Other comprehensive income (loss), net of tax	(19)	50
Total comprehensive income (loss)		
	\$ (55,789)	\$ 5,227
Net income (loss) attributable to:		
CIBT Education Group Inc. shareholders	\$ (15,336)	\$ 4,703
Non-controlling interests (Note 17)	\$ (40,434)	\$ 474
	\$ (55,770)	\$ 5,177
Total comprehensive income (loss) attributable to:		
CIBT Education Group Inc. shareholders	\$ (15,356)	\$ 4,755
Non-controlling interests (Note 17)	\$ (40,433)	\$ 472
	\$ (55,789)	\$ 5,227
Net income (loss) per share attributable to equity holders of CIBT Education Group Inc. (Note 15(d))		
Basic	\$ (0.22)	\$ 0.07
Diluted	\$ (0.22)	\$ (0.01)

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					Interests	Total Equity	
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	16	-	-	108	-	-	108	-	108	
Payments to non-controlling interests	17(a)	-	-	-	-	-	-	(1,704)	(1,704)	
Non-controlling interests' contributions	17(a)	-	-	-	-	-	-	5,246	5,246	
Changes in ownership interests, net of tax	17(a)	-	-	201	-	(2,928)	(2,727)	18,689	15,962	
Purchase of treasury shares	15(b)	-	-	(2,401)	-	-	(2,401)	-	(2,401)	
Treasury share cancellations	15(b)	(4,570,300)	(2,964)	2,964	-	-	-	-	-	
Shares issued – stock option exercises	15(a)	5,000	3	(1)	-	-	2	-	2	
Equity component of convertible debt, net		-	-	(209)	-	-	(209)	773	564	
August 31, 2021		69,978,240	\$ 46,573	\$ 6,770	\$ 295	\$ (2,841)	\$ 50,797	\$ 152,786	\$ 203,583	
Net loss for the year		-	-	-	-	(15,336)	(15,336)	(40,434)	(55,770)	
Unrealized translation adjustments		-	-	-	(20)	-	(20)	1	(19)	
Total comprehensive loss					(20)	(15,336)	(15,356)	(40,433)	(55,789)	
Share-based payments	16	-	-	150	-	-	150	-	150	
Payments to non-controlling interests	17(a)	-	-	-	-	-	-	(1,323)	(1,323)	
Non-controlling interests' contributions	17(a)	-	-	-	-	-	-	2,282	2,282	
Changes in ownership interests, net of tax	17(a)	-	-	-	-	(6,419)	(6,419)	20,846	14,427	
Purchase of treasury shares	15(b)	-	-	(1,298)	-	-	(1,298)	-	(1,298)	
Treasury share cancellations	15(b)	(1,517,500)	(1,008)	1,008	-	-	-	-	-	
August 31, 2022		68,460,740	\$ 45,565	\$ 6,630	\$ 275	\$ (24,596)	\$ 27,874	\$ 134,158	\$ 162,032	

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, 2022	Year Ended August 31, 2021
OPERATING ACTIVITIES		
Net income (loss)	\$ (55,770)	\$ 5,177
Items not affecting cash:		
Depreciation and amortization (Note 7, 8, 9)	6,865	6,799
Share-based payment expense (Note 16(a))	150	108
Net gain on fair value changes in investment properties (Note 5(a))	(8,650)	(8,802)
Provision for expected credit losses on trade receivables (Note 23(b))	1,509	1,534
Provision for expected credit losses on development and other assets (Note 6, 11)	26,940	-
Impairment of development assets (Note 6)	40,000	-
Impairment of intangible assets and goodwill (Note 10)	-	410
Finance costs (Note 19)	8,467	12,513
Accrued interest income receivable (Note 20)	(572)	(3,411)
Current income tax expense (Note 21(a))	104	414
Deferred income tax (recovery) expense (Note 21(a))	(1,298)	117
Other	169	(1,139)
(Decrease) increase in working capital (Note 27(a))	(3,257)	12,372
Cash generated from operations	14,657	26,092
Interest paid	(7,890)	(7,313)
Income taxes paid	(19)	(1,673)
Net cash provided by operating activities	6,748	17,106
INVESTING ACTIVITIES		
Purchases of property and equipment (Note 7)	(597)	(1,608)
Acquisition and development of investment properties, net (Note 5)	(13,777)	(55,743)
Capitalized borrowing costs paid	(8,605)	(8,183)
Refundable property deposits	-	(1,000)
Additions of intangible assets (Note 9)	(3,419)	(1,666)
Other	(1,340)	(516)
Net cash used in investing activities	(27,738)	(68,716)
FINANCING ACTIVITIES		
Cash flows associated with borrowings (Note 27(b))	20,259	56,335
Payments of lease liabilities (Note 8(c))	(5,283)	(5,311)
Proceeds from issuance of shares, net of costs (Note 15(b))	-	2
Repurchase of common shares (Note 15(b))	(1,298)	(2,401)
Non-controlling interests, net (Note 17(a))	959	2,968
Payment of financing costs (Note 27(b))	(1,763)	(3,960)
Other	(477)	(688)
Net cash provided from financing activities	12,397	46,945
Effects of exchange rate changes on cash and cash equivalents	(21)	(27)
Decrease in cash and cash equivalents	(8,614)	(4,692)
Cash and cash equivalents, beginning of year	18,338	23,030
Cash and cash equivalents, end of the year	\$ 9,724	\$ 18,338

Supplemental cash flow information (Note 27)

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, 2022

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 Spratt Shaw College Corp. (“SSCC”), Spratt 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, 2022.

These consolidated financial statements of the Company were approved by the Company’s Board of Directors and authorized for issue on November 29, 2022.

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 29 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 29(A)(i)). Certain comparative figures on the consolidated statements of cash flows have been reclassified to conform to the current years presentation.

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, 2022, the Company reported a working capital deficiency of \$192,440, which is calculated as current assets minus current liabilities. The most significant amount included in current liabilities at August 31, 2022 is \$182,802 of borrowings. Subsequent to August 31, 2022, approximately \$48,000 of this balance was refinanced with maturity dates more than 12 months after August 31, 2022. 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 23(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, 2022

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

As a result of the uncertainty associated with the pandemic, rising inflation and interest rates and general global unrest, certain significant assumptions made by the Company may be impacted. Uncertain environments make estimating certain items in the financial statements more challenging and are likely to result in more frequent changes in management's expectations about the future.

(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:

Going concern

The determination as to the Company's ability to continue as a going concern is dependent on its ability to secure debt and equity financing, and to maintain profitable operations. Certain judgments were made when determining if and when the Company will secure debt and equity financing and continue to generate positive cash flows from its operations.

Determination of control of subsidiaries

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, 2022, it controls all the limited partnerships which have been formed to hold the GECH operations of the business (Note 17).

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. Collectively the investments properties and the hotel are part of the GECH operating segment.

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.

CIBT EDUCATION GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2022

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

Recognition of deferred income tax assets and liabilities

The decision to recognise a deferred income 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 21).

(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 within the next financial year, 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 property, 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. Certain significant assumptions are based on market conditions which have continued to stabilize during the year ended August 31, 2022. Changes in market conditions may impact the valuation of investment properties and may result in changes in future revenue and/or profitability (Note 5(b)).

Expected credit loss allowance and provision

The Company determines an expected credit loss allowance for trade receivables based on lifetime expected credit losses, 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 and also includes receivables from the student housing arm and other lines of business. Assumptions are required in assessing the collectability of any outstanding accounts receivable from both students and tenants. As government financial supports are eliminated and as inflation continues to rise, the Company may be exposed to increased credit risk. The loss allowance is reviewed at each reporting date and the Company recognizes in profit or loss, the amount of expected credit losses or reversals that are required to adjust the loss allowance to the calculated amount. Collectivity of customer balances classified as trade receivables may vary from the Company's estimation (Note 23(b)).

The Company also determines an expected credit loss allowance for other financial assets including amounts receivable from developer and loans receivable based on the lifetime expected credit losses and considers whether there is a significant increase in credit risk which is assessed based on the change in risk of a default occurring over the life of the instrument. Changes in assumptions used in determining the loss allowance at each reporting period may result in a change in provision (Note 23(b)).

Impairment of non-financial assets

At each reporting period, the Company assesses if there are any indicators of impairment associated with non-financial assets, including development assets. If any such indicators exist, the asset's recoverable amount is estimated. Significant assumptions are required in determining the value of these assets depending on facts and circumstances that may not yet be known and changes in those assumptions may result in changes to the recoverable amount. The Company also assesses at the end of each reporting period, whether there is any indication that an impairment loss recognized in prior periods may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of that asset to determine if an impairment loss reversal should be recognized. In the case of impairment loss reversal, the increases in the carrying amount of the asset may not exceed the carrying amount had no impairment been recognized in prior periods (Notes 6, 23(b)).

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, 2022 and determined there was no impairment.

CIBT EDUCATION GROUP INC.
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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 (continued)

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 CGU level. 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, if applicable. 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).

Leases

In measuring the Company's leases under IFRS 16 – *Leases* ("IFRS 16"), 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.

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

(a) Application of new and revised IFRSs

There have been no new standards applicable to the Company during the year ended August 31, 2022.

(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. The Company currently has no plans to early adopt any of the standards noted below.

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 amendment is applicable to the Company starting September 1, 2023 with early adoption permitted and is not expected to have a material impact.

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.

In September 2022, the IASB issued *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)* with amendments that clarify how a seller-lessee subsequently measure sale and lease-back transactions that satisfy the requirement of IFRS 15 – *Revenues from contracts with customers* to be accounted for as a sale. The amendments are applicable to the Company starting September 1, 2024 with early application permitted.

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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, which 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, 2022		August 31, 2021	
Balance, beginning of year	\$	322,606	\$	246,327
Acquisitions ⁽¹⁾		-		48,500
Capital additions		75		16
Remeasurement of lease liability ⁽²⁾		67		-
Development costs		13,702		8,740
Capitalized borrowing costs ⁽³⁾		11,235		10,221
Net gain on change in fair value		8,650		8,802
Balance, end of year	\$	356,335	\$	322,606

⁽¹⁾ On October 27, 2020, a limited partnership controlled by the Company purchased two occupied rental apartment buildings located in Metro Vancouver and accounted for this transaction as an asset acquisition in accordance with its accounting policy.

⁽²⁾ One right-of-use asset is classified as investment property. 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.

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

(b) Fair value and measurement of fair values

All of the Company's investment properties are measured at fair value, with any gain or loss arising from changes in the fair values of investment properties 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, 2022		August 31, 2021	
Total revenue producing properties	\$	166,835	\$	156,606
Total properties under development		189,500		166,000
Total fair value of investment properties	\$	356,335	\$	322,606

i. Fair value hierarchy

The fair value of each investment property is valued at least annually at the end of each fiscal year by external independent professionally qualified appraisers with recent experience in the location and category of the investment property being valued, except for 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. 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.

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 were no additional valuation techniques applied in determining the fair value of investment properties for the year ended August 31, 2022 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 properties are valued based on the highest and best use for the specific property, which does not differ from their actual use.

CIBT EDUCATION GROUP INC.

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NOTE 5 – INVESTMENT PROPERTIES (continued)

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

Valuation method used for revenue producing properties

Valuation Technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurement
<u>Income approach:</u>		
The valuation method is based on forecasted stabilized net operating income (“NOI”) ⁽¹⁾ divided by an overall capitalization rate based on current market expectations.	<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). ⁽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.

Valuation method used for properties under development

Direct comparison approach:

The valuation method is based on comparison to recent sales of properties of similar types, location and quality.	- 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).
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Residual land value approach:

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.	<ul style="list-style-type: none"> - Stabilized future cash flows to be generated by the investment properties. - Capitalization rates. - Direct development costs to complete the project. 	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).
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The estimated fair value would increase (decrease) if: direct development costs to complete the project were lower (higher).

iii. Sensitivity analysis

Revenue producing properties

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, 2022. The right-of-use asset investment property is not included in the analysis.

Net operating income		-1.00%	-0.50%	As Forecasted	+0.50%	+1.00%
Capitalization Rate -0.25%	3.75%	9,229	10,108	10,987	11,866	12,745
Capitalization Rate +0.25%	4.00%	(1,648)	(824)	-	824	1,648
	4.25%	(11,245)	(10,470)	(9,694)	(8,919)	(8,143)

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NOTE 5 – INVESTMENT PROPERTIES (continued)**(b) Fair value and measurement of fair values, *iii. Sensitivity analysis (continued)***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 period and planning status at measurement date. For the two properties under development measured under this approach at August 31, 2022, 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 \$1,704 and a 4% increase/decrease would increase/decrease the fair value by \$3,408. At August 31, 2021, for the three properties under development measured under this approach 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.

The residual land value approach uses the projected NOI and comparable property capitalization rates for each 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 two properties measured under the residual land value approach as at August 31, 2022.

Net operating income		-1.00%	-0.50%	As Forecasted	+0.50%	+1.00%
Capitalization Rate						
-0.25%	3.75%	5,841	6,397	6,953	7,510	8,066
Capitalization Rate	4.00%	(1,043)	(522)	-	522	1,043
+0.25%	4.25%	(7,117)	(6,626)	(6,135)	(5,644)	(5,154)

The following table summarizes the sensitivity impact of changes in the estimated direct development costs to complete the project for the two properties measured under this approach as at August 31, 2022.

Direct development costs to complete the project	-4.00%	-2.00%	As Forecasted	+2.00%	+4.00%
Change in fair value	11,671	5,835	-	(5,835)	(11,671)

(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, 2022		Year ended August 31, 2021	
Rental revenues	\$	18,547	\$	9,878
Direct operating costs generating revenue		(6,405)		(4,752)
Other indirect costs, including financing		(11,190)		(12,349)
Loss on change in fair value of right-of-use investment property		(1,949)		(1,448)
Net loss	\$	(997)	\$	(8,671)

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*. All of the investment properties rental contracts with tenants have a term of one year or less.

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NOTE 6 – DEVELOPMENT ASSETS

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

	August 31, 2022		August 31, 2021	
Receivable from developer ⁽¹⁾	\$	3,300	\$	25,931
Current development assets	\$	3,300	\$	25,931
Deposits ⁽²⁾	\$	-	\$	40,000
Deferred costs and other		1,378		1,390
Non-current development assets	\$	1,378	\$	41,390

⁽¹⁾ Related to GEC Project 9 described below. At August 31, 2022, the amount before provision for expected credit losses includes \$6,000 interest receivable on amount due from developer (August 31, 2021 - \$5,931). Amounts remain unpaid.

⁽²⁾ Related to GEC Project 9 described below and represents deposit paid which is to be applied to the purchase price of a property when acquired. Deposits are refundable subject to the terms of the agreement if the purchase of a property is not completed.

GEC Project 9

Pursuant to a Purchase and Development Agreement (“LP9 PDA”) with a Vancouver developer for the construction of a number of buildings, a controlled subsidiary of the Company, GEC Limited Partnership 9 (“GEC LP9”) had paid a total of \$60,000 in deposits associated with the right to purchase a portion of 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 LP9 in accordance with the terms of the amended LP9 PDA versus being applied to the purchase of the property on completion. When certain milestones were not met by the developer, the \$20,000 amount receivable from the developer became subject to interest of 15% per annum. During the year ended August 31, 2020, there was a second amendment to the terms of the LP9 PDA to further define certain terms including escalating interest and it was determined that the timing of repayment of the amount receivable from the developer would be based on the developer receiving third-party financing. The amount receivable from the developer of \$20,000 plus accrued interest and the \$40,000 deposit to be applied to the purchase price, in total \$60,000 plus accrued interest, are secured by a third mortgage against the developers’ property.

On April 1, 2022, the developer and its partners (collectively, the “Developer”) applied for and were granted an initial order to commence proceedings under the Canadian *Companies’ Creditor Arrangement Act* (the “CCAA”) to restructure its business. A hearing in the Supreme Court of British Columbia (the “Court”) was scheduled in late April 2022 at which time the Developer, under supervision of the Court, was to determine whether the project would be restructured or sold. The Court has extended the stay period several times with the latest extension to December 9, 2022. In addition, the Court approved the sales and investment solicitation process and subsequent to August 31, 2022 the bid deadline expired.

At August 31, 2022, it was not known whether there would be a successful bid for the purchase of the property or restructuring of the project; however, based on activity there is the possibility that GEC LP9 may not be repaid any portion of the amount receivable from the Developer, despite this balance being secured by a third mortgage. As described in Note 23(b) – Credit risk – *Receivable from developer*, GEC LP9 has recognized an expected credit loss provision related to the receivable due from the developer of \$22,700 which is classified as Provision for expected credit losses on development and other assets in the consolidated statement of comprehensive income (loss) for the year ended August 31, 2022.

Impairment of non-financial development asset

The \$40,000 deposit expected to be applied to the purchase price of the property is secured by a third mortgage against the Developers’ property. At August 31, 2022, indicators of impairment existed including the current status of the CCAA process and it was determined that the value of the development project may not be sufficient for all creditors to be satisfied. As a result, the Company recognized an impairment loss of \$40,000 which is classified as Impairment of development assets in the consolidated statement of comprehensive income (loss) for the year ended August 31, 2022. At the end of each reporting period, the Company will determine the recoverable amount of the deposit and if the recoverable amount has increased, reverse the applicable portion of the prior period impairment.

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

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

	Land & Buildings ⁽¹⁾	Furniture & equipment	Leaseholds	Total
Cost				
August 31, 2020	\$ 56,879	\$ 8,724	\$ 3,470	\$ 69,073
Additions	-	732	876	1,608
Disposals and other ⁽²⁾	-	(4,706)	(442)	(5,148)
Foreign exchange adjustments	-	164	49	213
August 31, 2021	\$ 56,879	\$ 4,914	\$ 3,953	\$ 65,746
Additions	-	649	-	649
Disposals and other	-	(4)	(53)	(57)
Foreign exchange adjustments	-	(9)	-	(9)
August 31, 2022	\$ 56,879	\$ 5,550	\$ 3,900	\$ 66,329
Accumulated Depreciation				
August 31, 2020	\$ (710)	\$ (6,362)	\$ (2,875)	\$ (9,947)
Depreciation for the year	(288)	(1,488)	(409)	(2,185)
Disposals and other ⁽²⁾	-	4,478	433	4,911
Foreign exchange adjustments	-	(86)	(49)	(135)
August 31, 2021	\$ (998)	\$ (3,458)	\$ (2,900)	\$ (7,356)
Depreciation for the year	(287)	(455)	(312)	(1,054)
Disposals and other	-	2	-	2
Foreign exchange adjustments	-	9	1	10
August 31, 2022	\$ (1,285)	\$ (3,902)	\$ (3,211)	\$ (8,398)
Net carrying amounts				
At August 31, 2021	\$ 55,881	\$ 1,456	\$ 1,053	\$ 58,390
At August 31, 2022	\$ 55,594	\$ 1,648	\$ 689	\$ 57,931

⁽¹⁾ At August 31, 2022, land, and buildings form security for the principal borrowing of \$44,340 of the Company's one hotel beneficially owned by GEC Limited Partnership 8.

⁽²⁾ At August 31, 2021, disposals include assets which are fully amortized and no longer in use.

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. During the years ended August 31, 2022 and 2021, new leases and lease modifications relate mainly to campus leases for the Company's education business. 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 23(a).

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NOTE 8 – LEASES (continued)**(a) Right-of-use assets**

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

	Premises	Equipment	Total
August 31, 2020	\$ 11,473	\$ 435	\$ 11,908
Additions	889	25	914
Lease modifications	1,868	-	1,868
Depreciation	(2,601)	(169)	(2,770)
August 31, 2021	\$ 11,629	\$ 291	\$ 11,920
Additions	2,556	131	2,687
Lease modifications	145	-	145
Depreciation	(2,527)	(197)	(2,724)
August 31, 2022	\$ 11,803	\$ 225	\$ 12,028

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

	Year ended August 31, 2022	Year ended August 31, 2021
Income from subleasing right-of-use assets ⁽¹⁾	\$ 3,168	\$ 2,012
<i>The following items are expense items:</i>		
Accretion of lease liabilities ⁽²⁾	1,171	1,256
Depreciation of right-of-use assets	2,724	2,770
Expense relating to short-term and low-value leases ⁽³⁾	328	162
Expense relating to variable lease payments ⁽⁴⁾	2,333	2,113
Expense relating to unrecoverable taxes ⁽³⁾	251	269
Loss on fair value change – right-of-use asset ⁽⁵⁾	1,949	1,448

⁽¹⁾ Included in rental revenues associated with the Company's investment property except for \$40 recognized as other income for the year ended August 31, 2022 (August 31, 2021 - \$89).

⁽²⁾ Included in finance costs (Note 19).

⁽³⁾ Included in rent expense within general and administrative expense (Note 18).

⁽⁴⁾ Included in rent expense within general and administrative expense except for \$115 for year ended August 31, 2022 (August 31, 2021 - \$105), respectively, included in direct rental costs.

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

(c) Amounts recognized in consolidated statements of cash flows

For the year ended August 31, 2022, \$5,283 of payments related to lease liabilities were recognized in the consolidated statement of cash flows as cash outflows classified within financing activities (August 31, 2021 - \$5,311). During the year ended August 31, 2022, total cash outflows associated with leases was \$8,220 which includes payment for variable costs, short-term leases, low-value leases, and non-refundable taxes (August 31, 2021 - \$7,724). These additional costs are included in cash provided by operating activities.

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NOTE 9 – INTANGIBLE ASSETS AND GOODWILL

Summary of total intangible assets and goodwill is as follows:

	August 31, 2022		August 31, 2021	
Intangible assets with definite life (a)	\$	1,211	\$	880
Intangible assets with indefinite life ⁽¹⁾		6,318		6,318
Goodwill (Note 10)		5,518		5,518
Total intangible assets and goodwill	\$	13,047	\$	12,716

⁽¹⁾ Includes accreditations and registrations of \$2,381, brand-names and tradenames of \$3,476 and Chinese University Agreements of \$461 in both periods (Note 10). At August 31, 2022 and 2021, there was no impairment of these balances (Note 10).

(a) Intangible assets with definite life

Cost	Curriculum		Foreign cooperative agreements		Agency fees		Total	
	August 31, 2020	\$	2,113	\$	918	\$	1,682	\$
Additions		-		-		1,666		1,666
Disposals		-		-		(2,205)		(2,205)
August 31, 2021	\$	2,113	\$	918	\$	1,143	\$	4,174
Additions		161		-		3,258		3,419
Disposals		-		-		(1,883)		(1,883)
August 31, 2022	\$	2,274	\$	918	\$	2,518	\$	5,710
Accumulated amortization								
August 31, 2020	\$	(1,564)	\$	(918)	\$	(1,080)	\$	(3,562)
Amortization ⁽¹⁾		(159)		-		(1,685)		(1,844)
Disposals		-		-		2,205		2,205
Impairment (Note 10)		(93)		-		-		(93)
August 31, 2021	\$	(1,816)	\$	(918)	\$	(560)	\$	(3,294)
Amortization ⁽¹⁾		(125)		-		(2,962)		(3,087)
Disposals		-		-		1,882		1,882
August 31, 2022	\$	(1,941)	\$	(918)	\$	(1,640)	\$	(4,499)
Net carrying amounts								
At August 31, 2021	\$	297	\$	-	\$	583	\$	880
At August 31, 2022 ⁽²⁾	\$	333	\$	-	\$	878	\$	1,211

⁽¹⁾ Amortization of agency fees are included in direct educational costs in the consolidated statements of comprehensive income (loss).

⁽²⁾ At August 31, 2022, the weighted average remaining useful life was 7.12 years for curriculum and 0.53 years for agency fees.

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

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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.

	August 31, 2022		August 31, 2021	
Intangible assets with indefinite life (Note 9)				
Sprott Shaw College Corp.	\$	5,857	\$	5,857
CIBT Beihai International College		461		461
	\$	6,318	\$	6,318
Goodwill ⁽¹⁾				
Sprott Shaw College Corp.	\$	5,218	\$	5,218
GEC Master 1 Limited Partnership		300		300
	\$	5,518	\$	5,518

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

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 of the assets 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

At August 31, 2022, the SSCC CGU was tested for impairment. The key assumptions used in the estimation of the recoverable amounts for CGUs are management’s cash flow projections based on expectations of revenue growth, expense and margin changes which are based on data from both external and internal sources. 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, 2022	2021	August 31, 2022	2021
Sprott Shaw College Corp.	21.7%	22.1%	0.3%	1.3%
Sprott Shaw Language College (Ontario) Corp.	-	21.4%	-	24.3%
GEC Master 1 Limited Partnership	-	9.3%	-	3.4%

⁽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 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, 2021 – 2.0%), which is consistent with the Bank of Canada’s inflation target and a reasonable representation of expected long term growth.

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

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.

NOTE 11 – TRADE AND OTHER RECEIVABLES

	August 31, 2022		August 31, 2021	
Net trade receivables (Note 23(b))	\$	8,919	\$	11,818
Loans receivable and promissory note receivable, net (Note 23(b))		3,740		8,098
Government grant receivable		-		264
Other		1,198		993
	\$	13,857	\$	21,173

Loan receivables and promissory note receivable

The loan receivable at August 31, 2022 is due on demand, bears interest at 7% per annum and is secured by a pledge against limited partnership units of GEC LP9 held by the borrower. At August 31, 2022, the carrying amount before provision for expected credit loss of \$4,240 was \$7,980 (August 31, 2021 - \$7,490). The August 31, 2021, balance also included a promissory note receivable and one other loan receivable which were both repaid in the year ended August 31, 2022.

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, 2022		August 31, 2021	
Trade accounts payable and accrued liabilities	\$	14,407	\$	14,548
Due to related parties (Note 26(b))		309		801
Other payables		3,517		3,517
Trade and other payables	\$	18,233	\$	18,866
Trade accounts payable and accrued liabilities ⁽¹⁾	\$	7,333	\$	6,801
Payroll and related liabilities		1,901		1,781
Tuition fees and grants payable		1,508		2,828
Tenant lease deposits		974		947
Interest payable on borrowings		2,070		1,715
Other		621		476
Trade accounts payable and accrued liabilities	\$	14,407	\$	14,548

⁽¹⁾ Includes accrued and unpaid distributions to non-controlling interests of \$1,892 at August 31, 2022 (August 31, 2021 - \$945).

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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 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, 2022 and 2021, 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 – DEFERRED REVENUE

The Company generates revenue from contracts with customers as detailed in Note 30 – *Segmented Information*. Other sources of revenue include rental income from owned and leased investment properties and development fee revenues. The primary geographic market for the Company's revenue is Canada. The timing of revenue recognition is described in Note 29(C).

The following provides information about deferred revenue from contracts with customers including significant changes in deferred revenues. The majority of deferred revenue is associated with educational programs and services and revenue is recognized proportionately as instruction is delivered. Significant changes in deferred revenue balances are as follows:

	August 31, 2022	August 31, 2021
Balance at beginning of year	\$ 25,001	\$ 20,405
Revenue recognized that was included in balance at beginning of year ⁽¹⁾	(21,377)	(16,186)
Increases excluding amounts recognized as revenue during the year	19,893	20,782
Amount removed from deferred revenue as refundable ⁽²⁾	(2,778)	-
Balance at end of year	\$ 20,739	\$ 25,001

⁽¹⁾ Except for deferred revenue from SSCC, the majority of other deferred revenue from contracts with customers is realized within one year from initial recognition as performance obligations for services are performed. For SSCC, educational programs are delivered over a longer period of time.

⁽²⁾ At August 31, 2022, SSCC has not recognized \$2,778 of deferred tuition revenue as the amounts are refundable and the criteria for recognition has not been met.

NOTE 14 – BORROWINGS

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

	August 31, 2022	August 31, 2021
Current liabilities		
Current portion of secured loans (a)	\$ 175,034	\$ 138,859
Credit facility	-	359
Convertible debentures issued in 2017	-	185
Current portion of convertible debentures (b)	5,731	1,133
Convertible promissory notes (c)	-	14,358
Current portion of government loans	37	-
Bonds payable ⁽¹⁾	2,000	2,000
	\$ 182,802	\$ 156,894
Non-current liabilities		
Secured loans (a)	62,880	78,192
Convertible debentures (b)	-	5,221
Loans payable ⁽²⁾	3,926	3,703
Government loans ⁽³⁾	953	240
	\$ 67,759	\$ 87,356
Total borrowings	\$ 250,561	\$ 244,250

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NOTE 14 – BORROWINGS (continued)

- (1) Unsecured bonds bearing interest at 8% per annum payable semi-annually. Maturity date was extended by one year at original maturity date and bonds now mature in April 2023. The holders may request repayment of amounts due under the bonds with 60-days prior notice. Bonds are guaranteed by a subsidiary of the Company.
- (2) In April 2021, the Company issued two loans with total principal of \$3,700 which mature in April 2025 subject to certain prepayment and interest deferral provisions. These loans are secured by units in a specific limited partnership controlled by the Company and are guaranteed by a subsidiary of the Company.
- (3) Loans payable to the Government of Canada or designated lender under COVID-19 related programs with maturity dates ranging from December 2023 to March 2032.

Total interest expense associated with borrowings, including interest capitalized to investment properties, was \$21,790 for the year ended August 31, 2022 (August 31, 2021 - \$21,330). Total interest expense associated with borrowings recognized in net income was \$10,555 for the year ended August 31, 2022 (August 31, 2021 - \$11,109). Approximately 68% of the outstanding borrowings at August 31, 2022 have variable interest rates linked to the Canadian prime rate (August 31, 2021 – 61%). Certain interest rates are subject to minimum rates with certain loans including escalation clauses. Interest rate risk is described in Note 23(c).

(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 September 2022 to March 2031. Full repayment of loans before maturity is permitted subject to specific criteria and satisfaction of minimum interest payment requirements. See Note 23(a) for cash flow commitments related to these loans and Note 28 for financing activity occurring after August 31, 2022.

	August 31, 2022	August 31, 2021
Balance, beginning of year	\$ 217,051	\$ 172,832
Advances ⁽¹⁾	28,244	84,249
Repayments ⁽²⁾	(7,391)	(38,048)
Finance costs incurred	(1,763)	(3,838)
Accretion of finance costs	3,936	2,855
Modification gains on non-substantial modification ⁽³⁾	(2,163)	(999)
Total current and non-current secured loans, end of year ⁽⁴⁾	\$ 237,914	\$ 217,051

- (1) During the year ended August 31, 2022, real estate limited partnerships controlled by the Company received additional principal under existing financing agreements of \$6,028, additional draws under a construction loan approximating \$10,216, and new funding under a new financing agreement of \$12,000. At August 31, 2022, interest rates range from 1.88% to 15% per annum. Interest reserves of \$5,237 were deducted from proceeds of advances to fund future interest payments.
- (2) Limited partnerships controlled by the Company made required principal and interest payments and repaid one loan with the proceeds of refinancing. Interest payable at the end of each reporting period is included in trade accounts payables and accrued liabilities (Note 12).
- (3) During the year ended August 31, 2022, certain terms for several secured mortgages were changed resulting in non-substantial modifications resulting in non-cash modification gains, net.
- (4) Secured loans are secured by investment properties with an aggregate carrying value of \$354,300.

The loans are secured by a first and/or second mortgage, as applicable, whereby the first mortgagor must approve 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.

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NOTE 14 – BORROWINGS (continued)**(b) 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 of \$8,642. In February 2020, the Company issued Canadian dollar denominated convertible debentures (the “2020 Debentures”) and received proceeds of \$860. For the 2019 Debentures, conversion prices were set in the currency of funding and ranged between HKD 4.80 and HKD 5.00 and \$0.78. The 2020 Debenture conversion price was \$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. The 2019 and 2020 Debentures had a stated maturity of May 2021 and February 2022, respectively, subject to the Company’s exercise of the prepayment option or extension option as part of the terms of these debentures.

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. In May 2021, the remainder of the HKD denominated 2019 Debentures were repaid. During the year ended August 31, 2022, two of the 2020 Debentures were repaid.

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

	August 31, 2022	August 31, 2021
Carrying value of host liabilities at beginning of year	\$ 5,826	\$ 8,123
Repayment	(800)	(2,555)
Less: transaction costs	-	(50)
Gain on modification	-	(116)
Loss on derecognition of financial liabilities ⁽¹⁾	32	150
Accretion of carrying value of host liabilities	494	566
Foreign exchange adjustments	140	(292)
Carrying value of host liabilities at end of year	\$ 5,692	\$ 5,826

⁽¹⁾ Loss on derecognition on repayment of 2019 and 2020 Debentures.

	August 31, 2022	August 31, 2021
Fair value of embedded derivatives at beginning of year	\$ 528	\$ 371
Fair value (decrease) increases in liability (Note 19)	(490)	168
Foreign exchange adjustments	1	(11)
Balance, embedded derivatives at end of year	\$ 39	\$ 528
Total Debentures at end of year	\$ 5,731	\$ 6,354
Current portion of debentures ⁽¹⁾	\$ 5,731	\$ 1,133
Non-current portion of debentures	-	5,221
Total 2019 and 2020 Debentures	\$ 5,731	\$ 6,354

⁽¹⁾ The remaining HKD denominated 2019 Debenture matures November 14, 2022. In November 2022, the 2019 Debenture agreement was amended to extend the maturity to May 2024 (Note 28). The 2020 Debentures mature in February 2023. Accrued interest is included in trade accounts payable and accrued liabilities (Note 12) at August 31, 2022 and August 31, 2021. GECH granted a guarantee to each of the holders of the debentures guaranteeing the payment of all amounts owing by the Company to the holders.

(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 bore interest at 8% per annum and matured one year after the date of issuance unless the lender exercised its option to convert into a fixed number of units of specific limited partnerships controlled by the Company. Principal and interest were 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 were convertible into limited partnership units for GEC Limited Partnership 11 and 12 (Note 17(b)).

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NOTE 14 – BORROWINGS (continued)

(c) Convertible promissory notes payable (continued)

At initial recognition, the convertible promissory notes were 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, convertible promissory notes payable issued with aggregate principal 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 with a carrying amount of \$16,327 were derecognized and recognized as non-controlling interests' equity in the limited partnership. This transaction resulted 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 on the date of conversion in the consolidated statement of changes in equity for the year ended August 31, 2021 was \$19,255. The Company determined that it continues to control this limited partnership.

In December 2021, convertible promissory notes payable issued with aggregate principal of \$14,427 were converted into units of GEC Limited Partnership 12, 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 with a carrying amount of \$14,427 were derecognized and recognized as non-controlling interests' equity in the limited partnership. This transaction resulted in the non-controlling ownership interest of GEC Limited Partnership 12 increasing from zero to 80% on the date of this transaction. The carrying amount of the non-controlling interest recognized on the date of conversion in the consolidated statement of changes in equity for the year ended August 31, 2022 was \$20,846. The Company has determined that it continues to control this limited partnership.

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

	August 31, 2022	August 31, 2021
Carrying value of liability at beginning of year	\$ 14,358	\$ 21,960
Proceeds of issue of convertible promissory notes	-	7,727
Less: equity component	-	(773)
Gain on modification ⁽¹⁾	(382)	-
Accretion of carrying value of liability	451	1,771
Conversion of principal portion of notes payable into units	(14,427)	(16,327)
Carrying value of liability at end of year ⁽²⁾	\$ -	\$ 14,358

⁽¹⁾ Non-substantial modification on extension of maturity date of convertible promissory notes existing at August 31, 2021.

⁽²⁾ At August 31, 2021, convertible promissory notes in the principal amount of \$14,427 were outstanding convertible into limited partnership units of GEC Limited Partnership 12.

NOTE 15 – 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, 2022, the Company issued no common shares. During the year ended August 31, 2021, the Company issued 5,000 common shares associated with the exercise of stock options.

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NOTE 15 – CAPITAL AND RESERVES (continued)**(b) Treasury shares**

Pursuant to the provisions of a normal course issuer bid 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, 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
Purchases of treasury shares	2,044,300		1,298
Cancellation of treasury shares	(1,517,500)		(1,008)
Balance, August 31, 2022	733,800	\$	443

(c) Reserves

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

	August 31, 2022		August 31, 2021	
Total reserves at beginning of year	\$	6,770	\$	6,108
Share-based payment expense		150		108
Change in ownership interests, net of tax		-		201
Treasury share purchases		(1,298)		(2,401)
Treasury share cancellations		1,008		2,964
Contributed surplus on stock option exercise		-		(1)
Equity component of convertible debt, net		-		(209)
Total reserves at end of year	\$	6,630	\$	6,770

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

- *Share-based payment 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 \$4,569 at August 31, 2022 and \$4,419 at August 31, 2021.
- *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 17). Reserve was \$459 at August 31, 2022 and \$459 at August 31, 2021.
- *Treasury shares reserve.* The reserve comprises the cost of the Company’s shares currently held by the Company in treasury for future cancellation (Note 15(b)). The cost of the Company’s shares previously held is charged to share capital upon cancellation of the treasury shares. Reserve was \$(443) at August 31, 2022 and \$(153) at August 31, 2021.
- *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, 2022 and \$(237) at August 31, 2021.
- *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, 2022 and 2021 was \$2,282. There were no warrants outstanding at either reporting period end.

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NOTE 15 – CAPITAL AND RESERVES (continued)**(d) Basic and diluted common shares outstanding**

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

	August 31, 2022	August 31, 2021
Net (loss) income attributable to CIBT shareholders	\$ (15,336)	\$ 4,703
<i>Adjustment for dilutive instruments:</i>		
Impact of convertible promissory notes, net of tax ⁽¹⁾	-	(5,547)
Net (loss) used in dilutive calculation	\$ (15,336)	\$ (844)

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

	August 31, 2022	August 31, 2021
Basic weighted average number of common shares outstanding	68,688,415	71,288,932
Effect of in-the-money stock options ⁽¹⁾⁽²⁾	-	433,743
Diluted weighted average number	68,688,415	71,722,675

⁽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, 2022, the following instruments were excluded from the calculation of the diluted weighted average number of common shares outstanding as they were anti-dilutive: 1,140,000 stock options and 7,247,269 common shares underlying potential conversions of 2019 and 2020 Debentures (August 31, 2021 – 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).**NOTE 16 – 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 compensation committee set the terms of share-based payment arrangements under the Plan; however, stock options terms are generally as follows. The options have a maximum term of 10 years and vest 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, 2022, share-based payment expense was \$150 (August 31, 2021 - \$108) and is included as a separate line item in the consolidated statements of comprehensive income (loss).

(b) Measurement of fair values – equity settled arrangements

The weighted average fair value of stock options granted during the year ended August 31, 2022, of \$0.20 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 2.6%; expected volatility of 39% and weighted average share price of \$0.53. The expected volatility assumption is based on historical volatility of the Company's common share price on the TSX. The risk-free interest rate assumption is based on yield curves on Canadian government zero coupon bonds with the remaining term equal to the stock options expected life. The Company estimated a weighted average forfeiture rate of 6.75% for the options granted during the year ended August 31, 2022. There were no option grants during the year ended August 31, 2021.

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NOTE 16 – SHARE-BASED PAYMENT ARRANGEMENTS (continued)**(c) Reconciliation of and stock options outstanding**

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

	Number of Options 2022	Weighted Average Exercise Price	Number of Options 2021	Weighted Average Exercise Price
Outstanding at September 1	3,365,000	\$ 0.65	3,490,000	\$ 0.65
Granted during the year	1,400,000	0.53	-	-
Exercised during the year	-	-	(5,000)	0.38
Expired/forfeited during the year	(1,145,000)	0.79	(120,000)	0.71
Outstanding at August 31	3,620,000	\$ 0.56	3,365,000	\$ 0.65
Exercisable at August 31	2,300,000	\$ 0.59	2,615,000	\$ 0.69

The options outstanding at August 31, 2022 have exercise prices ranging from \$0.44 to \$0.75 (August 31, 2021 - \$0.44 to \$0.86) and a weighted average contractual life of 2.95 years (August 31, 2021 - 2.17 years). At August 31, 2022, if all exercisable options were exercised total cash received would be \$1,361 (August 31, 2021 - \$1,809). The exercise date weighted average market price of the shares issued for stock options exercised in the year ended August 31, 2021 was \$0.66.

NOTE 17 – INTERESTS IN OTHER ENTITIES**(a) Continuity of non-controlling interests**

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

	August 31, 2022	August 31, 2021
GECH at beginning of year	\$ 153,006	\$ 129,514
Contributions from sale of limited partnership units ⁽¹⁾	2,282	5,246
Distributions ⁽¹⁾	(1,323)	(1,704)
Ownership changes not resulting in loss of control (b)	20,846	18,689
Equity component of convertible promissory notes ⁽²⁾	-	773
Allocation of net comprehensive income (loss)	(40,393)	488
GECH at end of year	134,418	153,006
CIBT China	(41)	(38)
IRIX	(219)	(182)
Total non-controlling interests	\$ 134,158	152,786

⁽¹⁾ Net cash flows from non-controlling interests are comprised of contributions received less distributions paid. In addition, for the year ended August 31, 2021, the Company paid \$574 in cash related to the purchase of limited partnership units resulting in ownership changes not resulting in a loss of control.

⁽²⁾ Represented equity conversion feature of convertible promissory notes allocated to non-controlling interests on consolidation.

(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 17 – 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. 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 ownership changes is recognized in profit or loss but instead is recognized in equity and attributed to the owners of the parent.

Real Estate Projects	Formed	Non-controlling interest %		Company's Ownership %	
		August 31, 2022	August 31, 2021	August 31, 2022	August 31, 2021
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%	64.25%	35.75%	35.75%
GEC Limited Partnership 7	August 2016	79.08%	79.01%	20.92%	20.99%
GEC Limited Partnership 8	October 2017	54.47%	53.33%	45.53%	46.67%
GEC Limited Partnership 9	February 2018	72.33%	72.33%	27.67%	27.67%
GEC Limited Partnership 11 ⁽²⁾	January 2020	80.00%	80.00%	20.00%	20.00%
GEC Limited Partnership 12 ⁽³⁾	July 2020	80.00%	0.00%	20.00%	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 a \$8 decrease in the ownership changes reserve.

⁽²⁾ 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. 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 interests (Note 14(c)).

⁽³⁾ During the year ended August 31, 2022, conversion options on certain convertible promissory notes were exercised into limited partnership units increasing non-controlling interests' ownership by \$14,427. During the year ended August 31, 2022, the general partner of GEC Limited Partnership 12 reallocated \$6,419 of earnings recognized in the years ended August 31, 2020, and 2021, to non-controlling interests resulting in an increase in total non-controlling interests (Note 14(c)).

(c) Summary information for GECH

The following table summarizes the information related to each of the Company's subsidiaries that has material NCIs, before any intercompany eliminations.

August 31, 2022	GECH ⁽¹⁾	Other ⁽²⁾	Total
Current assets	\$ 27,981		
Non-current assets	423,953		
Current liabilities	(23,696)		
Non-current liabilities	(237,974)		
Net assets	\$ 190,264		
Net assets (liabilities) attributable to NCI	\$ 134,418	\$ (260)	\$ 134,158
Revenue	\$ 17,595		
Net loss	\$ (56,218)		
Total comprehensive loss	\$ (56,218)		
Loss allocated to NCI	\$ (40,393)	\$ (41)	\$ (40,434)
OCI allocated to NCI	\$ -	\$ 1	\$ 1
Cash flows provided by operating activities	\$ 1,262		
Cash flows used in investing activities	(23,764)		
Cash flows provided by financing activities	21,990		
Net decrease in cash and cash equivalents	\$ (512)		

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NOTE 17 – INTERESTS IN OTHER ENTITIES (continued)

(c) Summary information for GECH (continued)

August 31, 2021	GECH ⁽¹⁾	Other ⁽²⁾	Total
Current assets	\$ 33,220		
Non-current assets	380,933		
Current liabilities	(14,622)		
Non-current liabilities	(182,164)		
Net assets	\$ 217,367		
Net assets (liabilities) attributable to NCI	\$ 153,006	\$ (220)	\$ 152,786
Revenue	\$ 11,750		
Net loss	\$ (2,310)		
Total comprehensive loss	\$ (2,310)		
Profit (loss) allocated to NCI	\$ 488	\$ (14)	\$ 474
OCI allocated to NCI	\$ -	\$ (2)	\$ (2)
Cash flows provided by operating activities	\$ 3,491		
Cash flows used in investing activities	(65,423)		
Cash flows provided by financing activities	51,181		
Net decrease in cash and cash equivalents	\$ (10,751)		

⁽¹⁾ Includes only GECH subsidiaries with non-controlling interests for the applicable period. See Note 17(b) for range of non-controlling interests in GECH subsidiaries.

⁽²⁾ Other individually immaterial subsidiaries.

(d) Control of real estate projects

The Company's real estate projects are held in limited partnerships with various agreements governing the limited partnership. 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.

(e) 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 23(c)(ii) for a description of currency risk associated with this joint operation.

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NOTE 18 – GENERAL AND ADMINISTRATIVE EXPENSES

	Year Ended August 31, 2022	Year Ended August 31, 2021
Salaries and benefits	\$ 13,855	\$ 12,960
Office and general	3,834	4,259
Advertising	3,571	3,204
Professional fees	2,865	2,567
Consulting and management fees	728	1,081
Investor relations	94	132
Bank charges and interest	366	379
Rent	2,917	2,424
Credit loss allowance and write-offs – trade receivables	1,509	1,534
Travel and promotion	322	194
Total general and administrative expenses	\$ 30,061	\$ 28,734

NOTE 19 – FINANCE COSTS

	Year Ended August 31, 2022	Year Ended August 31, 2021
<i>Interest expense comprised of:</i>		
Interest expense on borrowings (Note 14)	\$ 16,473	\$ 15,996
Accretion of finance fees and other (Note 14)	5,317	5,334
Accretion of lease liabilities (Note 8(b))	1,171	1,256
	22,961	22,586
Less: capitalized interest (Note 5)	(11,235)	(10,221)
Total interest expense	11,726	12,365
(Gain) loss on embedded derivatives, net (Note 14(b))	(490)	168
Debt modification gain ⁽¹⁾	(2,759)	-
Other	(10)	(20)
Finance costs	\$ 8,467	\$ 12,513

⁽¹⁾ During the year ended August 31, 2022, there were several modifications of terms of certain borrowings which resulted in non-substantial modifications. The difference between the present value of estimated contractual cash flow under original agreements and the present value of the modified estimated contractual cash flows represents a modification gain or loss. During the year ended August 31, 2021, debt modification gains, net of \$1,115 were classified in interest and other income, net (Note 20).

NOTE 20 – OTHER INCOME, NET

	Year Ended August 31, 2022	Year Ended August 31, 2021
Interest and other income, net ⁽¹⁾	\$ 1,615	\$ 5,177
Government grants ⁽²⁾	556	3,378
Foreign exchange gain	(192)	417
Impairment of intangibles and goodwill (Note 9, 10)	-	(410)
Loss on disposal of equipment	(2)	(237)
Loss on derecognition of financial liabilities (Note 14(b))	(32)	(150)
Other income, net	\$ 1,945	\$ 8,175

⁽¹⁾ Includes \$69 interest income on receivable from a developer during the year ended August 31, 2022 (August 31, 2021 - \$2,887) (Note 6).

⁽²⁾ Amounts recognized as other income associated with Government of Canada COVID-19 support programs including wage and rental subsidy programs.

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NOTE 21 – INCOME TAXES**(a) Amounts recognized in net income (loss)**

	Year Ended August 31, 2022		Year Ended August 31, 2021	
<i>Current tax expense</i>				
Current year	\$	177	\$	448
Changes in estimates related to prior years		(73)		(34)
	\$	104	\$	414
<i>Deferred tax expense (recovery)</i>				
Origination and reversal of temporary differences		(2,070)		335
Adjustments of prior years		772		(218)
		(1,298)		117
Tax (recovery) expense	\$	(1,194)	\$	531

(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, 2022		Year Ended August 31, 2021	
Income (loss) before taxes	\$	(56,964)	\$	5,708
Statutory income tax rate ⁽¹⁾		27.0%		27.0%
Income tax (recovery) provision at statutory rate		(15,380)		1,541
Effect of differences in foreign tax rates		(3)		(3)
Non-deductible expenses, net		56		59
Impact of convertible debt		-		12
Effect of differences in prior period tax returns as filed		699		(251)
Change in deferred tax assets not recognized		(38)		213
Change in fair value of investment properties		1,795		(1,467)
Impact of partnership loss allocation		12,460		460
Other		(783)		(33)
Income tax (recovery) expense	\$	(1,194)	\$	531

⁽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, 2022		August 31, 2021	
<i>Deferred income tax assets</i>				
Non-capital losses carried forward	\$	3,106	\$	2,470
Share issuance and finance costs		570		613
Property and equipment		1,141		924
Net capital losses		7		6
Total deferred income tax assets	\$	4,824	\$	4,013

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NOTE 21 – INCOME TAXES (continued)**(c) Movement in deferred tax balances (continued)**

	August 31, 2022	August 31, 2021
<i>Deferred income tax liabilities</i>		
Investment properties	\$ 10,927	\$ 11,244
Convertible debt	63	399
Intangible assets and goodwill	2,501	2,336
Total deferred income tax liabilities	\$ 13,491	\$ 13,979
Net deferred income tax assets (liabilities)	\$ (8,667)	\$ (9,966)
<i>Classified as:</i>		
Deferred tax assets, net	\$ 2,229	\$ 1,020
Deferred tax liabilities, net	(10,896)	(10,986)
Total deferred income tax liabilities	\$ (8,667)	\$ (9,966)

(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, 2022	August 31, 2021
Non-capital loss carry-forwards ⁽¹⁾	\$ 714	\$ 1,063
Net capital loss carry-forwards ⁽²⁾	1,026	1,026
Intangible assets in Canada	4,308	4,326
Property and equipment in China	505	521
	\$ 6,553	\$ 6,936

⁽¹⁾ Carry-forwards are eligible to be applied of which \$628 relate to CIBT China earnings and expire in the years ending August 31, 2023 to 2027.

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

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NOTE 22 – FINANCIAL INSTRUMENTS**(a) Classification and measurement of financial assets and liabilities by category**

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

		August 31, 2022	August 31, 2021
Financial assets	Measurement basis		
Cash and cash equivalents	Amortized cost	\$ 9,724	\$ 18,338
Restricted cash	Amortized cost	2,106	739
Trade and other receivables ⁽¹⁾	Amortized cost	12,688	19,990
Receivable from developer ⁽¹⁾ (Note 6)	Amortized cost	3,300	25,931
Interest reserves and other assets	Amortized cost	3,212	2,188
		\$ 31,030	\$ 67,186
Financial liabilities	Measurement basis		
Trade and other payables	Amortized cost	13,961	14,755
Secured loans and credit line	Amortized cost	237,914	217,410
Lease liabilities (Note 8(b))	Amortized cost	14,999	16,177
Debentures – liability ⁽²⁾	Amortized cost	5,692	5,826
Debentures – derivatives ⁽²⁾	FVTPL	39	528
2017 Debentures	FVTPL	-	185
Convertible promissory notes (Note 14(c))	Amortized cost	-	14,358
Bonds payable	Amortized cost	2,000	2,000
Other loans payable	Amortized cost	4,916	3,703
		\$ 279,521	\$ 274,942

⁽¹⁾ Note 23(b) describes credit risk associated with trade and other receivables including information related to expected credit loss allowance.

⁽²⁾ 2019 and 2020 Debentures (Note 14(b)).

Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, restricted cash, trade receivables, 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 the majority of secured loans, the credit line, bonds 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.

The fair value at August 31, 2022 of one secured loan was \$4,337 lower than the carrying amount as interest rates have increased. The fair value of secured loans has been determined by discounting the contractual cash flows using implied yields of obligations bearing similar credit risk and maturities. All financial instruments not measured at fair value are considered level 2 financial assets or liabilities under the fair value hierarchy, with the exception of the receivable from developer of \$3,300 and loans receivable of \$3,740 which are considered level 3 financial assets.

(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 29(O)). At August 31, 2022 and 2021 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. Receivable from developer and loans receivable balances were transferred from level 2 to level 3 of the fair value hierarchy at August 31, 2022. There were no transfers between any of the levels during the year ended August 31, 2021.

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NOTE 22 – FINANCIAL INSTRUMENTS (continued)

(b) Measurement of fair value (continued)

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

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 (Note 5(b)).

At inception, the 2019 and 2020 Debentures included an embedded derivatives for prepayment, extension and conversion options. The fair value of the embedded derivatives 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 are remeasured at each period end until such time as they are derecognized. The reconciliation of opening to closing balances for level 3 fair values is presented in Note 14(b) associated with these instruments. Unrecognized fair value changes are recorded as gains or losses in finance costs in the consolidated statements of comprehensive income (loss).

The fair values of the receivable from developer and loans receivable were based on a probability-weighted estimate of future cash flows that was determined by evaluating a range of possible outcomes, considering the time value of money, and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, all of which are significant unobservable inputs. These balances were transferred from level 2 to level 3 at August 31, 2022 and a net unrealized loss on fair value changes of \$26,940 was recognized as a provision for expected credit losses on development and other assets.

NOTE 23 – RISK MANAGEMENT

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

Pandemic and other risks

The COVID-19 pandemic has had a substantial impact on the economy. Although these impacts appear to be lessening over time, there still remains the risk that there will be further economic implications of the pandemic. It is unclear as to the duration and severity of future waves of the pandemic and the impacts thereof. There is also a continuing risk that the Company could be adversely affected by market changes particularly in supply, labour shortages, inflation, and interest rates. A general decline in the economy may impact the Company's customers and their use of Company goods and services. 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 principal liquidity needs of the Company are for working capital requirements, debt servicing and repayment obligations, and cost associated with expanding the real estate business. The Company manages its liquidity risk by monitoring its operating requirements, securing new loans, refinancing current loans on reasonable terms, and reducing costs where possible. Cash and cash equivalents as at August 31, 2022 were \$9,724 (August 31, 2021 - \$18,338). In addition, the Company has an undrawn facility of \$3,930 at August 31, 2022, under which letters of credit can be issued.

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.

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NOTE 23 – RISK MANAGEMENT (continued)**(a) Liquidity risk (continued)**

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, 2022 and 2021, 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, 2022 from the year ended August 31, 2021.

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.

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.

August 31, 2022	Less than one year	2 – 3 years	4-5 years	Over 5 years	Total
Trade and other payables	\$ 18,233	\$ -	\$ -	\$ -	\$ 18,233
Secured loans ⁽¹⁾	206,136	14,776	2,426	31,940	255,278
Lease payments ⁽²⁾	7,706	8,408	6,097	10,031	32,242
2019 and 2020 Debentures	6,110	-	-	-	6,110
Other loans	2,410	5,928	199	444	8,981
Total	\$ 240,595	\$ 29,112	\$ 8,722	\$ 42,415	\$ 320,844

⁽¹⁾ Interest reserves of \$2,825 exist to offset future interest payments on certain borrowings. See Note 28 for borrowing activity after August 31, 2022. Interest payments on variable rate secured loans were based on interest benchmark at September 6, 2022 and do not incorporate future increases.

⁽²⁾ Includes lease liabilities recognized under IFRS 16 of \$14,999 (Note 8) plus estimated variable and associated costs under these leases.

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

At August 31, 2022 and 2021, there was one letter of credit outstanding in the total amount of \$373.

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NOTE 23 – RISK MANAGEMENT (continued)**(b) Credit risk**

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

Trade receivables

Trade accounts receivable are reviewed by Management on an ongoing basis to ensure timely collection and to 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.

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 29(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 trade receivable customers at August 31, 2022.

	Weighted- average loss rate	Gross carrying amount	Loss allowance	Credit impaired
Current (not past due)	2.2%	\$ 6,253	\$ 137	No
1 – 30 days past due	45.7%	416	190	No
31 – 60 days past due	60.2%	226	136	No
61 – 90 days past due	82.8%	145	120	No
More than 90 days past due ⁽¹⁾	58.6%	5,948	3,486	Yes
Total		\$ 12,988	\$ 4,069	

⁽¹⁾ Includes gross carrying amount of \$3,221 and loss allowance of \$1,244 associated with CIBT China net trade receivables. At August 31, 2022, the majority of the balance is more than 90 days past due and the loss allowance reflects the expected credit risk considering the current state of the Chinese economy. The ECL for CIBT China was the most significant change during the year.

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

	August 31, 2022	August 31, 2021
Beginning balance	\$ 3,079	\$ 1,824
Net remeasurement of loss allowance	1,509	1,540
Amounts written off during the year as uncollectible	(497)	(278)
Amounts recovered during the year	-	(7)
Impact of foreign currency	(22)	-
Ending balance	\$ 4,069	\$ 3,079

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NOTE 23 – RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Receivable from developer

The receivable from developer described in Note 6, became repayable in the year ended August 31, 2020. The credit risk associated with this instrument has increased significantly since initial recognition, most notably due to the CCAA process, and is considered a credit-impaired financial asset which requires that the Company measure a loss allowance equal to lifetime expected credit losses.

At August 31, 2022, based on project activity as described in Note 6, Management has determined that the value of the underlying security may not be sufficient to cover any potential loss on the receivable; therefore, a provision of \$22,700 was recognized in Provision for expected credit losses on development and other assets in the consolidated statement of comprehensive income (loss) for the year ended August 31, 2022. At August 31, 2021, while the receivable from the developer was credit-impaired, no expected credit loss provision was recognized based on management's assessment that the underlying security was sufficient to cover any potential loss. The expected credit loss provision at August 31, 2022, is a probability-weighted amount that was determined by evaluating a range of possible outcomes, considering the time value of money, reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

Loans receivable

The Company advanced \$7,000 in funds to a third-party investor limited partnership in August 2019. The loan receivable is due on demand, secured by GEC LP9 limited partnership units held by the borrower, and commencing September 2020 attracted interest at 7% per annum. The loan receivable is considered to be credit-impaired due to the filing of the CCAA as described in Note 6. The value of the underlying security may not be sufficient to cover any potential loss on the receivable. A lifetime expected credit loss provision of \$4,240 was recognized in Provision for expected credit losses on development and other assets in the consolidated statement of comprehensive income (loss) for the year ended August 31, 2022. At August 31, 2022, the loan receivable before expected credit loss provision was \$7,980. The Company has a payable amount to this same third-party investor limited partnership of \$3,517 at August 31, 2022 (August 31, 2021 - \$3,517).

Other receivables

Other receivables include amounts receivable from tax authorities and other amounts receivable related to leasing of campus and 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 14).

(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. The Company attempts to mitigate this risk by having the optimum mix of financing facilities for its diversified real estate portfolio.

At August 31, 2022, the variable interest rate risk increased as a result of several increases in the Canadian prime rate during the fiscal year. The prime rate has continued to increase subsequent to August 31, 2022. The total proportion of principal subject to variable interest rates increased to 68% at August 31, 2022, from 61% at August 31, 2021. The weighted-average interest rate paid by the Company during the year ended August 31, 2022, on its secured loans, convertible and other corporate debt was 6.78% (2021 – 6.62%).

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NOTE 23 – RISK MANAGEMENT (continued)

(c) Market Risk, i. Interest Rate Risk (continued)

A 2% increase in the Canadian prime rate would result in a decrease in the Company's net income (loss) of \$502 for the year ended August 31, 2022 (2021 - \$481), not considering interest costs which are capitalized. This sensitivity includes the recalculation of interest expense for variable rate debt based on a 2% higher prime rate at the date of each interest rate increase throughout the year considering the terms of the individual instrument.

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 China 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 (loss). The Company is also exposed to currency risk associated with both Chinese currency and Hong Kong currency fluctuations.

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, 2022		August 31, 2021	
	RMB	Canadian \$	RMB	Canadian \$
Financial assets	14,101	\$ 2,688	15,930	\$ 3,111
Financial liabilities	(2,297)	(438)	(2,172)	(424)
Net exposure	11,804	\$ 2,250	13,758	\$ 2,687

An appreciation or depreciation of the RMB against the Canadian dollar of 2.5% may result in an \$56 increase or decrease in foreign exchange gains/losses included in net income (loss) for the year ended August 31, 2022. The 2.5% benchmark represents the possible exposure based on fluctuations of foreign exchanges rates during the year ended August 31, 2022. For the year ended August 31, 2021, a 2.5% fluctuation may have resulted in a \$66 increase or decrease in foreign exchange gains/losses. Restrictions on Chinese currency exchange may affect the Company's ability to repatriate profits from China.

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 year-end rate):

	August 31, 2022		August 31, 2021	
	HKD	Canadian \$	HKD	Canadian \$
Financial assets	166	\$ 28	742	\$ 120
Financial liabilities	(32,092)	(5,352)	(33,101)	(5,372)
Net exposure	(31,926)	\$ (5,324)	(32,359)	\$ (5,252)

The Company is required to make certain interest payments in HKD semi-annually which it funds from the conversion of Canadian dollars to HKD.

The average HKD rate for the year ended August 31, 2022 was 0.1627 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 \$268 increase or decrease in foreign exchange gains/losses included in profit or loss.

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NOTE 24 – CAPITAL MANAGEMENT

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

	August 31, 2022		August 31, 2021	
Total borrowings	\$	250,561	\$	244,250
Less: cash and cash equivalents		(9,724)		(18,338)
Net debt		240,837		225,912
Total equity		162,032		203,583
Less: Non-controlling interests' equity		(134,158)		(152,786)
Shareholders' equity	\$	27,874	\$	50,797

At August 31, 2022, 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, 2022, 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 15(b)).

NOTE 25 – 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, 2022		August 31, 2021	
Investment property development ⁽¹⁾	\$	11,630	\$	11,630
Investment property construction ⁽²⁾		3,510		12,888
Purchase of investment property, net of deposits ⁽³⁾		-		69,415
Total	\$	15,140	\$	93,933

⁽¹⁾ Investment property development and construction, net of deposits, which represent contingent liabilities which may be paid if certain milestones are met.

⁽²⁾ Costs to complete under construction contracts. Project completion date is early calendar 2023. Costs are funded via draws on the construction loan in place for this limited partnership. At August 31, 2022, there was approximately \$6,900 in available funding under the construction loan.

⁽³⁾ As described in Note 6, GEC LP9 has the right to terminate the LP9 PDA as the Developer has entered into CCAA proceedings. The amount at August 31, 2021, represented an additional commitment above the \$40,000 deposit already paid to purchase a portion of the project on completion.

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, 2022.

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NOTE 25 – 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 26 – RELATED PARTY TRANSACTIONS

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

(a) Key management personnel compensation:

	Year Ended August 31, 2022	Year Ended August 31, 2021
Management fees, salaries and directors' fees	\$ 1,321	\$ 1,626
Share-based payments	119	95
Total key management personnel compensation	\$ 1,440	\$ 1,721

(b) Other related party balances:

	August 31, 2022	August 31, 2021
Payable to officers and directors of the Company ⁽¹⁾	\$ 195	\$ 692
Payable to the president of IRIX ⁽²⁾	114	109
Due to related parties	\$ 309	\$ 801

⁽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 27 – SUPPLEMENTAL CASH FLOW INFORMATION**(a) Changes in working capital**

	Year Ended August 31, 2022	Year Ended August 31, 2021
Accounts receivable decrease	\$ 1,952	\$ 3,774
Prepayments decrease	102	46
Inventory decrease (increase)	12	(196)
Accounts payable and accrued liabilities (decrease) increase	(67)	2,941
Other payables (decrease)	-	(301)
Income taxes payable (decrease)	-	(37)
Deferred revenue (decrease) increase	(4,262)	4,597
Interest reserves (increase) decrease ⁽¹⁾	(994)	1,548
(Decrease) increase in working capital	\$ (3,257)	\$ 12,372

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

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NOTE 27 – SUPPLEMENTAL CASH FLOW INFORMATION (continued)**(b) Changes in liabilities arising from financing activities**

	Year Ended		Year Ended	
	August 31, 2022		August 31, 2021	
Balances, beginning of year	\$	244,250	\$	204,915
Cash flows, comprised of:		20,259		56,335
Repayments of secured loans (Note 14(a))		(7,391)		(38,048)
Repayments of credit facility		(359)		(551)
Repayment of 2017 convertible debt		(185)		(247)
Repayment of 2019 convertible debt (Note 14(b))		(800)		(2,555)
Repayment of other loans		(520)		-
New advances of secured loans (Note 14(a))		28,244		84,249
Issuance of convertible promissory notes ⁽¹⁾		-		7,727
Bond and other loans payable		1,270		5,760
<u>Liability related items:</u>				
Finance fees paid		(1,763)		(3,960)
<u>Non-cash related items:</u>				
Finance cost accretion ⁽²⁾		2,590		4,361
Equity component of convertible debentures		-		(773)
Derivative fair value changes		(490)		168
Conversion of promissory notes into units (Note 17(b))		(14,427)		(16,327)
Foreign exchange and other		142		(469)
Balances, end of year	\$	250,561	\$	244,250

⁽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.

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

Subsequent to August 31, 2022, certain limited partnerships controlled by the Company refinanced secured loans. Total gross principal of \$44,600 was funded under three separate loans. Net proceeds after interest reserves and financing costs were used to repay secured mortgages for the related investment property. The new secured loans have maturity dates ranging from two to three years and will result in interest costs of approximately \$8,800 over the terms of the loans, subject to some variability on one of the loans. Loans are secured by the investment property to which they relate, have prepayment options and some are subject to certain debt service coverage ratio covenants. The Company also extended the maturity date for two other variable interest rate secured loans subsequent to August 31, 2022.

In November 2022, the Company modified certain terms including the maturity date of the HKD denominated 2019 convertible debenture, which now matures in May 2024.

CIBT EDUCATION GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 29 – 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, 2022. 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 17(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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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NOTE 29 – 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 fees (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 when both of the following conditions are met: the contract is non-cancellable and the Company has an unconditional right to bill the customer under the payment terms of the contract. The Company 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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 29 – 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 30). 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 17, 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 30.

Revenue sharing arrangement with education service providers

One of the Company's subsidiaries, CIBT China, has entered into 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.

CIBT EDUCATION GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 29 – 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 recognized 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 29 – 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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 29 – 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

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

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NOTE 29 – 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.

CIBT EDUCATION GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 29 – 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 (loss).

CIBT EDUCATION GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 29 – 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 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 29 – 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 net income 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 of 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 1 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 29 – 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 minimize 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. Hybrid instruments

The 2019 Convertible Debentures denominated in Hong Kong dollars are hybrid financial instruments. At inception, these 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 are determined first with the residual of the total fair value of the instrument allocated to the host liability. The host liability, net of transaction costs, is subsequently measured at amortized cost using the effective interest rate method until it is extinguished on conversion or redemption.

Q. 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.

CIBT EDUCATION GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 30 – 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 China operates technical and career training schools. The Company's corporate operations are also in Canada. Transactions between SSCC, SSLC/VIC, IRIX, GECH, CIBT China and the Company (Corporate) are reported as inter-segment transactions and are eliminated on consolidation.

	Year ended August 31, 2022							Total
	CIBT China	SSCC	SSLC/VIC	IRIX	GECH	Corporate		
Revenues								
Revenues from contracts with customers								
Educational	\$ 2,577	\$ 39,784	\$ 10,173	\$ -	\$ -	\$ -	\$ -	\$ 52,534
Design and advertising	-	-	-	581	-	-	-	581
Commissions and referral fees	985	-	-	-	-	-	-	985
Rental	-	-	-	-	7,282	-	-	7,282
Total revenues from customers	3,562	39,784	10,173	581	7,282	-	-	61,382
Revenues from leases	-	-	-	-	11,265	-	-	11,265
Revenues from development fees	-	-	-	-	-	588	-	588
Total revenues	\$ 3,562	\$ 39,784	\$ 10,173	\$ 581	\$ 18,547	\$ 588	\$ -	\$ 73,235
Revenues, net of direct costs	\$ 1,549	\$ 23,253	\$ 4,000	\$ 429	\$ 12,143	\$ 588	\$ -	\$ 41,962
Other income (expenses):								
General and administrative	(1,751)	(17,341)	(3,497)	(575)	(3,303)	(3,594)		(30,061)
Depreciation and amortization	(24)	(2,884)	(508)	(43)	(341)	(103)		(3,903)
Share-based payment expense	-	-	-	-	-	(150)		(150)
Interest expense	-	(889)	(93)	(7)	(6,710)	(1,268)		(8,967)
Finance fees expense and other	-	-	-	-	15	485		500
Gain on fair value changes in investment properties	-	-	-	-	8,650	-		8,650
Interest and other income	237	296	555	83	798	202		2,171
Foreign exchange gain (loss)	(45)	-	-	-	-	(147)		(192)
Loss on derecognition of financial liabilities	-	-	-	-	-	(32)		(32)
Loss on disposal of equipment	-	(2)	-	-	-	-		(2)
Provision for expected credit losses on development and other assets	-	-	-	-	(26,940)	-		(26,940)
Impairment of development assets	-	-	-	-	(40,000)	-		(40,000)
Impairment of intangibles and goodwill	-	-	-	-	-	-		-
Income tax recovery (provision), net	30	(130)	(623)	14	274	1,629		1,194
Inter-segment transactions	48	(1,742)	1,599	24	95	(24)		-
Net income (loss)	\$ 44	\$ 561	\$ 1,433	\$ (75)	\$ (55,319)	\$ (2,414)	\$ -	\$ (55,770)

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 30 - SEGMENTED INFORMATION (continued)**Industry and Geographic Segments**

As at August 31, 2022

	CIBT China	SSCC	SSLC/VIC	IRIX	GECH	Corporate	Consolidated
Total assets	\$ 3,726	\$ 36,604	\$ 3,008	\$ 298	\$ 430,924	\$ 3,173	\$ 477,733
Property and equipment	\$ 70	\$ 2,050	\$ 88	\$ 32	\$ 55,685	\$ 6	\$ 57,931
Investment properties	\$ -	\$ -	\$ -	\$ -	\$ 356,335	\$ -	\$ 356,335
Intangible assets	\$ 461	\$ 6,507	\$ 561	\$ -	\$ -	\$ -	\$ 7,529
Goodwill	\$ -	\$ 5,218	\$ -	\$ -	\$ -	\$ 300	\$ 5,518
Total liabilities	\$ 837	\$ 40,747	\$ 7,898	\$ 500	\$ 264,625	\$ 1,094	\$ 315,701
Non-controlling interests	\$ (41)	\$ -	\$ -	\$ (219)	\$ 134,418	\$ -	\$ 134,158
Capital expenditures	\$ 1	\$ 538	\$ 25	\$ 1	\$ 32	\$ -	\$ 597

CIBT EDUCATION GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 30 - SEGMENTED INFORMATION (continued)

	Year ended August 31, 2021							Total
	CIBT China	SSCC	SSLC/VIC	IRIX	GECH	Corporate		
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
Total revenues from customers	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
Total revenues	\$ 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 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
Interest and other income	236	706	2,016	159	5,285	153	-	8,555
Foreign exchange gain	102	-	-	3	-	312	-	417
Loss on derecognition of financial liabilities	-	-	-	-	-	(150)	-	(150)
Loss on disposal of equipment	(15)	(213)	(9)	-	-	-	-	(237)
Impairment of intangibles and goodwill	-	-	(410)	-	-	-	-	(410)
Income tax (provision) recovery, 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**

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NOTE 30 - 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

--- END OF FINANCIAL STATEMENTS ---