



**GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)**

CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2023 AND 2022

EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE NOTED

INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



KPMG LLP

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Global Education Communities Corp. (formerly, CIBT Education Group Inc.)

Opinion

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

- the consolidated statements of financial position as at August 31, 2023 and 2022
- the consolidated statements of loss and comprehensive 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, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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, 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



We have determined the matters described below to be the key audit matters to be communicated in our 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 \$385,227 thousands. 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.
- direct development costs.

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 year up to current date and publicly available information. We took into account changes in conditions and events affecting the investment properties to assess the adjustments, or lack of adjustments, made by the Entity.
- We involved valuations professionals with specialized skills and knowledge, who assisted in evaluating the appropriateness of the capitalization rates and price per buildable square foot. For a selection of investment properties, the capitalization rates were evaluated by comparing them to published reports of real estate industry commentators, while considering the features of the specific investment property. For a selection of investment properties, the price per buildable square foot was evaluated by comparing them to comparable market transactions.

Other 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 IFRS Accounting Standards as issued by the International Accounting Standards Board, 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.

KPMG LLP

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

Chartered Professional Accountants

Vancouver, Canada
November 29, 2023

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS

| | August 31, 2023 | August 31, 2022 |
|---|-------------------|-------------------|
| ASSETS | | |
| CURRENT | | |
| Cash and cash equivalents | \$ 3,392 | \$ 9,724 |
| Restricted cash | 2,695 | 2,106 |
| Trade and other receivables (Note 11) | 14,657 | 13,857 |
| Current development assets (Note 6) | 3,300 | 3,300 |
| Income taxes receivable | - | 14 |
| Prepayments | 1,399 | 3,952 |
| Inventory | 965 | 840 |
| TOTAL CURRENT ASSETS | 26,408 | 33,793 |
| Investment properties (Note 5) | 385,227 | 356,335 |
| Property and equipment (Note 7) | 57,332 | 57,931 |
| Right-of-use assets (Note 8(a)) | 10,524 | 12,028 |
| Development assets (Note 6) | 1,378 | 1,378 |
| Intangible assets and goodwill (Note 9) | 12,108 | 13,047 |
| Deferred income tax assets (Note 21(c)) | 3,592 | 2,229 |
| Other | 1,113 | 992 |
| TOTAL ASSETS | \$ 497,682 | \$ 477,733 |
| LIABILITIES | | |
| CURRENT | | |
| Trade and other payables (Note 12) | \$ 18,292 | \$ 18,233 |
| Income taxes payable | 446 | 273 |
| Deferred revenue (Note 13) | 22,017 | 20,739 |
| Current portion of borrowings (Note 14) | 120,070 | 182,802 |
| Current lease liabilities (Note 8(b)) | 2,878 | 4,186 |
| TOTAL CURRENT LIABILITIES | 163,703 | 226,233 |
| Borrowings (Note 14) | 149,809 | 67,759 |
| Lease liabilities (Note 8(d)) | 9,643 | 10,813 |
| Deferred income tax liabilities (Note 21(c)) | 11,390 | 10,896 |
| TOTAL LIABILITIES | \$ 334,545 | \$ 315,701 |
| EQUITY | | |
| SHARE CAPITAL | 45,003 | 45,565 |
| RESERVES (Note 15(c)) | 7,215 | 6,630 |
| DEFICIT | (28,505) | (24,596) |
| ACCUMULATED OTHER COMPREHENSIVE INCOME | 273 | 275 |
| Shareholders' Equity | 23,986 | 27,874 |
| Non-controlling interests (Note 17(a)) | 139,151 | 134,158 |
| TOTAL EQUITY | \$ 163,137 | \$ 162,032 |
| TOTAL LIABILITIES AND EQUITY | \$ 497,682 | \$ 477,733 |

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

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS EXCEPT PER SHARE DATA

| | Year Ended August 31, 2023 | | Year Ended August 31, 2022 | |
|--|-------------------------------|----------|-------------------------------|----------|
| REVENUES (Note 13, 30) | | | | |
| Educational | \$ | 55,421 | \$ | 52,534 |
| Rental (Note 5(c)) | | 21,130 | | 18,547 |
| Development fees | | 479 | | 588 |
| Design and advertising | | 420 | | 581 |
| Commissions and referral fees | | 1,153 | | 985 |
| | | 78,603 | | 73,235 |
| DIRECT COSTS | | | | |
| Educational | | 26,598 | | 24,329 |
| Rental (Note 5(c)) | | 7,883 | | 6,405 |
| Design and advertising | | 90 | | 152 |
| Commissions and referral fees | | 485 | | 387 |
| | | 35,056 | | 31,273 |
| OTHER EXPENSES | | | | |
| General and administrative (Note 18) | | 31,002 | | 28,552 |
| Provision for expected credit losses on trade receivables | | 1,392 | | 1,509 |
| Depreciation and amortization (Note 7, 9) | | 3,782 | | 3,903 |
| Share-based payment expense (Note 16) | | 100 | | 150 |
| | | 36,276 | | 34,114 |
| OPERATING INCOME | | 7,271 | | 7,848 |
| Finance costs (Note 19) | | (16,316) | | (8,467) |
| Net gain on fair value changes in investment properties (Note 5(a)) | | 7,835 | | 8,650 |
| Other income, net (Note 20) | | 54 | | 1,945 |
| Provision for expected credit losses on development and other assets (Note 6, 11) | | - | | (26,940) |
| Impairment of development assets (Note 6) | | - | | (40,000) |
| LOSS BEFORE INCOME TAXES | | (1,156) | | (56,964) |
| Income tax recovery (Note 21(a)) | | 520 | | 1,194 |
| NET LOSS | \$ | (636) | \$ | (55,770) |
| Other comprehensive loss | | | | |
| <i>Items that are or may be reclassified subsequent to profit or loss</i> | | | | |
| Exchange differences on translating foreign operations | | (2) | | (19) |
| Other comprehensive loss, net of tax | | (2) | | (19) |
| Total comprehensive loss | \$ | (638) | \$ | (55,789) |
| Net income (loss) attributable to: | | | | |
| Global Education Communities Corp. shareholders | \$ | (3,909) | \$ | (15,336) |
| Non-controlling interests (Note 17) | \$ | 3,273 | \$ | (40,434) |
| | \$ | (636) | \$ | (55,770) |
| Total comprehensive income (loss) attributable to: | | | | |
| Global Education Communities Corp. shareholders | \$ | (3,911) | \$ | (15,356) |
| Non-controlling interests (Note 17) | \$ | 3,273 | \$ | (40,433) |
| | \$ | (638) | \$ | (55,789) |
| Net loss per share attributable to equity holders of Global Education Communities Corp. (Note 15(d)) | | | | |
| Basic | \$ | (0.06) | \$ | (0.22) |
| Diluted | \$ | (0.06) | \$ | (0.22) |

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

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS EXCEPT SHARE DATA

| | Note | Share Capital | | Reserves | AOCI | Deficit | Total Shareholders' Equity | Non-Controlling Interests | Total Equity |
|--|-------|-------------------------|---------------|----------|--------|-------------|----------------------------|---------------------------|--------------|
| | | Number of Common Shares | Dollar Amount | | | | | | |
| August 31, 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 |
| Distributions to non-controlling interests | 17(a) | - | - | - | - | - | - | (1,323) | (1,323) |
| Contributions from non-controlling interests | 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 |
| Net income (loss) for the year | | - | - | - | - | (3,909) | (3,909) | 3,273 | (636) |
| Unrealized translation adjustments | | - | - | - | (2) | - | (2) | - | (2) |
| Total comprehensive income (loss) | | | | | (2) | (3,909) | (3,911) | 3,273 | (638) |
| Share-based payments | 16 | - | - | 100 | - | - | 100 | - | 100 |
| Distributions to non-controlling interests | 17(a) | - | - | - | - | - | - | (1,556) | (1,556) |
| Contributions from non-controlling interests | 17(a) | - | - | - | - | - | - | 2,988 | 2,988 |
| Changes in ownership interests, net of tax | 17(a) | - | - | 12 | - | - | 12 | 288 | 300 |
| Equity component of convertible debt | 14(b) | - | - | 53 | - | - | 53 | - | 53 |
| Purchase of treasury shares | 15(b) | - | - | (142) | - | - | (142) | - | (142) |
| Treasury share cancellations | 15(b) | (939,600) | (562) | 562 | - | - | - | - | - |
| August 31, 2023 | | 67,521,140 | \$ 45,003 | \$ 7,215 | \$ 273 | \$ (28,505) | \$ 23,986 | \$ 139,151 | \$ 163,137 |

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

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS

| | Year Ended August 31, 2023 | Year Ended August 31, 2022 |
|---|-------------------------------|-------------------------------|
| OPERATING ACTIVITIES | | |
| Net loss | \$ (636) | \$ (55,770) |
| Items not affecting cash: | | |
| Depreciation and amortization (Note 7, 8, 9) | 4,648 | 6,865 |
| Share-based payment expense (Note 16(a)) | 100 | 150 |
| Net gain on fair value changes in investment properties (Note 5(a)) | (7,835) | (8,650) |
| Provision for expected credit losses on trade receivables (Note 23(b)) | 1,392 | 1,509 |
| Provision for expected credit losses on development and other assets (Note 6, 11) | - | 26,940 |
| Impairment of development assets (Note 6) | - | 40,000 |
| Finance costs (Note 19) | 16,316 | 8,467 |
| Accrued interest income receivable (Note 20) | - | (572) |
| Current income tax expense (Note 21(a)) | 349 | 104 |
| Deferred income tax recovery (Note 21(a)) | (869) | (1,298) |
| Other | 365 | 169 |
| Net changes in non-cash working capital (Note 27(a)) | 641 | (3,257) |
| Cash generated from operations | 14,471 | 14,657 |
| Interest paid | (12,097) | (7,890) |
| Income taxes paid | (161) | (19) |
| Net cash provided by (used in) operating activities | 2,213 | 6,748 |
| INVESTING ACTIVITIES | | |
| Purchases of property and equipment (Note 7) | (471) | (597) |
| Acquisition and development of investment properties, net (Note 5) | (6,577) | (13,777) |
| Capitalized borrowing costs paid | (11,601) | (8,605) |
| Additions of intangible assets (Note 9) | - | (3,419) |
| Other | (16) | (1,340) |
| Net cash used in investing activities | (18,665) | (27,738) |
| FINANCING ACTIVITIES | | |
| Repayments of borrowings (Note 27(b)) | (104,192) | (9,255) |
| Advances from borrowings (Note 27(b)) | 122,022 | 29,514 |
| Payments of lease liabilities (Note 8(c)) | (5,379) | (5,283) |
| Repurchase of common shares (Note 15(b)) | (142) | (1,298) |
| Contributions from non-controlling interests (Note 17(a)) | 3,224 | 2,282 |
| Distributions to non-controlling interests (Note 17(a)) | (1,124) | (1,323) |
| Payment of financing costs (Note 27(b)) | (3,845) | (1,763) |
| Other | (442) | (477) |
| Net cash provided from financing activities | 10,122 | 12,397 |
| Effects of exchange rate changes on cash and cash equivalents | (2) | (21) |
| Decrease in cash and cash equivalents | (6,332) | (8,614) |
| Cash and cash equivalents, beginning of year | 9,724 | 18,338 |
| Cash and cash equivalents, end of the year | \$ 3,392 | \$ 9,724 |

Supplemental cash flow information (Note 27)

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

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 1 – NATURE OF OPERATIONS

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

On April 17, 2023, the Company changed its name from CIBT Education Group Inc. to Global Education Communities Corp. The Company's shares on the Toronto Stock Exchange commenced under the new name and trading symbol ‘GEC’ effective at April 20, 2023 and on the OTCQX International under the symbol ‘GECSEF’.

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 733 Seymour Street, Suite 2900, Vancouver BC V6B 0S6.

NOTE 2 – BASIS OF ACCOUNTING

These consolidated financial statements include the accounts of GECC., 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, 2023.

These consolidated financial statements of the Company were approved by the Company’s Board of Directors and authorized for issue on November 28, 2023.

Basis of preparation

These consolidated financial statements were prepared on a going-concern basis, under the historical cost convention except for the following items, which are measured on an alternate basis on each reporting date.

- (a) Investment properties, which are recorded at fair value with changes in fair value recorded in the consolidated statements of comprehensive loss; and
- (b) Convertible debenture derivatives, which are recorded at fair value with changes in fair value recorded in the consolidated statements of comprehensive 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)).

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 and as at August 31, 2023, the Company incurred a net loss of \$636 (August 31, 2022 - \$55,770) and reported a working capital deficit of \$137,295 (August 31, 2022 - \$192,440), which is calculated as current assets minus current liabilities. The most significant amount included included in current liabilities at August 31, 2023 is \$120,070 of principal on the Company’s borrowings (August 31, 2022 - \$182,802). The Company’s approach to managing liquidity is to either renew or refinance debt as it comes due or to raise additional equity or debt financing. The Company manages its liquidity risk by forecasting cashflows from operations, anticipating and executing any investing and financing activities. Management is actively involved in the review, planning and approval of significant expenditures and commitments.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 2 – BASIS OF ACCOUNTING (continued)

The Company's ability to continue as a going concern is dependent on its ability to renew or refinance its existing debts, and/or to raise additional capital through equity or debt financing. The Company may also delay or reduce planned expenditures and slow its progress in real estate project development where there are liquidity constraints. The Company has historically relied on debt financings and contribution from its non-controlling interests to undertake its real estate development activities. While the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to obtain adequate financing, or that such financing will be on terms acceptable to the Company, to meet future needs which may result in the delay, reduction, or discontinuation of ongoing real estate development projects.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company be unable to continue as a going concern. Such adjustments could be material. 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.

As a result of the uncertainty associated with rising inflation, 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, 2023, it controls all the limited partnerships which have been formed to hold the GECH operations of the business (Note 17).

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.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

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

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

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

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. 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. 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)).

GLOBAL EDUCATION COMMUNITIES CORP.

(FORMERLY CIBT EDUCATION GROUP INC.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

August 31, 2023

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Key sources of estimation uncertainty (continued)

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, 2023 and determined there was no impairment.

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 as the greater of its value in use and its fair value less costs of disposal. Value in use is calculated 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. 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.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

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

(a) Application of new and revised IFRS Accounting Standards

There have been no new standards applicable to the Company during the year ended August 31, 2023.

(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 May 2021, the IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, which requires an entity to recognise deferred tax on certain transactions that give rise to equal amounts of taxable and deductible temporary differences on initial recognition. The 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 and are not expected to have a material impact.

In October 2022, the IASB issued amendments to the requirements for classification of debt with covenants. The amendments specify that only covenants with which an entity must comply on or before the reporting date may impact the classification of a liability as current or non-current. The amendments also require additional disclosure requirements of covenants. The amendments are applicable to the Company starting January 1, 2024 with early application permitted and are not expected to have a material impact.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

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, 2023 | | August 31, 2022 | |
|---|-----------------|----------------|-----------------|----------------|
| Balance, beginning of year | \$ | 356,335 | \$ | 322,606 |
| Capital additions | | - | | 75 |
| Remeasurement of lease liability ⁽¹⁾ | | 688 | | 67 |
| Development costs | | 6,577 | | 13,702 |
| Capitalized borrowing costs ⁽²⁾ | | 13,792 | | 11,235 |
| Net gain on change in fair value | | 7,835 | | 8,650 |
| Balance, end of year | \$ | 385,227 | \$ | 356,335 |

⁽¹⁾ 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.

⁽²⁾ 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, 2023 | | August 31, 2022 | |
|--|-----------------|----------------|-----------------|----------------|
| Total revenue producing properties | \$ | 230,427 | \$ | 166,835 |
| Total properties under development | | 154,800 | | 189,500 |
| Total fair value of investment properties | \$ | 385,227 | \$ | 356,335 |

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 forecasted to be generated from subleasing the leased asset.

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, 2023 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.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 5 – INVESTMENT PROPERTIES (continued)

ii. Valuation technique and significant unobservable inputs (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 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.

Valuation method used for properties under development

| Valuation Technique | Significant unobservable inputs | Interrelationship between key unobservable inputs and fair value measurement |
|---|--|---|
| <u>Direct comparison approach:</u> | | |
| The valuation method is based on comparison to recent sales of properties of similar types, location and quality. | <ul style="list-style-type: none"> - Price per buildable square foot. | The estimated fair value would increase (decrease) if: the price per buildable square foot based on comparable market transactions increased (decreased). |
| <u>Residual land value approach:</u> | | |
| The valuation method is based on determining the value of the property when complete and adjusting for development, financing, 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 were higher (lower); and (b) capitalization rates were lower (higher). 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 tables summarize 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, 2023 and August 31, 2022. The right-of-use asset investment property is not included in the analysis.

| Increase (decrease) in fair value | | Net operating income | | | | |
|-----------------------------------|-------|----------------------|----------|---------------|----------|----------|
| | | -1.00% | -0.50% | As Forecasted | +0.50% | +1.00% |
| At August 31, 2023 | | | | | | |
| <u>Capitalization rate</u> | | | | | | |
| -0.25% | 3.92% | 12,212 | 13,434 | 14,656 | 15,878 | 17,100 |
| Weighted average assumption | 4.17% | (2,297) | (1,149) | - | 1,149 | 2,297 |
| +0.25% | 4.42% | (15,164) | (14,081) | (12,997) | (11,914) | (10,830) |

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 5 – INVESTMENT PROPERTIES (continued)

iii Sensitivity analysis (continued)

Revenue producing properties

| Increase (decrease) in fair value | <u>Net operating income</u> | | | | | |
|-----------------------------------|-----------------------------|----------|---------------|---------|---------|---------|
| | -1.00% | -0.50% | As Forecasted | +0.50% | +1.00% | |
| At August 31, 2022 | | | | | | |
| <u>Capitalization rate</u> | | | | | | |
| -0.25% | 3.75% | 9,229 | 10,108 | 10,987 | 11,866 | 12,745 |
| Weighted average assumption | 4.00% | (1,648) | (824) | - | 824 | 1,648 |
| +0.25% | 4.25% | (11,245) | (10,470) | (9,694) | (8,919) | (8,143) |

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 square foot, 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. At August 31, 2023, an increase/decrease in the price per buildable square foot of 2.0% would increase/decrease the fair value of the properties under development assets by \$1,766 (August 31, 2022 - \$1,704) and a 4% increase/decrease would increase/decrease the fair value by \$3,502 (August 31, 2022 - \$3,408).

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, 2023 and August 31, 2022.

| Increase (decrease) in fair value | <u>Net operating income</u> | | | | | |
|-----------------------------------|-----------------------------|----------|---------------|----------|----------|----------|
| | -1.00% | -0.50% | As Forecasted | +0.50% | +1.00% | |
| At August 31, 2023 | | | | | | |
| <u>Capitalization rate</u> | | | | | | |
| -0.25% | 4.25% | 16,851 | 18,700 | 20,550 | 22,399 | 24,249 |
| Assumption | 4.50% | (3,493) | (1,747) | - | 1,747 | 3,493 |
| +0.25% | 4.75% | (21,696) | (20,041) | (18,387) | (16,732) | (15,077) |
| At August 31, 2022 | | | | | | |
| <u>Capitalization rate</u> | | | | | | |
| -0.25% | 3.75% | 5,841 | 6,397 | 6,953 | 7,510 | 8,066 |
| Assumption | 4.00% | (1,043) | (522) | - | 522 | 1,043 |
| +0.25% | 4.25% | (7,117) | (6,626) | (6,135) | (5,644) | (5,154) |

At August 31, 2023, a 2.0% increase/decrease in forecasted direct development costs to complete the project will decrease/increase the fair value by \$5,763 (August 31, 2022 - \$5,835) and a 4% increase/decrease would decrease/increase the fair value by \$11,526 (August 31, 2022 - \$11,671).

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 5 – INVESTMENT PROPERTIES (continued)

(c) Rental operations

The following presents the activities of the revenue producing investment properties and the hotel (included as part of property, plant and equipment) included within the Company’s real estate portfolio:

| | Year ended August 31, 2023 | | Year ended August 31, 2022 | |
|---|-------------------------------|----------|-------------------------------|----------|
| Rental revenues (Note 30) | \$ | 21,130 | \$ | 18,547 |
| Direct operating costs generating revenue | | (7,883) | | (6,405) |
| Other indirect costs, including financing | | (19,295) | | (11,190) |
| Net income (loss) | \$ | (6,048) | \$ | 952 |

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.

NOTE 6 – DEVELOPMENT ASSETS

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

| | August 31, 2023 | | August 31, 2022 | |
|--|-----------------|-------|-----------------|-------|
| Receivable from developer ⁽¹⁾ | \$ | 3,300 | \$ | 3,300 |
| Current development assets | \$ | 3,300 | \$ | 3,300 |
| Deferred costs and other | | 1,378 | | 1,378 |
| Non-current development assets | \$ | 1,378 | \$ | 1,378 |

⁽¹⁾ Related to GEC Project 9 described below. At August 31, 2023, the amount before provision for expected credit losses includes \$6,000 interest receivable on amount due from developer (August 31, 2022 - \$6,000). Amounts remain unpaid.

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. The LP9 PDA was subsequently amended with \$20,000 of the deposits already paid to be returned to GEC LP9 with the remainder \$40,000 deposit to be applied to the purchase price. The \$20,000 receivable is subject to interest of 15% per annum.

Numerous project milestones were missed and 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. Under the CCAA proceedings, the Developer under the supervision of the Supreme Court of British Columbia (the “Court), was to determine whether the project would be restructured or sold.

At August 31, 2023, 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 income (loss) and comprehensive income (loss) for the year ended August 31, 2022.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 6 – DEVELOPMENT ASSETS (continued)

GEC Project 9 (continued)

On October 6, 2022, GEC LP9 and its general partner filed a notice of civil claim with the Court commencing legal action against the mortgage lender for the project. In December 2022, GEC LP9 and its general partner responded to a counterclaim filed. If the civil claim is successful, the Company could receive some or all of the amounts for which a provision or impairment loss have previously been recognized. Examination of discovery has been held and a trial date for the civil claim is now set for early 2024.

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. During the period ended August 31, 2022, the Company recognized an impairment loss of \$40,000 which is classified as impairment of development assets in the consolidated statement of loss and comprehensive loss.

NOTE 7 – PROPERTY AND EQUIPMENT

Reconciliation of carrying amounts

| | Land & Buildings ⁽¹⁾ | Furniture & equipment | Leaseholds | Total |
|---------------------------------|------------------------------------|--------------------------|------------|------------|
| Cost | | | | |
| 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 |
| Additions | - | 456 | 15 | 471 |
| Disposals and other | - | - | - | - |
| Foreign exchange adjustments | - | (9) | (1) | (10) |
| August 31, 2023 | \$ 56,879 | 5,997 | 3,914 | 66,790 |
| Accumulated Depreciation | | | | |
| 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) |
| Depreciation for the year | (311) | (518) | (241) | (1,070) |
| Disposals and other | - | - | - | - |
| Foreign exchange adjustments | - | 9 | 1 | 10 |
| August 31, 2023 | \$ (1,596) | \$ (4,411) | \$ (3,451) | \$ (9,458) |
| Net carrying amounts | | | | |
| At August 31, 2022 | \$ 55,594 | \$ 1,648 | \$ 689 | \$ 57,931 |
| At August 31, 2023 | \$ 55,283 | \$ 1,586 | \$ 463 | \$ 57,332 |

⁽¹⁾ At August 31, 2023 and August 31, 2022, land and buildings form security for the principal borrowing of \$54,100 and \$44,340, respectively, of the Company's one hotel beneficially owned by GEC Limited Partnership 8.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 8 – LEASES

The Company has leased a number of office and campus premises and equipment in connection with its education business and corporate office. 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, 2023 and 2022, lease modifications relate to office and campus leases for the education business and corporate office, and new leases related to equipment leases for the education business. For leases where the Company is the lessor see Note 5. The maturity analysis of the undiscounted cash flows for lease liabilities is included in Note 23(a).

(a) Right-of-use assets

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

| | Premises | Equipment | Total |
|---------------------|-----------|-----------|-----------|
| 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 |
| Additions | - | 279 | 279 |
| Lease modifications | 856 | - | 856 |
| Depreciation | (2,515) | (124) | (2,639) |
| August 31, 2023 | \$ 10,144 | \$ 380 | \$ 10,524 |

(b) Amounts recognized in consolidated statements of comprehensive loss

| | Year ended August 31, 2023 | Year ended August 31, 2022 |
|--|-------------------------------|-------------------------------|
| Revenue from subleasing right-of-use assets ⁽¹⁾ | \$ 3,378 | \$ 3,168 |
| <i>The following items are expense items:</i> | | |
| Accretion of lease liabilities ⁽²⁾ | 1,071 | 1,171 |
| Depreciation of right-of-use assets | 2,639 | 2,724 |
| Expense relating to short-term and low-value leases ⁽³⁾ | 308 | 328 |
| Expense relating to variable lease payments ⁽⁴⁾ | 2,448 | 2,333 |
| Expense relating to unrecoverable taxes ⁽³⁾ | 247 | 251 |
| Loss on fair value change – right-of-use asset ⁽⁵⁾ | 2,004 | 1,949 |

⁽¹⁾ Included in rental revenues associated with the Company’s investment property.

⁽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.

⁽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

During the year ended August 31, 2023, total cash outflow associated with leases was \$8,382 (August 31, 2022 - \$8,220), including \$5,379 (August 31, 2022 - \$5,283) recognized as cash outflows associated with financing activities and \$3,003 (August 31, 2022 - \$2,912) recognized as cash outflows associated with operating activities in the consolidated statements of cash flows.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 8 – LEASES (continued)

(d) Lease liabilities

The following table presents the change in the carrying amount of the Company's lease liabilities:

| | Premises | Equipment | Total |
|---------------------|-----------|-----------|-----------|
| August 31, 2021 | \$ 15,893 | \$ 284 | \$ 16,177 |
| Additions | 2,550 | 130 | 2,680 |
| Lease modifications | 211 | - | 211 |
| Payments | (5,023) | (217) | (5,240) |
| Accretion | 1,148 | 23 | 1,171 |
| August 31, 2022 | \$ 14,779 | \$ 220 | \$ 14,999 |
| Additions | - | 279 | 279 |
| Lease modifications | 1,544 | - | 1,544 |
| Payments | (5,232) | (141) | (5,373) |
| Accretion | 1,048 | 24 | 1,072 |
| August 31, 2023 | \$ 12,139 | \$ 382 | \$ 12,521 |

NOTE 9 – INTANGIBLE ASSETS AND GOODWILL

Summary of total intangible assets and goodwill is as follows:

| | August 31, 2023 | August 31, 2022 |
|---|-----------------|-----------------|
| Intangible assets with definite life | \$ 273 | \$ 1,211 |
| Intangible assets with indefinite life ⁽¹⁾ | 6,318 | 6,318 |
| Goodwill (Note 10) | 5,518 | 5,518 |
| Total intangible assets and goodwill | \$ 12,109 | \$ 13,047 |

⁽¹⁾ Includes accreditations and registrations of \$2,381, brand-names and tradenames of \$3,476 and Chinese University Agreements of \$461 in both periods. At August 31, 2023 and 2022, there was no impairment of these balances (Note 10).

(a) Intangible assets with definite life

| | Curriculum | Agency fees | Total |
|-----------------|------------|-------------|----------|
| Cost | | | |
| August 31, 2021 | \$ 2,113 | \$ 1,143 | \$ 3,256 |
| Additions | 161 | 3,258 | 3,419 |
| Disposals | - | (1,883) | (1,883) |
| August 31, 2022 | \$ 2,274 | \$ 2,518 | \$ 4,792 |
| Additions | - | - | - |
| Disposals | - | (2,359) | (2,359) |
| August 31, 2023 | \$ 2,274 | \$ 159 | \$ 2,433 |

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 9 – INTANGIBLE ASSETS AND GOODWILL

(a) Intangible assets with definite life (continued)

| | Curriculum | | Agency fees | | Total |
|-----------------------------------|------------|---------|-------------|---------|------------|
| Accumulated amortization | | | | | |
| August 31, 2021 | \$ | (1,816) | \$ | (560) | \$ (2,376) |
| Amortization ⁽¹⁾ | | (125) | | (2,962) | (3,087) |
| Disposals | | - | | 1,882 | 1,882 |
| August 31, 2022 | \$ | (1,941) | \$ | (1,640) | \$ (3,581) |
| Amortization ⁽¹⁾ | | (73) | | (865) | (938) |
| Disposals | | - | | 2,359 | 2,359 |
| August 31, 2023 | \$ | (2,014) | \$ | (146) | \$ (2,160) |
| Net carrying amounts | | | | | |
| At August 31, 2022 | \$ | 333 | \$ | 878 | \$ 1,211 |
| At August 31, 2023 ⁽²⁾ | \$ | 260 | \$ | 13 | \$ 273 |

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

⁽²⁾ At August 31, 2023, the weighted average remaining useful life was 6.93 years for curriculum and 0.08 years for agency fees.

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, 2023 | | August 31, 2022 | |
|--|-----------------|-------|-----------------|-------|
| 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 | | | | |
| Sprott Shaw College Corp. | \$ | 5,218 | \$ | 5,218 |
| GEC Master 1 Limited Partnership | | 300 | | 300 |
| | \$ | 5,518 | \$ | 5,518 |

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.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 10 – IMPAIRMENT TESTING OF INTANGIBLE ASSETS AND GOODWILL

(b) Impairment testing for CGUs containing goodwill

At August 31, 2023, 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.

| | Discount rate ⁽¹⁾ | | Growth Rate ⁽²⁾ | | Terminal Value Capitalization Rate ⁽³⁾ | |
|---------------------------|------------------------------|-------|----------------------------|------|---|------|
| | August 31, 2023 | 2022 | August 31, 2023 | 2022 | August 31, 2023 | 2022 |
| Sprott Shaw College Corp. | 22.8% | 21.7% | 2.0% | 0.3% | 2.0% | 2.0% |

- ⁽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 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.
- ⁽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.
- ⁽³⁾ The terminal value capitalization rate used is consistent with the Bank of Canada’s inflation target and a reasonable representation of expected long term growth.

Significant management judgement is necessary to evaluate the impact of operating and economic changes. Management believes that reasonably possible changes in the key assumptions stated above would not cause the CGU’s carrying values to exceed their recoverable amounts.

NOTE 11 – TRADE AND OTHER RECEIVABLES

| | August 31, 2023 | | August 31, 2022 | |
|---------------------------------------|-----------------|--------|-----------------|--------|
| Net trade receivables (Note 23(b)) | \$ | 9,378 | \$ | 8,919 |
| Loans receivable, net (Note 23(b)) | | 3,740 | | 3,740 |
| Due from related parties (Note 26(b)) | | 31 | | - |
| Other | | 1,508 | | 1,198 |
| | \$ | 14,657 | \$ | 13,857 |

Loan receivables

The loan receivable at August 31, 2023 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, 2023, the carrying amount before provision for expected credit loss of \$4,240 (August 31, 2022 - \$4,240) was \$7,980 (August 31, 2022 - \$7,980). The Company did not accrue interest income on the loan receivable for the period ended August 31, 2023.

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.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 12 – TRADE AND OTHER PAYABLES

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

| | August 31, 2023 | | August 31, 2022 | |
|---|-----------------|---------------|-----------------|---------------|
| Trade accounts payable and accrued liabilities | \$ | 14,775 | \$ | 14,407 |
| Due to related parties (Note 26(b)) | | - | | 309 |
| Other payables | | 3,517 | | 3,517 |
| Trade and other payables | \$ | 18,292 | \$ | 18,233 |
| Trade accounts payable and accrued liabilities ⁽¹⁾ | \$ | 7,261 | \$ | 7,333 |
| Payroll and related liabilities | | 1,206 | | 1,901 |
| Tuition fees and grants payable | | 1,485 | | 1,508 |
| Tenant lease deposits | | 1,195 | | 974 |
| Interest payable on borrowings | | 2,336 | | 2,070 |
| Other | | 1,292 | | 621 |
| Trade accounts payable and accrued liabilities | \$ | 14,775 | \$ | 14,407 |

⁽¹⁾ Includes accrued and unpaid distributions to non-controlling interests of \$2,324 at August 31, 2023 (August 31, 2022 - \$1,892).

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, 2023 | | August 31, 2022 | |
|---|-----------------|---------------|-----------------|---------------|
| Balance at beginning of year | \$ | 20,739 | \$ | 25,001 |
| Revenue recognized that was included in balance at beginning of year ⁽¹⁾ | | (17,708) | | (21,377) |
| Increases excluding amounts recognized as revenue during the year | | 19,677 | | 19,893 |
| Increase in refundable portion of deferred revenue ⁽²⁾ | | (691) | | (2,778) |
| Balance at end of year | \$ | 22,017 | \$ | 20,739 |

⁽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, 2023, SSCC has not recognized \$3,452 of deferred tuition revenue as the amounts are refundable and the criteria for recognition has not been met.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 14 – BORROWINGS

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

| | August 31, 2023 | August 31, 2022 |
|--|-------------------|-------------------|
| Current liabilities | | |
| Current portion of secured loans (a) | \$ 112,838 | \$ 175,034 |
| Current portion of convertible debentures (b) | 4,986 | 5,731 |
| Current portion of government loans ⁽³⁾ | 246 | 37 |
| Bonds payable ⁽¹⁾ | 2,000 | 2,000 |
| | \$ 120,070 | \$ 182,802 |
| Non-current liabilities | | |
| Secured loans (a) | 144,494 | 62,880 |
| Convertible debentures (b) | 258 | - |
| Loans payable ⁽²⁾ | 4,434 | 3,926 |
| Government loans ⁽³⁾ | 623 | 953 |
| | \$ 149,809 | \$ 67,759 |
| Total borrowings | \$ 269,879 | \$ 250,561 |

⁽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 2025. 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 \$24,777 for the year ended August 31, 2023 (August 31, 2022 - \$16,473). Total interest expense associated with borrowings recognized in net loss was \$13,176 for the year ended August 31, 2023 (August 31, 2022 - \$10,555). Approximately 67% of the outstanding borrowings at August 31, 2023 have variable interest rates linked to the Canadian prime rate (August 31, 2022 – 68%). 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 November 2023 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, 2023.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 14 – BORROWINGS (continued)

(a) Secured loans (continued)

| | August 31, 2023 ⁽¹⁾ | August 31, 2022 |
|--|--------------------------------|-------------------|
| Balance, beginning of year | \$ 237,914 | \$ 217,051 |
| Advances | 122,022 | 28,244 |
| Repayments ⁽²⁾ | (103,810) | (7,391) |
| Finance costs incurred | (2,701) | (1,763) |
| Accretion of finance costs | 2,457 | 3,936 |
| Loss on derecognition of liability | 127 | - |
| Modification losses (gains) on non-substantial modification ⁽³⁾ | 1,323 | (2,163) |
| Total current and non-current secured loans, end of year ⁽⁴⁾ | \$ 257,332 | \$ 237,914 |

⁽¹⁾ At August 31, 2023, interest rates range from 1.88% to 17.25% per annum.

⁽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, 2023, certain terms for several secured mortgages, including maturity dates, interest rates and principal amounts, were changed resulting in non-substantial modifications resulting in non-cash modification gains and losses, net.

⁽⁴⁾ Secured loans are secured by investment properties with an aggregate carrying value of \$384,500.

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 development permits and plans related to the proposed development, and other guarantees from the Company and its subsidiaries. In most cases, the associated limited partnership is required to pay the insurance premium in favor of the lender. Certain commitment fees are customarily paid associated with commitment letters and other financing costs are incurred which are expensed over the term of the loans.

(b) 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 stated maturities of May 2021 and February 2022, subject to the Company’s exercise of prepayment or extension options as part of the original terms of these debentures. Portions of the debenture have been repaid, and the terms of the debentures amended in March 2021, November 2022 and February 2023. The current stated maturities of the 2019 and 2020 Debentures are May 2024 and February 2025, respectively.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 14 – BORROWINGS (continued)

(b) Convertible debentures (continued)

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

| | August 31, 2023 | August 31, 2022 |
|---|-----------------|-----------------|
| Carrying value of host liabilities at beginning of year | \$ 5,692 | \$ 5,826 |
| Repayment | (260) | (800) |
| Less: transaction costs | (325) | - |
| Gain on modification ⁽¹⁾ | (640) | - |
| Equity portion allocated ⁽²⁾ | (53) | - |
| Loss on derecognition of financial liabilities | - | 32 |
| Accretion of carrying value of host liabilities | 605 | 494 |
| Foreign exchange adjustments | 180 | 140 |
| Carrying value of host liabilities at end of year | \$ 5,199 | \$ 5,692 |

⁽¹⁾ In November 2022, the 2019 Debenture agreement was amended to extend the maturity from November 14, 2022 to May 14, 2024 which resulted in a non-substantial modification gain.

⁽²⁾ In February 2023, the 2020 Debenture agreement was amended to extend the maturity from Feb 28, 2023 to February 28, 2025, which resulted an extinguishment of the debenture. As a result, a new equity portion of \$53 was recorded in reserves.

| | August 31, 2023 | August 31, 2022 |
|---|-----------------|-----------------|
| Fair value of embedded derivatives at beginning of year | \$ 39 | \$ 528 |
| Fair value (decrease) increases in liability (Note 19) | 4 | (490) |
| Foreign exchange adjustments | 2 | 1 |
| Balance, embedded derivatives at end of year | \$ 45 | \$ 39 |
| Total Debentures at end of year | \$ 5,244 | \$ 5,731 |
| Current portion of debentures | \$ 4,986 | \$ 5,731 |
| Non-current portion of debentures | 258 | - |
| Total 2019 and 2020 Debentures | \$ 5,244 | \$ 5,731 |

NOTE 15 – CAPITAL AND RESERVES

(a) Common Shares

Authorized share capital consists of 150,000,000 common shares without par value. No common shares were issued during the years ended August 31, 2023 and August 31, 2022.

(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, 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 |
| Purchases of treasury shares | 252,900 | 142 |
| Cancellation of treasury shares | (939,600) | (562) |
| Balance, August 31, 2023 | 47,100 | \$ 23 |

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 15 – CAPITAL AND RESERVES (continued)

(c) Reserves

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.
- *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).
- *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.
- *Convertible debt instrument reserve.* The reserve includes the value of the equity component of convertible instruments, offset by taxes.

(d) Basic and diluted common shares outstanding

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

| | August 31, 2023 | August 31, 2022 |
|--|-----------------|-----------------|
| Net loss attributable to GEC shareholders | (3,909) | (15,336) |
| Basic weighted average number of common shares outstanding | 67,521,837 | 68,688,415 |
| Effect of dilutive instruments ⁽¹⁾⁽²⁾ | - | - |
| Diluted weighted average number | 67,521,837 | 68,688,415 |

⁽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, 2023, the following instruments were excluded from the calculation of the diluted weighted average number of common shares outstanding as they were anti-dilutive: 960,000 stock options and 7,247,269 common shares underlying potential conversions of 2019 and 2020 Debentures (August 31, 2022 – 1,140,000 stock options, 7,247,269 common shares underlying potential conversion 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, 2023, share-based payment expense was \$100 (August 31, 2022 - \$150) and is included as a separate line item in the consolidated statements of comprehensive loss.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 16 – SHARE-BASED PAYMENT ARRANGEMENTS (continued)

(b) Measurement of fair values – equity settled arrangements

There were no option grants during the year ended August 31, 2023. 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.

(c) Reconciliation of and stock options outstanding

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

| | Number of Options 2023 | Weighted Average Exercise Price | Number of Options 2022 | Weighted Average Exercise Price |
|-----------------------------------|---------------------------|---------------------------------------|---------------------------|---------------------------------------|
| Outstanding at September 1 | 3,620,000 | \$ 0.56 | 3,365,000 | \$ 0.65 |
| Granted during the year | - | - | 1,400,000 | 0.53 |
| Exercised during the year | - | - | - | - |
| Expired/forfeited during the year | (750,000) | \$ 0.62 | (1,145,000) | 0.79 |
| Outstanding at August 31 | 2,870,000 | \$ 0.55 | 3,620,000 | \$ 0.56 |
| Exercisable at August 31 | 2,295,000 | \$ 0.55 | 2,300,000 | \$ 0.59 |

The options outstanding at August 31, 2023 have exercise prices ranging from \$0.44 to \$0.71 (August 31, 2022 - \$0.44 to \$0.75) and a weighted average contractual life of 1.72 years (August 31, 2022 – 2.95 years). At August 31, 2023, if all exercisable options were exercised total cash received would be \$1,267 (August 31, 2022 - \$1,361). The weighted-average share price at the date of exercise for share options exercised in the year ended August 31, 2022 was \$0.66 (no options exercised in the year ended August 31, 2023).

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, 2023 | August 31, 2022 |
|--|-----------------|-----------------|
| GECH at beginning of year | \$ 134,418 | \$ 153,006 |
| Contributions from sale of limited partnership units | 2,988 | 2,282 |
| Distributions | (1,556) | (1,323) |
| Ownership changes not resulting in loss of control (b) | 288 | 20,846 |
| Allocation of net comprehensive income (loss) | 3,325 | (40,393) |
| GECH at end of year | 139,463 | 134,418 |
| CIBT China | (44) | (41) |
| IRIX | (268) | (219) |
| Total non-controlling interests | \$ 139,151 | 134,158 |

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 17 – INTERESTS IN OTHER ENTITIES (continued)

(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.

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, 2023 | August 31, 2022 | August 31, 2023 | August 31, 2022 |
| GEC Limited Partnership 1 ⁽¹⁾ | March 2016 | 81.48% | 79.41% | 18.52% | 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 | August 2016 | 64.25% | 64.25% | 35.75% | 35.75% |
| GEC Limited Partnership 7 | August 2016 | 79.09% | 79.08% | 20.91% | 20.92% |
| GEC Limited Partnership 8 | October 2017 | 54.47% | 54.47% | 45.53% | 45.53% |
| GEC Limited Partnership 9 | February 2018 | 72.33% | 72.33% | 27.67% | 27.67% |
| GEC Limited Partnership 11 | January 2020 | 80.00% | 80.00% | 20.00% | 20.00% |
| GEC Limited Partnership 12 ⁽²⁾ | July 2020 | 80.00% | 80.00% | 20.00% | 20.00% |
| GEC Limited Partnership 13 ⁽³⁾ | November 2022 | 80.00% | N/A | 20.00% | N/A |

⁽¹⁾ During the year ended August 31, 2023, the Company sold units to non-controlling interest for \$1,559. The equity transaction resulted in a decrease in the Company’s ownership in the limited partnership, an increase in NCI of \$1,271 and ownership change reserves of \$288.

⁽²⁾ During the year ended August 31, 2022, conversion options on certain convertible promissory notes were exercised into limited partnership units increasing non-controlling interest’ 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 interest.

⁽³⁾ During the year ended August 31, 2023, GEC Limited Partnership 13 was incorporated to identify and acquire a potential investment property. Units of the limited partnership were issued to non-controlling interest owners, increasing non-controlling interest by \$850.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 17 – INTERESTS IN OTHER ENTITIES (continued)

(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, 2023 | GECH ⁽¹⁾ | Other ⁽²⁾ | Total |
|--|---------------------|----------------------|-------------|
| Current assets | \$ 12,840 | - | - |
| Non-current assets | 441,872 | - | - |
| Current liabilities | (126,969) | - | - |
| Non-current liabilities | (158,051) | - | - |
| Net assets | \$ 169,692 | - | - |
| Net assets (liabilities) attributable to NCI | \$ 139,462 | \$ (311) | \$ 139,511 |
| Revenue | \$ 21,226 | - | - |
| Net loss | \$ (1,543) | - | - |
| Total comprehensive loss | \$ (1,543) | - | - |
| Loss allocated to NCI | \$ 3,326 | \$ (52) | \$ 3,274 |
| OCI allocated to NCI | \$ - | \$ - | \$ - |
| Cash flows provided by operating activities | \$ (1,201) | - | - |
| Cash flows used in investing activities | (15,973) | - | - |
| Cash flows provided by financing activities | 14,686 | - | - |
| Net decrease in cash and cash equivalents | \$ (2,488) | \$ - | \$ - |
| 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) | \$ - | \$ - |

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

⁽²⁾ Other individually immaterial subsidiaries.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 17 – INTERESTS IN OTHER ENTITIES (continued)

(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.

NOTE 18 – GENERAL AND ADMINISTRATIVE EXPENSES

| | Year Ended August 31, 2023 | Year Ended August 31, 2022 |
|--|-------------------------------|-------------------------------|
| Salaries and benefits | \$ 14,858 | \$ 13,855 |
| Office and general | 3,912 | 3,834 |
| Advertising | 3,517 | 3,571 |
| Professional fees | 3,532 | 2,865 |
| Consulting and management fees | 962 | 728 |
| Investor relations | 103 | 94 |
| Bank charges and interest | 412 | 366 |
| Rent | 3,266 | 2,917 |
| Travel and promotion | 440 | 322 |
| Total general and administrative expenses¹ | \$ 31,002 | \$ 28,552 |

⁽¹⁾ Balances exclude provision for expected credit losses on trade and other receivables which were presented as a separate line item on the consolidated statements of comprehensive loss at August 31, 2023 and August 31, 2022.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 19 – FINANCE COSTS

| | Year Ended August 31, 2023 | Year Ended August 31, 2022 |
|---|-------------------------------|-------------------------------|
| <i>Interest expense comprised of:</i> | | |
| Interest expense on borrowings (Note 14) | \$ 24,777 | \$ 16,473 |
| Accretion of finance fees and other (Note 14) | 3,471 | 5,317 |
| Accretion of lease liabilities (Note 8(b)) | 1,072 | 1,171 |
| | 29,320 | 22,961 |
| Less: capitalized interest (Note 5) | (12,777) | (11,235) |
| Total interest expense | 16,543 | 11,726 |
| (Gain) loss on embedded derivatives, net (Note 14(b)) | 4 | (490) |
| Debt modification gain, net ⁽¹⁾ | (232) | (2,759) |
| Other | 1 | (10) |
| Finance costs | \$ 16,316 | \$ 8,467 |

⁽¹⁾ During the years ended August 31, 2023 and August 31, 2022, the Company modified the 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.

NOTE 20 – OTHER INCOME, NET

| | Year Ended August 31, 2023 | Year Ended August 31, 2022 |
|---|-------------------------------|-------------------------------|
| Interest and other income, net ⁽¹⁾ | \$ 393 | \$ 1,615 |
| Government grants ⁽²⁾ | - | 556 |
| Foreign exchange gain | (212) | (192) |
| Loss on disposal of equipment | - | (2) |
| Loss on derecognition of financial liabilities (Note 14(b)) | (127) | (32) |
| Other income, net | \$ 54 | \$ 1,945 |

⁽¹⁾ Includes nil interest income on receivable from a developer during the year ended August 31, 2023 (August 31, 2022 - \$69) (Note 6).

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

NOTE 21 – INCOME TAXES

(a) Amounts recognized in net loss

| | Year Ended August 31, 2023 | Year Ended August 31, 2022 |
|---|-------------------------------|-------------------------------|
| Current tax expense (recovery) | | |
| Current year | \$ 365 | \$ 177 |
| Changes in estimates related to prior years | (16) | (73) |
| | \$ 349 | \$ 104 |
| Deferred tax expense (recovery) | | |
| Origination and reversal of temporary differences | (1,006) | (2,070) |
| Adjustments of prior years | 137 | 772 |
| | (869) | (1,298) |
| Income tax recovery | \$ (520) | \$ (1,194) |

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 21 – INCOME TAXES (continued)

(b) Reconciliation of effective tax rate

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

| | Year Ended | | Year Ended | |
|--|-----------------|---------|-----------------|----------|
| | August 31, 2023 | | August 31, 2022 | |
| Loss before income taxes | \$ | (1,156) | \$ | (56,964) |
| Statutory income tax rate ⁽¹⁾ | | 27% | | 27.0% |
| Income tax recovery at statutory rate | | (312) | | (15,380) |
| Effect of differences in foreign tax rates | | (2) | | (3) |
| Non-deductible expenses, net | | 59 | | 56 |
| Impact of convertible debt | | 104 | | - |
| Effect of differences in prior period tax returns as filed | | 121 | | 699 |
| Change in deferred tax assets not recognized | | (15) | | (38) |
| Change in fair value of investment properties | | (1,457) | | 1,795 |
| Impact of partnership loss allocation | | 851 | | 12,460 |
| Other | | 131 | | (783) |
| Income tax recovery | \$ | (520) | \$ | (1,194) |

⁽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, 2023 | | August 31, 2022 | |
|--|-----------------|----------|-----------------|----------|
| <i>Deferred income tax assets</i> | | | | |
| Non-capital losses carried forward | \$ | 4,618 | \$ | 3,106 |
| Share issuance and finance costs | | 1,037 | | 570 |
| Property and equipment | | 1,167 | | 1,141 |
| Net capital losses | | 7 | | 7 |
| Total deferred income tax assets | \$ | 6,829 | \$ | 4,824 |
| <i>Deferred income tax liabilities</i> | | | | |
| Investment properties | \$ | 11,910 | \$ | 10,927 |
| Convertible debt | | 125 | | 63 |
| Intangible assets and goodwill | | 2,592 | | 2,501 |
| Total deferred income tax liabilities | \$ | 14,627 | \$ | 13,491 |
| Net deferred income tax liabilities | \$ | (7,798) | \$ | (8,667) |
| <i>Classified as:</i> | | | | |
| Deferred tax assets, net | \$ | 3,592 | \$ | 2,229 |
| Deferred tax liabilities, net | | (11,390) | | (10,896) |
| Net deferred income tax liabilities | \$ | (7,798) | \$ | (8,667) |

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 21 – INCOME TAXES (continued)

(d) Tax losses carried forward

The Company recognizes deferred tax assets to the extent that it is probable that future taxable profit will be available against which the Company can utilize the benefits of the deductible temporary differences and unused tax losses. Deductible temporary differences and unused tax losses for which a future benefit has not been recognized as a deferred tax asset include the following:

| | August 31, 2023 | August 31, 2022 |
|--|-----------------|-----------------|
| Non-capital loss carry-forwards ⁽¹⁾ | \$ 917 | \$ 714 |
| Net capital loss carry-forwards ⁽²⁾ | 1,026 | 1,026 |
| Intangible assets in Canada | 4,292 | 4,308 |
| Property and equipment in China | 494 | 505 |
| | <u>\$ 6,729</u> | <u>\$ 6,553</u> |

⁽¹⁾ Includes \$814 in carry-forwards eligible to be applied for China tax purposes and expire in the years ending August 31, 2024 to 2028.

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

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, 2023 | August 31, 2022 |
|---|--------------------------|-------------------|-------------------|
| Financial assets | <u>Measurement basis</u> | | |
| Cash and cash equivalents | Amortized cost | \$ 3,392 | \$ 9,724 |
| Restricted cash | Amortized cost | 2,695 | 2,106 |
| Trade and other receivables | Amortized cost | 14,657 | 12,688 |
| Receivable from developer (Note 6) | Amortized cost | 3,300 | 3,300 |
| Interest reserves and other assets | Amortized cost | - | 3,212 |
| | | <u>\$ 24,044</u> | <u>\$ 31,030</u> |
| Financial liabilities | <u>Measurement basis</u> | | |
| Trade and other payables | Amortized cost | 18,292 | 13,961 |
| Secured loans and credit line | Amortized cost | 257,332 | 237,914 |
| Lease liabilities (Note 8(b)) | Amortized cost | 12,521 | 14,999 |
| Debentures – liability ⁽¹⁾ | Amortized cost | 5,199 | 5,692 |
| Debentures – derivatives ⁽¹⁾ | FVTPL | 45 | 39 |
| Bonds payable | Amortized cost | 2,000 | 2,000 |
| Other loans payable | Amortized cost | 5,303 | 4,916 |
| | | <u>\$ 300,692</u> | <u>\$ 279,521</u> |

⁽¹⁾ 2019 and 2020 Debentures (Note 14(b)).

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 22 – FINANCIAL INSTRUMENTS (continued)

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, 2023 of one secured loan was \$5,540 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, except for 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, 2023 and 2022 there were no financial assets and financial liabilities measured and recognized at fair value on a non-recurring basis.

During the year ended August 31, 2023, there were no transfers between the three levels of fair value measurements.

(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 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. At August 31, 2023 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.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 23 – RISK MANAGEMENT

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

(a) Liquidity risk

The Company is exposed to liquidity risk which is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due in the normal course of business. The 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 where necessary liquidating assets and reducing/delaying real estate project development costs. Cash and cash equivalents and restricted cash as at August 31, 2023 were \$3,392 and \$2,695, respectively (August 31, 2022 - \$9,724 and \$2,106). In addition, the Company has an undrawn facility of \$4,627 at August 31, 2023 (August 31, 2022 - \$3,930), under which letters of credit can be issued. Management prepares budgets and cash forecasts to ensure that the Company has sufficient funds to fulfill its financial obligations. At August 31, 2023 and 2022, 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 decreased in the year ended August 31, 2023 from the year ended August 31, 2022.

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

The Company diligently monitors the repayment dates of its mortgages and intends to refinance all mortgages as they become due. 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 reasonable 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. Amounts include principal and interest payments.

| August 31, 2023 | Less than one year | | 2 – 3 years | | 4-5 years | | Over 5 years | | Total |
|-------------------------------|-----------------------|----------------|----------------|----------------|-----------|--------------|-----------------|---------------|-------------------|
| Trade and other payables | \$ | 18,292 | \$ | - | \$ | - | \$ | - | \$ 18,292 |
| Secured loans ⁽¹⁾ | | 127,567 | | 123,254 | | 3,097 | | 30,727 | 284,645 |
| Lease payments ⁽²⁾ | | 5,625 | | 7,617 | | 5,481 | | 7,750 | 26,473 |
| 2019 and 2020 Debentures | | 6,113 | | 340 | | - | | - | 6,453 |
| Other loans | | 244 | | 5,521 | | 203 | | 407 | 6,375 |
| Total | \$ | 157,841 | \$ | 136,732 | \$ | 8,781 | \$ | 38,884 | \$ 342,238 |

⁽¹⁾ Interest reserves of \$2,312 exist to offset future interest payments on certain borrowings.

⁽²⁾ Includes lease payments recognized as lease liabilities (Note 8), estimated variable lease payments and short term lease payments.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 23 – RISK MANAGEMENT (continued)

| 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 | 206,136 | 14,776 | 2,426 | 31,940 | 255,278 |
| Lease payments | 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 |

(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, 2023.

| | Weighted- average loss rate | Gross carrying amount | Loss allowance | Credit impaired |
|---|-----------------------------------|-----------------------------|-------------------|--------------------|
| Current (not past due) | 1.8% | \$ 7,363 | 135 | No |
| 1 – 30 days past due | 34.8% | 158 | 55 | No |
| 31 – 60 days past due | 37.7% | 114 | 43 | No |
| 61 – 90 days past due | 43.7% | 510 | 223 | No |
| More than 90 days past due ⁽¹⁾ | 74.4% | 6,609 | 4,920 | Yes |
| Total | 36.4% | \$ 14,754 | \$ 5,376 | |

⁽¹⁾ Includes gross carrying amount of \$3,489 and loss allowance of \$2,093 associated with CIBT China net trade receivables. At August 31, 2023, 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.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 23 – RISK MANAGEMENT (continued)

(b) Credit risk (continued)

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

| | August 31, 2023 | | August 31, 2022 | |
|--|-----------------|-------|-----------------|-------|
| Beginning balance | \$ | 4,069 | \$ | 3,079 |
| Net remeasurement of loss allowance | | 1285 | | 1,509 |
| Amounts written off during the year as uncollectible | | (46) | | (497) |
| Amounts recovered during the year | | 62 | | - |
| Impact of foreign currency | | 6 | | (22) |
| Ending balance | \$ | 5,376 | \$ | 4,069 |

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 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 income (loss) and comprehensive income (loss) for the year ended August 31, 2022. The expected credit loss provision 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. The expected credit loss provision amount remains unchanged as at August 31, 2023.

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 income (loss) and comprehensive income (loss) for the year ended August 31, 2022. At August 31, 2023, the loan receivable before expected credit loss provision was \$7,980 (August 31, 2022 - \$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, 2022 - \$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).

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 23 – RISK MANAGEMENT (continued)

(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, 2023, 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, 2023. The total proportion of principal subject to variable interest rates was 67% at August 31, 2023 (68% at August 31, 2022). The weighted-average interest rate paid by the Company at August 31, 2023, on its secured loans, convertible and other corporate debt was 9.4% (2022 – 6.8%).

A 2% increase in the Canadian prime rate would result in a increase in the Company’s net loss of \$1,626 for the year ended August 31, 2023 (2022 - \$502), 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 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, 2023 | | August 31, 2022 | |
|-----------------------|-----------------|-------------|-----------------|-------------|
| | RMB | Canadian \$ | RMB | Canadian \$ |
| Financial assets | 10,203 | \$ 2,110 | 14,101 | \$ 2,688 |
| Financial liabilities | 2,107 | 436 | (2,297) | (438) |
| Net exposure | 12,310 | \$ 2,546 | 11,804 | \$ 2,250 |

An appreciation or depreciation of the RMB against the Canadian dollar of 2.5% may result in an \$64 increase or decrease in foreign exchange gains/losses included in net loss for the year ended August 31, 2023 (2.5% and \$66 for 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, 2023. Restrictions on Chinese currency exchange may affect the Company’s ability to repatriate profits from China.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 23 – RISK MANAGEMENT (continued)

(c) Market Risk (continued)

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, 2023 | | August 31, 2022 | |
|-----------------------|-----------------|-------------|-----------------|-------------|
| | HKD | Canadian \$ | HKD | Canadian \$ |
| Financial assets | 230 | \$ 40 | 166 | \$ 28 |
| Financial liabilities | (29,740) | (5,139) | (32,092) | (5,352) |
| Net exposure | (29,510) | \$ (5,099) | (31,926) | \$ (5,324) |

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

An appreciation or depreciation of the HKD against the Canadian dollar of 5% would result in \$255 decrease or increase in foreign exchange gains/losses included in net loss for the year ended August 31, 2023 (5% and \$266 for year ended August 31, 2022). The 5% benchmark represents the possible exposure based on fluctuations of foreign exchange rates during the year ended August 31, 2023.

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, 2023 | | August 31, 2022 | |
|---|-----------------|-----------|-----------------|-----------|
| Total borrowings | \$ | 269,879 | \$ | 250,561 |
| Less: cash and cash equivalents | | (3,392) | | (9,724) |
| Net debt | | 266,487 | | 240,837 |
| Total equity | | 163,137 | | 162,032 |
| Less: Non-controlling interests' equity | | (139,151) | | (134,158) |
| Shareholders' equity | \$ | 23,986 | \$ | 27,874 |

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). At August 31, 2023, the Company was in compliance with all non-financial covenants, and there were no financial loan covenants applicable to the Company.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

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, 2023 | August 31, 2022 |
|---|-----------------|------------------|
| Investment property development ⁽¹⁾ | \$ 11,630 | \$ 11,630 |
| Investment property construction ⁽²⁾ | - | 3,510 |
| Total | \$ - | \$ 15,140 |

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

⁽²⁾ Project construction was completed during the year ended August 31, 2023.

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, 2023.

(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, 2023 | Year Ended August 31, 2022 |
|--|-------------------------------|-------------------------------|
| Management fees, salaries and directors' fees | \$ 1,138 | \$ 1,321 |
| Share-based payments | 78 | 119 |
| Total key management personnel compensation | \$ 1,216 | \$ 1,440 |

(b) Other related party balances:

| | August 31, 2023 | August 31, 2022 |
|--|-----------------|-----------------|
| Due from (to) officers and directors of the Company ⁽¹⁾ | \$ 138 | \$ (195) |
| Due to the president of IRIX ⁽²⁾ | (107) | (114) |
| Due from (to) related parties | \$ 31 | \$ (309) |

⁽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.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 27 – SUPPLEMENTAL CASH FLOW INFORMATION

(a) Changes in working capital

| | Year Ended August 31, 2023 | Year Ended August 31, 2022 |
|--|-------------------------------|-------------------------------|
| <i>Changes in:</i> | | |
| Accounts receivable | \$ (2,188) | \$ 1,952 |
| Prepayments | (275) | 102 |
| Inventory | (125) | 12 |
| Accounts payable and accrued liabilities | (285) | (67) |
| Deferred revenue | 1,278 | (4,262) |
| Interest reserves | 2,236 | (994) |
| Changes in working capital | \$ 641 | \$ (3,257) |

(b) Changes in liabilities arising from financing activities

| | Year Ended August 31, 2023 | Year Ended August 31, 2022 |
|--|-------------------------------|-------------------------------|
| Balances, beginning of year | \$ 250,561 | \$ 244,250 |
| Cash flows, comprised of: | 17,830 | 20,259 |
| Repayments of secured loans (Note 14(a)) | (103,810) | (7,391) |
| Repayments of credit facility | - | (359) |
| Repayment of 2017 convertible debt | - | (185) |
| Repayment of 2019 convertible debt (Note 14(b)) | (260) | (800) |
| Repayment of other loans | (122) | (520) |
| New advances of secured loans (Note 14(a)) | 122,022 | 28,244 |
| Bond and other loans payable | - | 1,270 |
| <u>Liability related items:</u> | | |
| Finance fees | (3,845) | (1,763) |
| <u>Non-cash related items:</u> | | |
| Finance cost accretion ⁽¹⁾ | 4,256 | 2,590 |
| Equity component of convertible debentures | (53) | - |
| Derivative fair value changes | 4 | (490) |
| Conversion of promissory notes into units ⁽²⁾ | - | (14,427) |
| Loss on derecognition of liability | 127 | - |
| Accrued finance fees | 818 | - |
| Foreign exchange and other | 181 | 142 |
| Balances, end of year | \$ 269,879 | \$ 250,561 |

⁽¹⁾ Includes increase in carrying value of secured debt resulting from net debt modification gain.

⁽²⁾ 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.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 28 – EVENTS AFTER THE REPORTING PERIOD

Extension of real estate lease agreement

In September 2023, the Company signed a five-year lease extension agreement for one of its revenue producing properties. The new lease agreement expires December 2028, and the Company has the option to extend the lease for a further five years.

Stock based payments

Subsequent to August 31, 2023, the Company granted 1,000,000 stock options under its existing stock option Plan at an exercise price of \$0.38 per share.

Sale of GEC® Granville

In October 2023, the Company signed a Purchase and Sale Agreement for the sale of the GEC® Granville property for gross proceeds of \$70,000. The transaction completed on November 28, 2023 and all secured loans associated with the property were assigned to the purchaser. At August 31, 2023, the net book value of the GEC® Granville property is \$55,668 and the outstanding loan principal is \$54,100.

Purchase of investment property

In November 2022, the Company formed a new limited partnership associated with a new project called GEC® Langara with plans to purchase an investment property. In November 2023, the limited partnership entered into an Assignment of Purchase Agreement with a third party to purchase a property near the Langara – 49th Canada Line station for \$17,500. The Company expects the transaction to complete in December 2023.

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, 2023. 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 or loss. Any interest retained by the former subsidiary is measured at fair value when control is lost.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 29 – SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Consolidation, i. Principles of Consolidation (continued)

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.

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 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.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 29 – SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Revenue recognition (continued)

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.

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.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 29 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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, interest reserves, 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.

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 or loss.

When a financial liability is non-substantially modified, a gain or loss is recognized into net income or 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.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 29 – SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Financial instruments (continued)

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 or 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.

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 or 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 or 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.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 29 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Investment Properties, i. Recognition and measurement (continued)

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 or loss to the extent that reverses a previous impairment loss on the specific property, with any remaining gain recognized in other comprehensive income or loss 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 or loss in the period in which they are incurred.

iii. Assets held for sale

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

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 or loss in the period in which the item is derecognized.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 29 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 or 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.

NOTE 29 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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 (CGUs). 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.

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.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 29 – SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Leases, i. Recognition and initial measurement, *As a lessee* (continued)

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 or loss.

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.

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.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 29 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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).

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 or 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.

**GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023**

NOTE 29 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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.

GLOBAL EDUCATION COMMUNITIES CORP.
(FORMERLY CIBT EDUCATION GROUP INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
All amounts in thousands of Canadian Dollars except share and per share amounts
August 31, 2023

NOTE 29 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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 income (loss) and 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.

R. Re-presentation of comparative amounts

At August 31, 2023, comparative amounts for net cash flows from borrowings were re-presented in the consolidated statement of cash flows to repayments of borrowings and advances from borrowings. This change did not impact net cash provided from financing activities for the prior period.

At August 31, 2023, comparative amounts for general and administrative expenses were re-presented in the consolidated statements of loss and comprehensive loss to provisions for expected credit losses on trade receivables and general and administrative expenses. This change did not impact net loss for the prior period.

CIBT EDUCATION GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

August 31, 2023

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. Inter-segment transactions are eliminated on consolidation.

| | Year ended August 31, 2023 | | | | | | | Total |
|---|----------------------------|------------------|------------------|----------------|------------------|-------------------|-------------|------------------|
| | CIBT China | SSCC | SSLC/VIC | IRIX | GECH | Corporate | | |
| Revenues | | | | | | | | |
| Revenues from contracts with customers | | | | | | | | |
| Educational | \$ 2,217 | \$ 39,270 | \$ 13,934 | \$ - | \$ - | \$ - | \$ - | \$ 55,421 |
| Rental | - | - | - | - | 8,864 | - | - | 8,864 |
| Commissions and referral fees | 1,153 | - | - | - | - | - | - | 1,153 |
| Design and advertising | - | - | - | 420 | - | - | - | 420 |
| Total revenues from customers | 3,370 | 39,270 | 13,934 | 420 | 8,864 | - | - | 65,858 |
| Revenues from leases | - | - | - | - | 12,266 | - | - | 12,266 |
| Revenues from development fees | - | - | - | - | - | 479 | - | 479 |
| Total revenues | \$ 3,370 | \$ 39,270 | \$ 13,934 | \$ 420 | \$ 21,130 | \$ 479 | \$ - | \$ 78,603 |
| Revenues, net of direct costs | \$ 1,476 | \$ 22,783 | \$ 5,230 | \$ 331 | \$ 13,248 | \$ 479 | \$ - | \$ 43,547 |
| Other income (expenses): | | | | | | | | |
| General and administrative | (2,002) | (17,509) | (4,716) | (491) | (3,792) | (3,884) | - | (32,394) |
| Depreciation and amortization | (17) | (2,834) | (429) | (41) | (357) | (104) | - | (3,782) |
| Share-based payment expense | - | - | - | - | - | (100) | - | (100) |
| Interest expense | - | (829) | (123) | (4) | (14,660) | (696) | - | (16,312) |
| Finance fees expense and other | - | - | - | - | - | (4) | - | (4) |
| Gain on fair value changes in investment properties | - | - | - | - | 7,835 | - | - | 7,835 |
| Interest and other income | 173 | 3 | 103 | 2 | 113 | (3) | - | 391 |
| Foreign exchange gain (loss) | (9) | - | - | - | (4) | (197) | - | (210) |
| Loss on derecognition of financial liabilities | - | - | - | - | (127) | - | - | (127) |
| Income tax recovery (provision), net | 78 | (207) | (234) | 33 | (533) | 1,383 | - | 520 |
| Inter-segment transactions | 148 | (600) | 356 | 72 | 65 | (41) | - | - |
| Net income (loss) | \$ (153) | \$ 807 | \$ 187 | \$ (98) | \$ 1,788 | \$ (3,167) | \$ - | \$ (636) |

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

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

August 31, 2023

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

As at August 31, 2023

| | CIBT China | SSCC | SSLC/VIC | IRIX | GECH | Corporate | Consolidated |
|---------------------------|---------------|-----------|----------|----------|------------|-----------|--------------|
| Total assets | \$ 3,174 | \$ 33,323 | \$ 1,514 | \$ 238 | \$ 454,712 | \$ 4,721 | \$ 497,682 |
| Property and equipment | \$ 53 | \$ 1,778 | \$ 101 | \$ 27 | \$ 55,368 | \$ 5 | \$ 57,332 |
| Investment properties | \$ - | \$ - | \$ - | \$ - | \$ 385,227 | \$ - | \$ 385,227 |
| Intangible assets | \$ 461 | \$ 6,073 | \$ 56 | \$ - | \$ - | \$ - | \$ 6,590 |
| Goodwill | \$ - | \$ 5,218 | \$ - | \$ - | \$ - | \$ 300 | \$ 5,518 |
| Total liabilities | \$ 712 | \$ 38,958 | \$ 7,610 | \$ 466 | \$ 285,020 | \$ 1,779 | \$ 334,545 |
| Non-controlling interests | \$ (44) | \$ - | \$ - | \$ (267) | \$ 139,462 | \$ - | \$ 139,151 |

CIBT EDUCATION GROUP INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

August 31, 2023

NOTE 30 - SEGMENTED INFORMATION (continued)

| | 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 |
| Rental | - | - | - | - | 7,282 | - | - | 7,282 |
| Commissions and referral fees | 985 | - | - | - | - | - | - | 985 |
| Design and advertising | - | - | - | 581 | - | - | - | 581 |
| 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

August 31, 2023

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 |

--- END OF FINANCIAL STATEMENTS ---