

## **Second Quarter & Letter to Shareholders**

**April 12, 2007**

Dear Fellow Shareholders:

We are pleased to report that the increased number of confirmed engagements in both the first and second quarter of fiscal 2007 led to stronger financial performance in the second quarter, with operating revenue up 28% over last year. This strong momentum has continued into the third quarter, with confirmed engagements after seven months more than 30% ahead of the same period a year ago.

Our second quarter results and recent new business bookings demonstrate tangible market opportunities. We remain focused on driving utilization rates by expanding our relationships with existing clients and pursuing new client prospects. Looking ahead, we will continue to leverage our brand and further augment our team of dedicated professionals, in order to drive organic growth, add complementary services and enter new markets.

### **Second Quarter Results**

For the three months ended February 28, 2007, our operating revenue increased 28 percent to \$3,846,124 compared to \$2,994,842 in the second quarter a year ago. The strength of both our first and second quarter confirmed engagements drove this growth.

Operating income for the second quarter of 2007 increased 181% to \$288,675 compared to \$102,899 in the second quarter of fiscal 2006. Increased operating income reflects higher operating revenue for the period, which out paced the increase in total expenses. Total expenses before amortization, including employee compensation, general and administrative expenses increased 24 percent to \$3,481,304 from \$2,805,152 in the second quarter a year ago. Increased total expenses resulted from higher variable and fixed compensation costs, reflecting the additional investment in new search professionals, and significantly higher legal expenses.

Investment income for the second quarter of 2007 increased to \$160,165 from \$157,889 in the second quarter of fiscal 2006. Substantial unrealized gains in the investment portfolio have not yet been recognized. Net earnings for the period increased 44 percent to \$321,134 or 2 cents per share, compared to net earnings of \$222,457 or 1 cent per share in the second quarter a year ago.

### **Quarterly dividend declared**

The Board of Directors declared a dividend for the second quarter of 2 cents per Class A non-voting and Class B voting share payable on May 17, 2007 to shareholders of record on May 7, 2007. Based on the closing price of our Class A shares on April 11, 2007, the dividend represents an annualized yield of approximately 5.1 percent.

### **Year-to-date Results**

Operating revenue for the six months ended February 28, 2007 was \$6,955,305, compared to \$6,941,108 for the same period in fiscal 2006. Total expenses before amortization, including employee compensation, general and administrative, and amortization were \$6,748,605 compared to \$6,405,491 for the same period a year ago. Net earnings for the six-month period were \$273,879.

As at February 28, 2007, the Company had cash and cash equivalents of \$5,023,062 and marketable securities with a book value of \$13,599,842. The Caldwell Partners had no long-term debt as at February 28, 2007.

### **Growth Strategy**

The Caldwell Partners' vision is to move beyond its current position as Canada's leading, national executive search firm towards becoming the premier Canadian-based, diversified human capital services organization. We have initiated a four-year growth plan to achieve this. Our primary strategic objectives involve leveraging The Caldwell Partners brand to launch complementary services and to enter new markets, new regions and market segments, including the mid-market search segment, which comprises salary ranges from \$65,000 to \$100,000.

In support of these initiatives and ongoing organic growth, we are actively acquiring new search professionals, while continuing to evaluate acquisition opportunities and strategic alliances.

To carry out its strategic plan, the Company will need to make significant investments and incur additional costs for at least the next two or three years. The implementation of these initiatives may have an adverse effect on margins, operating and net earnings during this period.

Talent is in short supply and the recruiting market is healthy...an ideal combination with The Caldwell Partners' financial strength to execute growth plans and build long-term value for shareholders. We greatly appreciate the continuing support of our shareholders, clients, and each hard-working member of our team across the country.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Douglas Caldwell". The signature is fluid and cursive, with a prominent flourish at the end.

C. Douglas Caldwell  
Founder and Chief Executive Officer

## THE CALDWELL PARTNERS INTERNATIONAL INC.

### CONSOLIDATED STATEMENT OF EARNINGS

(unaudited)

	Three months ended February 28		Six months ended February 28	
	2007	2006	2007	2006
Operating revenue	\$3,846,124	\$2,994,842	\$6,955,305	\$6,941,108
Expenses				
Employee compensation, general and administration	3,481,394	2,805,152	6,748,605	6,405,491
Amortization	76,145	86,791	154,468	171,302
	3,557,449	2,891,943	6,903,073	6,576,993
	288,675	102,899	52,232	364,115
Investment income	160,065	157,889	292,869	328,896
Net income before tax	448,740	260,788	345,101	693,011
Provision for income taxes:				
Current	124,592	45,231	68,208	148,384
Future	3,014	(6,900)	3,014	(5,139)
	127,606	38,331	71,222	143,245
Net earnings for the period	\$321,134	\$222,457	\$273,879	\$549,766
Earnings per share	\$0.019	\$0.013	\$0.016	\$0.032

### CONSOLIDATED BALANCE SHEET

(unaudited)

	As at February 28		As at August 31	
	2007	2006	2007	2006
<b>Assets</b>				
Cash and short-term deposits	\$5,023,062	\$5,939,631	\$10,005,443	
Accounts receivable	3,188,158	3,242,410	2,963,787	
Income taxes receivable	664,615	1,107,850	269,562	
Prepaid expenses	208,662	177,026	146,590	
	9,084,437	10,466,917	13,385,382	
Marketable securities (market value at February 28, 2007 = \$14,324,765)	13,599,842	12,346,900	9,569,342	
Loans receivable	964,265	810,317	808,317	
Property and equipment	2,300,466	2,208,237	2,235,574	
Future income taxes	21,027	79,542	24,041	
	\$25,970,037	\$25,911,913	\$26,022,656	
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$3,287,919	\$2,614,959	\$2,951,041	
Deferred revenue	288,827	333,012	250,112	
	3,576,746	2,947,971	3,201,153	
Future income taxes	314,968	369,330	314,968	
Shareholders' equity	22,078,323	22,594,612	22,506,535	
	\$25,970,037	\$25,911,913	\$26,022,656	

**THE CALDWELL PARTNERS INTERNATIONAL INC.**

**CONSOLIDATED STATEMENT OF  
CHANGES IN CASH FLOWS**

*(unaudited)*

	<i>Three months</i>		<i>Six months</i>	
	<i>ended February 28</i>	<i>2006</i>	<i>ended February 28</i>	<i>2006</i>
<i>2007</i>			<i>2007</i>	
<b>Operating Activities</b>				
Net earnings for the period	\$321,134	\$222,457	\$273,879	\$549,766
Items not affecting cash:				
Amortization	76,145	\$6,791	154,468	171,502
(Gain) loss on sale of investments	(12,500)	34,447	(2,200)	24,741
Provision for impairment of investments	-	30,000	-	60,000
Future income taxes	3,014	(6,900)	3,014	(5,139)
	387,793	366,795	429,161	800,870
Net increase in working capital				
balances related to operations	(178,884)	(1,167,948)	(481,791)	(1,242,510)
	208,909	(801,153)	(52,630)	(441,640)
<b>Investment Activities</b>				
Proceeds on sale of marketable securities	2,068,150	1,581,197	2,318,150	1,878,403
Additions to marketable securities	(2,906,250)	(731,208)	(6,346,450)	(1,242,237)
Additions to property and equipment	(114,543)	(34,275)	(219,360)	(64,039)
	(952,743)	815,714	(4,247,660)	572,127
<b>Financing Activities</b>				
Dividends on Class A and B shares	(341,076)	(342,433)	(682,091)	(682,230)
Net decrease in cash during the period	(1,084,910)	(327,872)	(4,982,381)	(551,743)
Cash and cash equivalents, beginning of period	6,107,972	6,267,503	10,005,443	6,491,374
Cash and cash equivalents, end of period	\$5,023,062	\$5,939,631	\$5,023,062	\$5,939,631

**CONSOLIDATED STATEMENTS OF  
SHAREHOLDERS' EQUITY**

*(unaudited)*

	<i>Three months</i>		<i>Six months</i>	
	<i>ended February 28</i>	<i>2006</i>	<i>ended February 28</i>	<i>2006</i>
<i>2007</i>			<i>2007</i>	
Balance, beginning of period	\$22,118,265	\$22,714,588	\$22,506,535	\$22,727,076
Net earnings for the period	321,134	222,457	273,879	549,766
Dividends on Class A and Class B shares	(341,076)	(342,433)	(682,091)	(682,230)
Balance, end of period	\$22,098,323	\$22,594,612	\$22,098,323	\$22,594,612