



THE CALDWELL PARTNERS  
INTERNATIONAL

One Six Five Avenue Road, Toronto, ON, Canada, M5R 3S4  
Telephone 416.920.7702 Fax 416.922.8646  
email: leaders@caldwell.ca

July 15, 2008

Dear Fellow Shareholders:

We are pleased to report that, driven by strong new business bookings, the result of an increase in searches for more senior-level executive positions, operating revenue rose 29.9 percent in the 2008 third quarter to \$4,634,839 compared with \$3,568,119 in the 2007 period. Operating revenue in the 2008 third quarter also was up 32.7 percent from the second quarter.

### Financial Highlights

	Three Months Ended May 31, 2008	Three Months Ended May 31, 2007	Nine Months Ended May 31, 2008	Nine Months Ended May 31, 2007
Operating revenue	\$4,634,839	\$3,568,119	\$12,680,812	\$10,523,424
Expenses	4,550,436	3,906,520	13,073,004	10,809,592
Operating income (loss)	84,403	(338,401)	(392,192)	(286,168)
Investment income	154,308	332,422	842,838	625,291
Net earnings	\$ 69,145	\$ 61,287	\$ 441,480	\$ 335,167
Earnings per share	\$0.004	\$0.004	\$0.026	\$0.020

All references in this report to quarters or years are for the fiscal periods unless otherwise noted and all currency amounts are in Canadian dollars.

### Third-Quarter Results

Expenses before amortization increased to \$4,468,247, up 17.2 percent from \$3,811,984 in the 2007 third quarter. The increase is associated with the growth in operating revenue and related higher variable and fixed compensation expense, and other costs. Legal fees for the 2008 third quarter were \$178,579, compared with \$307,672 a year earlier, largely related to the company's litigation expenses. We have been informed that the company's insurer intends to cover the majority of the litigation costs, but we have not reflected this in the financial statements pending receipt of the funds. Net operating profit improved to \$84,403, compared with a loss of \$338,401 in the 2007 third quarter. The company's profitability continues to be affected by the costs of executing our strategic growth plans, including the expenses related to adding to and developing its professional staff.

Operating revenue and operating income are non-GAAP measures, however, we believe that they provide a useful understanding of the performance of its core human capital services operations as they exclude income or loss from investments and taxes.

Investment income was \$154,308 in the 2008 third quarter, compared with \$332,422 a year earlier. As reflected in the Consolidated Statements of Comprehensive Income, the company incurred an unrealized net gain on its marketable securities of \$330,061 during the third-quarter 2008, reducing the unrealized after-tax loss for the first three quarters of the year to \$807,777. These amounts have been reflected in the balance sheet value of marketable securities as at May 31, 2008.

Net income for the 2008 third quarter was \$69,145 (\$0.004 per share), up 12.8 percent from \$61,287 in the prior-year quarter (\$0.004 per share).

### **Nine-Month Results**

Operating revenue rose 20.5 percent in the first nine months of the year to \$12,680,812 compared with \$10,523,424 in the 2007 period. Expenses before amortization were \$12,809,950, up 21.3 percent from \$10,560,588 in the nine-month 2007 period. The increase was due to the same factors that affected the third quarter of 2008. Legal fees for the first nine months of 2008 amounted to \$638,579, compared with \$543,273 a year earlier, largely related to the company's litigation expenses. The company incurred an operating loss of \$392,192 for first nine months of 2008, compared with an operating loss for the 2007 period of \$286,168.

Investment income was \$842,838 for the first nine months of 2008, up from \$625,291 a year earlier. Net earnings were \$441,480 (\$0.026 per share), up from \$335,167 (\$0.020 per share) in the 2007 period.

### **Board Declares Quarterly Dividend of 2 Cents**

The company's Board of Directors declared a cash dividend for the 2008 second quarter of 2¢ per Class A non-voting and Class B voting share payable on August 15, 2008 to shareholders of record on August 5, 2008. For the past four quarters, the company declared total dividends of 8¢ per share.

### **Normal Course Issuer Bid**

On November 14, 2007, we announced that the Toronto Stock Exchange had accepted the company's application for a normal-course issuer bid for the repurchase of up to 658,439 Class A Non-voting Shares, representing approximately five percent of the 13,168,783 Class A shares outstanding as at October 31, 2007. In the 2008 third quarter, the company repurchased and cancelled 40,300 Class A shares, for a total of 109,000 purchased and cancelled since the commencement of the program.

### **Outlook**

We are encouraged by the strength of our new business through the third quarter, but remain cautious for future periods given the increasing softness of the economy in certain parts of Canada and in North America in general. At this time, it is unclear how profoundly the economic downturn is going to affect our clients' organizations and their recruitment requirements. With a view to the longer term and our goal to create lasting, sustainable value for our shareholders, we will continue to invest in strengthening our organization and business."

Sincerely,



C. Douglas Caldwell  
Founder and Chief Executive Officer

# THE CALDWELL PARTNERS INTERNATIONAL INC.

## CONSOLIDATED BALANCE SHEET

(unaudited)

	<i>As at</i> <i>May 31</i> <i>2008</i>	<i>As at</i> <i>May 31</i> <i>2007</i>	<i>As at</i> <i>August 31</i> <i>2007</i>
Assets			
Cash and short-term deposits	\$8,651,424	\$5,024,156	\$5,839,292
Accounts receivable	2,882,846	3,347,114	3,886,522
Income taxes receivable	910,976	790,567	679,337
Prepaid expenses	185,750	168,151	169,545
	12,630,996	9,329,988	10,574,696
Marketable securities	11,541,355	13,499,279	13,734,660
Loans receivable, net	422,746	552,689	355,966
Property and equipment	1,964,043	2,233,600	2,190,973
Future income taxes	20,236	0	24,041
	\$26,579,376	\$25,615,556	\$26,880,336
Liabilities			
Accounts payable and accrued liabilities	\$3,292,564	\$1,967,324	\$2,961,487
Deferred revenue	410,004	308,384	397,854
	3,702,568	2,275,708	3,359,341
Long-term liabilities	1,890,890	1,204,585	1,337,148
Future income taxes	351,417	316,884	350,968
Shareholders' equity			
Capital stock	20,445,059	20,595,326	20,595,326
Contributed surplus	204,803	204,803	204,803
Retained earnings	450,553	1,018,250	1,032,750
	21,100,415	21,818,379	21,832,879
Accumulated other comprehensive income	(465,914)	0	0
	\$26,579,376	\$25,615,556	\$26,880,336

# THE CALDWELL PARTNERS INTERNATIONAL INC.

## CONSOLIDATED STATEMENT OF EARNINGS

(unaudited)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>May 31</i>		<i>May 31</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Operating revenue	\$4,634,839	\$3,568,119	\$12,680,812	\$10,523,424
Expenses				
Employee compensation, general and administration	\$4,468,247	3,811,984	12,809,950	10,560,588
Amortization	82,189	94,536	263,054	249,004
	4,550,436	3,906,520	13,073,004	10,809,592
Income (loss) before the following	84,403	(338,401)	(392,192)	(286,168)
Investment income	154,308	332,422	842,838	625,291
Net income (loss) before tax	238,711	(5,979)	450,646	339,123
Provision for (recovery of) income taxes	169,566	(67,266)	9,166	3,956
Net earnings for the period	\$69,145	\$61,287	\$441,480	\$335,167
Earnings per share	\$0.004	\$0.004	\$0.026	\$0.020

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>May 31</i>		<i>May 31</i>	
	<i>2008</i>		<i>2008</i>	
Net earnings for the period	\$69,145		\$441,480	
Other comprehensive income:				
Unrealized gain (loss) on marketable securities (net of tax)	330,061		(807,777)	
Comprehensive income (loss)	\$399,206		(\$366,297)	

# THE CALDWELL PARTNERS INTERNATIONAL INC.

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND ACCUMULATED OTHER COMPREHENSIVE INCOME

(unaudited)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>May 31</i>		<i>May 31</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
Shareholders' equity - beginning of period	\$21,424,421	\$22,098,323	\$21,832,879	\$22,506,535
Net earnings for the period	69,145	61,287	441,480	335,167
Cancellation of Class A shares	(52,108)	0	(150,600)	0
Dividends on Class A and Class B shares	(341,043)	(341,232)	(1,023,344)	(1,023,323)
Shareholders' equity - end of period	\$21,100,415	\$21,818,378	\$21,100,415	\$21,818,379
Accumulated other comprehensive income - beginning of period	(\$795,975)	\$0	\$0	\$0
Adoption of new handbook standard (net of tax)	0	0	341,863	0
Unrealized gain (loss) on marketable securities (net of tax)	330,061	0	(807,777)	0
Accumulated other comprehensive income - end of period	(\$465,914)	\$0	(\$465,914)	\$0

# THE CALDWELL PARTNERS INTERNATIONAL INC.

## CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>May 31</i>		<i>May 31</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
<b>Operating Activities</b>				
Net earnings for the period	\$69,145	\$61,287	\$441,480	\$335,167
Items not affecting cash				
Amortization	82,189	94,536	263,054	249,004
Loss on sale of investments	19,811	16,081	160,757	13,881
Other realized gains on investments	(71,016)	(212,005)	(638,992)	(212,005)
Future income taxes	106,875	22,943	106,874	25,957
Non-cash incentive compensation	238,626	132,564	553,742	418,904
	445,630	115,406	886,915	830,908
<b>Net decrease (increase) in working capital balances related to operations</b>	<b>982,518</b>	<b>(41,898)</b>	<b>1,032,279</b>	<b>(810,030)</b>
	1,428,148	73,508	1,919,194	20,878
<b>Investment Activities</b>				
Proceeds on sale of marketable securities	452,099	296,487	2,103,006	2,614,637
Additions to marketable securities	0	0	0	(6,346,450)
Additions to property and equipment	32,990	(27,670)	(36,124)	(247,030)
	485,089	268,817	2,066,882	(3,978,843)
<b>Financing Activities</b>				
Dividends on Class A and Class B Shares	(341,043)	(341,232)	(1,023,344)	(1,023,323)
Cancellation of Class A Shares	(52,108)	0	(150,600)	0
	(393,151)	(341,232)	(1,173,944)	(1,023,323)
<b>Net increase (decrease) in cash and cash equivalents during the period</b>	<b>1,520,086</b>	<b>1,093</b>	<b>2,812,132</b>	<b>(4,981,288)</b>
Cash and cash equivalents, beginning of period	7,131,338	5,023,062	5,839,292	10,005,443
Cash and cash equivalents, end of period	\$8,651,424	\$5,024,155	\$8,651,424	\$5,024,155