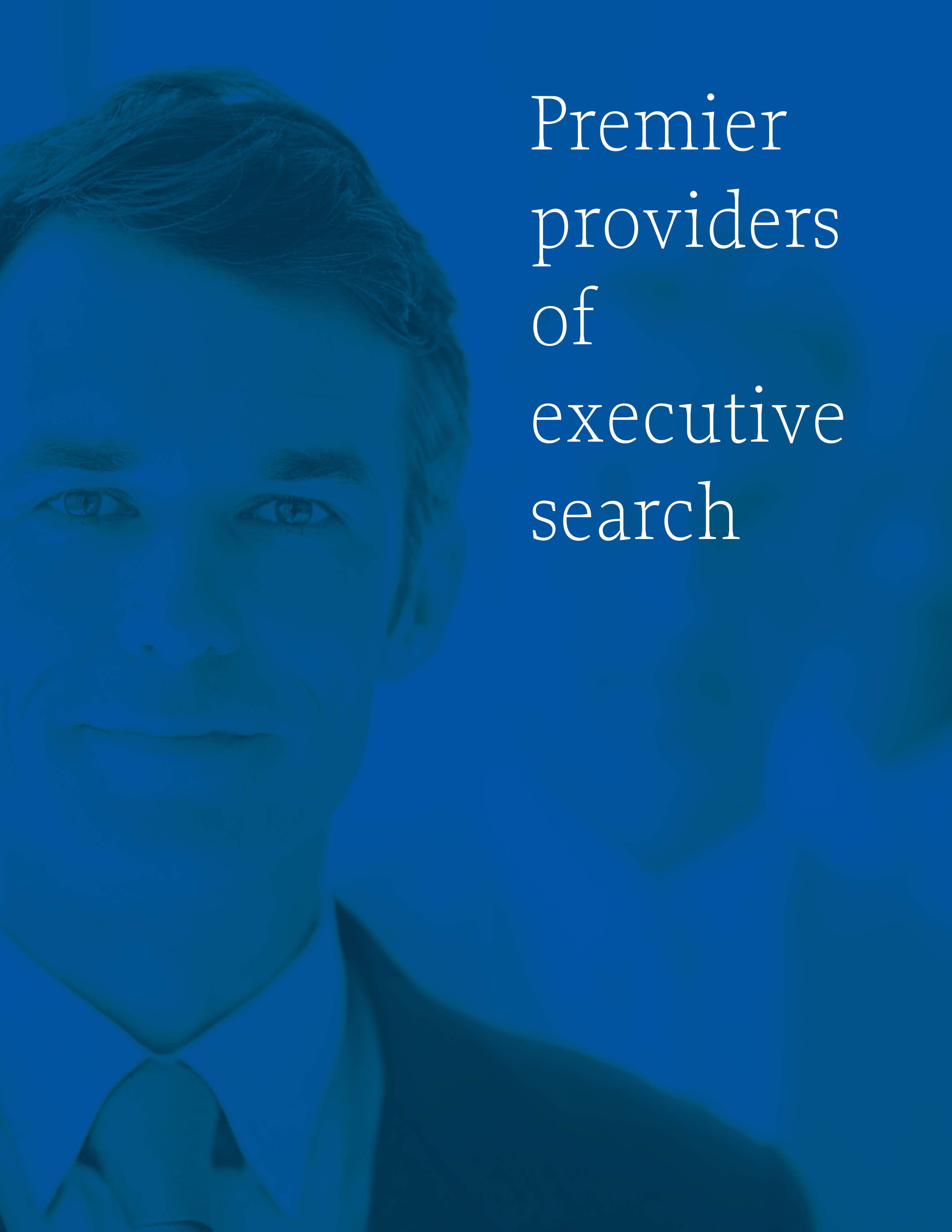
CALDWELL PARTNERS

The Caldwell Partners International Inc.

Annual Report 2010



Premier providers of executive search

Dear Shareholders, Clients, and Friends:

The 2010 fiscal year was an important one for Caldwell Partners, marking the first full year of our North American expansion strategy. We are pleased with our accomplishments to date - we nearly doubled our revenue, opened five physical locations in the USA, established a strategic alliance with a London-based executive search boutique, and built a strong North American platform from which we are better able to serve our clients. Our footprint is broader, our industry and functional practice is deeper, and it is encouraging to see the experience and reputation of our new American partners extend the company's brand and reach across North America.

We began our fiscal 2009 year with 13 partners in Canada and no operations or partners in the United States. Over the course of fiscal 2010, we took full advantage of the economic recession and our own financial strength to selectively invest in a core of highly experienced professionals for our US operations. While others in the executive recruitment industry reduced staff during the economic decline and are now having to re-hire as market conditions improve, we chose to retain and build on our professional headcount. At the close of the 2010 calendar year, we now have 31 partners in total, 19 of whom are in the United States. This gives us a solid foundation on which we can continue to grow, and we expect to make measured, strategic additions to the team where billing thresholds, sector expertise and client focus align with our growth plans and our culture.

The depth and breadth of our team and our collective expertise make us well-positioned to provide exceptional service to our clients as the economic recovery slowly unfolds and their executive recruitment needs increase.

As a result of our investments in the USA and improvements in market conditions across North America, we were able to deliver a $13.1 million (81%) increase in revenue, up to $29.2 million for the fiscal 2010 year. Our volumes built to record levels in the fourth quarter, allowing us to turn in our first quarterly operating profit in nine quarters.

In the fourth quarter, we were fortunate to commence work on a number of very high-level assignments and collect significant final billings on several other searches. While we will continue to focus on serving the needs of our growing client base with excellence and tenacity in the coming year, attaining revenue levels comparable to the fourth quarter will prove challenging in the short-term.

As we focused our efforts on placements at the top of the house, we experienced a marked improvement in our average fee per search in fiscal 2010, a key driver of our efficiency and profitability. This focus will continue as we move forward and as we selectively hire seasoned search professionals to complement our current team.

The dedication of our people and the intense effort we give our clients are key components of our success. We'd like to thank each and every member of the Caldwell team for the lasting accomplishments and strong financial results that we collectively achieved over the course of the past fiscal year. We are excited about what we've achieved and look forward to the year ahead!

Yours sincerely,

G. Edmund King	John N. Wallace
Chair of the Board	President & Chief Executive Officer

CALDWELL PARTNERS

Management Discussion and Analysis

For the Years Ended August 31, 2010 and 2009

(Expressed in $000s, except per share amounts)

Company description

The Caldwell Partners International Inc. ("The Caldwell Partners" or "the Company") is one of North America's premier providers of executive search and has been for 40 years. As one of the region's most trusted advisors in executive search, the firm has a sterling reputation built on successful searches for boards, chief and senior executives, and selected functional experts.

With offices and partners in Vancouver, San Francisco, Los Angeles, Dallas, Calgary, Chicago, Atlanta, Toronto, Stamford, New York City, and a strategic presence in London, the firm takes pride in delivering unmatched level of service and expertise to its clients.

The Caldwell Partners' common shares are listed on the Toronto Stock Exchange (TSX: CWL). Please visit our website at www.caldwellpartners.com for further information.

Forward-Looking Statements

Forward-looking statements in this document are based on current expectations that are subject to the significant risks and uncertainties cited herein. The Caldwell Partners assumes no obligation to update the forward-looking statements, or to update the reasons why actual results could differ from those reflected in the forward-looking statements.

Presentation

The following discussion and analysis, prepared on November 17, 2010, should be read in conjunction with the audited consolidated financial statements and related notes for the year ended August 31, 2010. The statements have been prepared in accordance with generally accepted accounting principles in Canada (Canadian GAAP). All currency amounts are provided in Canadian dollars unless otherwise noted. All references to quarters or years are for the fiscal periods unless otherwise noted. All numbers (except percentages and per share amounts) are expressed in thousands unless otherwise noted.

While gross and operating profit are non-GAAP measures, the Company believes that they provide a useful appreciation of the performance of its core human capital services operations as they exclude income or loss from investments, restructuring costs and taxes. The summary of the most recent eight quarters is provided for each income statement category.

Operating Results

Operating Revenue

	Q1	Q2	Q3	**Q4**
2009	$4,136	$3,312	$4092	**$4,591**
2010	$4,396	$5,690	$7,938	**$11,176**

Fiscal 2010 fourth quarter operating revenue increased to $11,176, a 143% increase over the comparable period last year and a 41% increase over fiscal 2010 third quarter revenues. US revenues represent 60% or $6,667 of the fourth quarter total, increasing from $722 in the comparable period of 2009 due to a significant increase in the number of US partners and their increasing individual contributions to revenue. Revenues from Canadian core search operations increased 40% in the fourth quarter as compared to 2009. However, declines in revenues from advertising and interim assignments tempered this improvement, with total fourth quarter revenues increasing 17% over the fiscal 2009 level to $4,510.

Annual operating revenues increased 81% to $29,201 in fiscal 2010 as compared to $16,130 for the fiscal 2009 year. Revenue from US operations increased to $15,427 in fiscal 2010, more than nine times the fiscal 2009 level of $1,679. The Company commenced operations in the United States very late in the second quarter of fiscal 2009 generating modest revenues in its first months of operation. In fiscal 2010, with now eighteen partners on board in five offices and making increasing contributions to revenue (including the Cromwell acquisition completed in late fiscal 2009), US operations generated 53% of annual revenues.

While revenue from Canadian core search operations increased 11% on the year, as noted above, declines in non-core revenues netted an overall decrease of 5%, resulting in Canadian revenues of $13,773 versus $14,452 in fiscal 2009. As the Company continues to focus on its core search business, these non-core revenues now represent less than 2% of consolidated revenue as compared to 14% in fiscal 2009. The shift away from these non-core sources of revenue has improved percentage operating margins in Canada.

Both the Canadian and US operations began to report increasing business activity in the 2010 second quarter as the North American economies continued their recoveries and the Company continued to execute its strategic growth plan to hire seasoned professionals and to improve average fees per assignment by focusing on higher level assignments. This growth continued into the second half of the year, with fiscal 2010 fourth quarter revenues reaching an unprecedented $11,177. Fourth quarter revenues were in part impacted by the commencement of a number of very high-level engagements, as well as some significant final billings, with professional fees being trued up to reflect the actual compensation of placed candidates upon completion of the engagement. While a normal part of the Company's revenue stream, the number and magnitude of some of these fees was unusually high in the fourth quarter. While the Company looks forward to continued improving quarterly revenues in fiscal 2011, attaining levels comparable to the fourth quarter of fiscal 2010 will prove challenging in the short-term.

Direct Cost of Revenue

	Q1	Q2	Q3	**Q4**
2009	$3,625	$2,744	$3,599	**$4,915**
2010	$3,754	$4,253	$6,291	**$8,739**

Direct costs associated with the generation of revenue, being both variable and fixed compensation costs of employees involved in search activities, print advertising, interim candidate costs, and reimbursable expenses, increased 78% to $8,739 in the fiscal 2010 fourth quarter (2009: $4,915). The increase reflects the Company's 143% increase in operating revenue, with direct costs now representing 78% of operating revenue as compared to 107% in the comparable period of fiscal 2009. This decrease is largely due to increasing volumes as economic conditions improve as well as improving margin contributions from new partner additions. Decreases in advertising and interim executive revenues, which carry lower margins than the core executive search business, have also contributed to this improvement.

For the year, fiscal 2010 direct costs total $23,038 or 79% of operating revenues, as compared to $14,883 or 92% in the same period last year due to similar factors discussed above.

Gross Profit and Margin

	Q1	Q2	Q3	**Q4**
2009	$511	$568	$492	**($324)**
	12%	17%	12%	**–**
2010	$642	$1,437	$1,647	**$2,436**
	15%	25%	21%	**22%**

Gross profit in the fourth quarter of fiscal 2010 rose to $2,436 (2009: loss of $324). The gross margin in the fourth quarter of fiscal 2010 rose to 22% (2009: nil).

For the fiscal 2010 year, gross profit rose to $6,162, up from $1,247 in fiscal 2009. The gross margin for the fiscal 2010 year rose to 21% (2009: 8%). The increased gross profit reflects the significant improvement in revenue levels as the Company continued to execute its strategic growth plan to hire seasoned professionals and to improve average fees per assignment by focusing on higher-level assignments. These higher levels of revenue were better able to support the investments made in new partners and new offices. In Canada, the shift toward the more profitable core-search business also contributed to increasing margins in fiscal 2010.

General and Administrative Expenses

	Q1	Q2	Q3	**Q4**
2009	$1,465	$1,041	$2,010	**$1,465**
2010	$1,838	$1,583	$1,696	**$1,660**

Annual general and administrative costs total $6,777 in fiscal 2010, up $796 from $5,981 in fiscal 2009, reflecting the Company's expansion into the United States and the addition of the five new offices, of which only two had opened late in the comparable period a year ago. As well, the Company's improving financial performance resulted in accruals for management and other bonuses where none had been expensed in fiscal 2009. Offsetting these increases were reductions in a number of head office costs, including reduced compensation costs of the former Executive Chairman whose settlement costs are included in restructuring charges rather than compensation costs post March 23, 2010.

Fiscal 2010 fourth quarter general and administrative expenses increased $195 or 13% over the fourth quarter of last year to $1,660. This increase is largely the result management bonus accruals made in fiscal 2010, net of decreased other compensation costs, including that of the former Executive Chairman as noted above.

Operating Profit

	Q1	Q2	Q3	**Q4**
2009	($953)	($474)	($1,518)	**($1,789)**
2010	($1,196)	($146)	($49)	**$776**

With the significant increase in fourth quarter revenues, improved margins and stable overheads, the fiscal 2010 fourth quarter produced an operating profit of $776 (2009: loss of $1,789). While profitability has been strained over the past two years as the Company executes its strategic growth plan, it is evident that this plan is coming to fruition as new partners continue to increase revenues and profitability.

While the Company has reported quarter over quarter improvements in operating profit in fiscal 2010, the fourth quarter profit of $776 was insufficient to cover the previous nine-month loss of $1,390, resulting in an operating loss for fiscal 2010 of $614 (2009: loss of $4,734).

Investment Income

	Q1	Q2	Q3	**Q4**
2009	$96	$48	($1,224)	**($1,567)**
2010	$25	$96	$158	**$83**

The Company manages market risk by investing in Canadian and foreign equities, preferred shares of Canadian companies, fixed income instruments and short-term investments that meet specific investment criteria established and approved by the Board of Directors and designed to adequately diversify the Company's investments to reduce exposure to market risk. Based on current market values, $3,077 (75%) of the investment portfolio is placed with a third party investment manager.

For the fourth quarter of fiscal 2010, the Company has reported investment income of $83 versus a significant investment loss of $1,567 in the comparable period last year. In the fourth quarter of 2009, the Company realized capital losses of $681 incurred on the disposition of some of the funds managed by a third party investment manager, and took a $929 provision for the impairment in value of the preferred and common share portfolio.

Investment income for fiscal 2010 totals $363, including a realized capital gain of $199. In addition to the 2009 fourth quarter investment losses noted above, the Company realized further capital losses in its fiscal 2009 third quarter of $1,220 on its professionally managed funds, contributing to a total investment loss in fiscal 2009 of $2,647.

At August 31, 2010, the market value of investments held by the Company was $285 above book value. This unrealized gain has been reflected in both other comprehensive income and in the stated value of the investment portfolio.

Restructuring Costs

The Company has recorded a restructuring charge of $1,001,055 related to the March 23, 2010 retirement of its founder C. Douglas Caldwell from the position of Executive Chairman and as Director of the Company, and the related agreement to accelerate the planned conversion of the Company's non-voting Class B shares to voting Class A shares. This amount consists of $626,055 for settlement and conclusion of Mr. Caldwell's employment contract, an additional $150,000 reimbursed to Mr. Caldwell for legal and other costs, and $225,000 for the Company's legal and associated costs. Pursuant to this settlement, Mr. Caldwell agreed with the Corporation to vote all of his Class B Shares in favour of a resolution put before a class meeting of the holders of the Class B Shares, and separately before the holders of Class A Shares, to accelerate the automatic conversion of all Class B Shares to Class A Shares from November 1, 2011 to the later of (i) May 1, 2010 or (ii) the first business day thereafter when such conversion shall be approved by the Toronto Stock Exchange. This resolution was passed by holders of both Class B Shares and Class A Shares at meetings held on April 21, 2010 with Toronto Stock Exchange approval following on May 10, 2010.

Net Earnings

Net Earnings (Loss) Before Tax

	Q1	Q2	Q3	**Q4**
2009	($857)	($426)	($2,742)	**($3,356)**
2010	($1,171)	($1,051)	$109	**$859**

Fourth quarter net earnings before tax were $859 in fiscal 2010 as compared to a loss of $3,356 in the comparable period a year earlier. For the fiscal 2010 year, the net loss before tax is $1,253 as compared to a net loss before tax in fiscal 2009 of $7,381. This considerable improvement in the net loss situation is the result of factors noted in the above discussion.

Net Earnings (Loss) After Tax

	Q1	Q2	Q3	**Q4**
2009	($532)	($286)	($2,460)	**($4,292)**
2010	($1,171)	($1,051)	$109	**$859**
		Earnings Per Share		
2009	($0.032)	($0.018)	($0.150)	**($0.252)**
2010	($0.071)	($0.064)	$0.007	**$0.052**

Income tax recoveries of $747 were recognized in the first nine months of 2009 but were reversed in the fourth quarter of 2009 as management considered it prudent to adopt a conservative approach in the recognition of tax loss recoveries. This resulted in an after tax loss of $4,292 in the fourth quarter of 2009. No income tax recoveries were recognized in the fiscal 2010 fourth quarter, with net earnings after tax being $859 ($0.052 per share).

The fiscal 2010 net loss after tax is $1,536 ($0.076 per share) compared to a net loss after tax of $7,570 ($0.461 per share) in fiscal 2009.

Dividends

In light of the Company's recent performance and its inability to pay a dividend based on its deficit position, the Company has suspended its dividend.

Liquidity and Capital Resources

The Company's financial performance and its policy of conserving its financial resources in prior years has enabled The Caldwell Partners to remain debt-free. As at August 31, 2010, the Company had $4,125 of marketable securities plus cash and cash equivalents of $6,456, for a total of $10,581 up from $10,043 at year-end fiscal 2009. This improvement is largely the result of a net decrease in working capital balances of $1,152, net of restructuring costs of $1,001 recorded in the second quarter of fiscal 2010. These restructuring charges were highly unusual and are not expected to recur. Working capital balances decreased significantly over the prior year end balances due primarily to large accruals for commission based partner compensation and management bonuses paid subsequent to year end, net of a significant increase in accounts receivable, both changes driven by much higher levels of revenue in fiscal 2010.

The Company continues to take advantage of its financial strength and market opportunities to strategically expand its organization and business, and to build a solid platform for sustainable revenue growth and profitable future returns. These initiatives will continue to require some investment of the Company's capital reserves over a period of time. Management believes that the Company has sufficient liquidity and cash resources to fund both its ongoing operations and its strategic growth initiatives.

In fiscal 2009, the Company began executing its strategic growth plan by opening three new offices, hiring eleven additional partners and acquiring an office in New York City. During fiscal 2010, this growth continued with the addition of eight new partners across the country and opening a fifth new office in Stamford, Connecticut. These investments are most often incurred as sign on bonuses for new partner hires which are reflected in operating results over a 24 month amortization period and in transition costs as revenue levels ramp up relative to new partner draw levels.

Reflecting the fact that The Caldwell Partners is a professional services firm whose most important asset is the intangible value of its people, cash and equivalent marketable securities represented approximately 48% of the Company's total balance sheet at August 31, 2010, down from 55% at the end of the fiscal 2009. The Company's investment in marketable securities comprises primarily preferred stocks of Canadian public companies rated P1, P2, or the equivalent, and investment funds. Dividend income earned on these funds is a tax-efficient method of enhancing income.

Accounts receivable were $5,875 at the end of the fourth quarter of fiscal 2010, up $2,778 from $3,097 at the end of fiscal 2009, due largely to increases in fourth quarter revenues in fiscal 2010 as compared to the prior year. Accounts payable were $9,174 at August 31, 2010, up from $3,939 at the end of fiscal 2009. This increase reflects growing accruals for partner compensation driven by significantly higher levels of revenue, particularly in the fourth quarter of fiscal 2010.

The Company's investment in property and equipment was $1,656 compared with $1,722 at the 2009 year-end. This reflects net additions of $260 net of depreciation of $326. Capital expenditures included furniture, computer and office equipment acquired to outfit and equip the Company's new offices.

Shareholders' equity at August 31, 2010 was $10,615 down from $11,703 at year-end 2009. This decline reflects the year's net loss before restructuring charges of $252, an unrealized gain on marketable securities of $110, stock compensation costs of $55 and restructuring charges of $1,001.

Business Outlook

The Caldwell Partners began its fiscal 2009 year with 13 partners in Canada and no operations or partners in the United States. At the end of the fiscal 2010, the Company has 31 partners in total, 18 of whom are in the United States. In addition to its Canadian team, the Company now has partners located in seven cities in the United States, giving it a solid foundation on which it expects to continue to grow. The Company has also established a strategic alliance with a United Kingdom executive search firm based in London.

The Company took full advantage of its financial strength and the economic recession to selectively invest in attracting a core of highly experienced professionals for its operations in the United States. Now, as the economic recovery slowly unfolds, The Caldwell Partners is positioned to build its business and add selectively to its organization. While others in the executive recruitment industry reduced staff during the economic decline and are now having to re-hire as market conditions improve, The Caldwell Partners chose to retain and build on its professional headcount. Having more than doubled its revenue-producing potential over the past eighteen months, management feels that the Company is well-positioned to provide exceptional service to its clients as their executive recruitment needs increase.

The importance of this strategic decision to establish operations in the United States was highlighted in the Company's third and fourth quarters of 2010. Revenues from the United States during this period out-paced those of Canada, with more than one half of the Company's annual revenues being generated in the United States of America. Both the Canadian and American operations began to report increasing business activity in the 2010 second quarter as the North American economies continued their recoveries. This growth continued throughout the second half of the fiscal year, with 2010 fourth quarter revenues reaching an unprecedented $11,177.

Management is optimistic that bookings will continue near levels experienced over the past six months. However, given the exceptional revenues of the most recent quarter, repeating such performance will prove challenging in the short-term. As the North American economy continues to recover, the Company believes that it also can expect increasing compensation levels which should be reflected in further increases in the average level of recruitment assignment fees.

Related Party Transactions

The Company paid rent at the exchange amount to affiliated companies owned by a shareholder (C. Douglas Caldwell, until March 23, 2010, Executive Chairman) in the amount of $234,504 for the year ended August 31, 2010 (2009 - $291,421), net of recoveries from other related parties also controlled by the same shareholder, pursuant to the Company's lease commitments. The exchange amount is the amount of consideration agreed to by the parties of the transaction and was determined to be fair market rental rates at the inception of the lease by two commercial leasing agents.

On August 7, 2009, the Company entered into an amended lease agreement, extending the term for a further ten years and for a reduced amount of space. The terms of this lease were determined to approximate fair market rental rates at the inception of the lease amendment by an independent commercial real estate counsellor and was approved by the independent members of the Board of Directors.

Accounting Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Critical areas where such estimates are made are in the valuation of accounts receivable, marketable securities and the allocation of fair value of acquired intangible assets. Actual results could differ from those estimates.

Risks and Uncertainties

The Company operates in a highly competitive industry and its results may be affected by a number of factors. These factors include, but are not limited to, competition from other companies directly or indirectly engaged in executive search; the ability of the Company to execute its growth strategies; the performance of the Canadian domestic and international economies; the Company's ability to attract and retain key personnel, particularly partners who generate business; and the Company's ability to invest retained earnings in marketable securities, primarily preferred shares of Canadian publicly-owned companies rated P1, P2, or the equivalent and in short-term money market instruments to generate consistent investment income returns. Investments in marketable securities are inherently subject to market risk, which the Company endeavours to manage through a conservative investment policy that adheres to specific criteria set and reviewed by its Board of Directors and is designed to adequately diversify its investments to reduce exposures. Currently, professional investment managers invest and manage $3,077 of the investment portfolio in accordance with the Company's investment policies. As at August 31, 2010, marketable securities, cash and cash equivalents total approximately $10,581.

As the Company's operations in the United States continue to expand, foreign exchange risk will also increase. Management is considering various methods to manage this risk. Currently, none of the Company's investment portfolio is denominated in US dollars. With the volatility of capital markets returns on the Company's investment portfolio may diminish.

On November 17, 2006, a statement of claim was issued in the Superior Court of Justice of Ontario against the Company, each of its directors and certain companies which are wholly-owned by C. Douglas Caldwell, the Chairman and then Chief Executive Officer of the Company.

On November 27, 2008, the Company signed a Settlement Agreement, setting out terms upon which this lawsuit would be dismissed and all parties released from claims with respect to matters alleged in the pleadings. This claim was formally dismissed by the Ontario Superior Court of Justice on December 2, 2008. Pursuant to this agreement, on February 19, 2009, C. Douglas Caldwell and the plaintiffs voted in support of combining the Company's voting and non-voting shares into a single class of voting shares. Also, pursuant to this agreement, Voting Class B shares were to receive 1.149 Class A common shares for each of their Class B shares and all Class A shares will become single-voting common shares. The conversion was to take effect on November 1, 2011.

However, pursuant to a settlement with the Company's founder and former Executive Chairman, C. Douglas Caldwell, this share conversion was accelerated. On April 21, 2010, holders of both Class A Non-voting Shares and Class B Voting Shares voted in favour of accelerating this automatic conversion, and following approval by the Toronto Stock Exchange on May 10, 2010, 3,883,450 Class B Shares were converted to 4,462,082 Class A shares. Immediately following this conversion, all Class A Shares were then reclassified as Common Shares with one vote per share. As at August 31, 2010, the authorized share capital of the Company consists of an unlimited number of Common Shares of which 16,985,505 are issued and outstanding.

Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures. The Chief Executive Officer and Chief Financial Officer, in conjunction with the Board of Directors, review any material information affecting the Company to evaluate and determine the appropriateness and timing of public release.

The Chief Executive Officer and the Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure procedures as at August 31, 2010, have concluded that the Company's disclosure controls and procedures are adequate and effective to ensure that material information relating to the Company and its subsidiaries would have been known to them.

Internal Control Over Financial Reporting

Internal Control Over Financial Reporting ("ICFR") is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and its compliance with GAAP in its financial statements. The Chief Executive Officer and the Chief Financial Officer have evaluated whether there were changes to its ICFR during the quarter ended August 31, 2010 that have materially affected, or are reasonably likely to materially affect, its ICFR. No such changes were identified through their evaluation.

International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board confirmed that the International Financial Reporting Standards (IFRS) will replace Canada's current generally accepted accounting principles for publicly accountable profit-oriented enterprises for interim and annual financial statements effective January 1, 2011. The Company is evaluating the effects of adopting these reporting standards. The key elements of the Company's changeover plan include:

1 Scoping and diagnostic.

2 High-level analysis to:

- Assess differences between IFRS and GAAP.
- Identify elective and mandatory exceptions available under IFRS.
- Scope out potential impacts on systems and processes.

- Identify impacts on business relationships including contractual arrangements.

3 Impact analysis, evaluation and design:

- Determine projected impact of adopting IRS on financial statements and develop accounting processes.
- Develop and finalize changes to systems and internal controls.
- Address business activities including contractual obligations, hedging, compensation arrangements, budgeting/forecasting.
- Prepare reporting templates and training plan.

4 Implementation and review:

- Collect and compile IFRS information for reporting.
- Train staff.
- Execute changes to information systems and business activities.
- Communicate.

The Company recently began its scoping and diagnostic phase based on new guidance and current and proposed changes in the business. Areas that could have a potential significant impact include revenue recognition, financial instruments, leases and income taxes. Management expects that most of the adjustments required on the transition to IFRS will be made retrospectively against opening retained earnings at the date the first comparative balance sheet is presented.

The Company will be assessing the impact on financial reporting, business processes, internal controls and information systems to ensure a timely conversion. With an August 31st fiscal year end, the Company will be converting to IFRS on September 1, 2011.

Other Information

Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at **www.sedar.com**

Consolidated Financial Statements

For the Years Ended August 31, 2010 and 2009

Management's Report to Shareholders

The consolidated financial statements and all information contained in this annual report are the responsibility of management and the Board of Directors of the Corporation. The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's best estimates and judgments based on currently available information. The Corporation has established accounting and reporting systems supported by internal controls designed to safeguard assets from loss or unauthorized use and ensure the accuracy of the financial records. The financial information presented throughout this annual report is consistent with the consolidated financial statements.

PricewaterhouseCoopers LLP, an independent firm of chartered accountants, has been appointed by the shareholders as external auditors of the Corporation. The Auditors' Report to the Shareholders, which describes the scope of their examination and expresses their opinion, is presented herein. The Audit Committee of the Board of Directors, whose members are not employees of the Corporation, meets with management and the independent auditors to satisfy itself that the responsibilities of the respective parties are properly discharged and to review the consolidated financial statements before they are presented to the Board for approval.

John N. Wallace

PRESIDENT AND CHIEF EXECUTIVE OFFICER

Karen E. Richards, CA

SECRETARY AND CHIEF FINANCIAL OFFICER

November 17, 2010

PRICEWATERHOUSECOOPERS

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Auditors' Report

To the Shareholders of
The Caldwell Partners International Inc.

We have audited the consolidated balance sheets of **The Caldwell Partners International Inc.** (the Company) as at August 31, 2010 and 2009 and the consolidated statements of loss, comprehensive loss, shareholders' equity and accumulated other comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Mississauga, Ontario
November 17, 2010

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED BALANCE SHEETS

	As at August 31	
	2010	*2009*
Assets		
Current Assets		
Cash and cash equivalents	$6,456,274	$4,718,014
Marketable securities (note 4)	4,124,785	$5,325,160
Accounts receivable	5,875,065	3,097,334
Income taxes receivable	87,377	320,578
Prepaid expenses and other assets	1,693,133	1,020,029
	18,236,634	14,481,115
Loans receivable, long-term (note 5)	471,020	418,937
Property and equipment (note 6)	1,655,907	1,721,900
Intangible assets (note 7)	1,015,728	1,181,392
Goodwill (note 3)	723,390	415,896
	$22,102,679	$18,219,240
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$9,174,008	$3,938,743
Deferred revenue	207,346	326,209
Current portion of incentive accrual (note 9)	1,639,818	530,250
	11,021,172	4,795,202
Long-term incentive accrual (note 9)	466,614	1,721,256
Shareholders' equity		
Capital stock (note 10)	16,064,078	16,064,078
Contributed surplus (note 10)	4,154,196	4,098,998
Deficit	(9,888,438)	(8,635,678)
Accumulated other comprehensive income	285,057	175,384
	10,614,893	11,702,782
	$22,102,679	$18,219,240

Commitments and contingencies (note 13)
The accompanying notes are an integral part of these financial statements.

Signed on behalf of the Board:

G. Edmund King
Chair of the Board

Kathryn A. Welsh
Director

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF LOSS

	Year Ending August 31 *2010*	*2009*
Operating revenue	$29,200,571	$16,130,469
Direct cost of revenue	23,038,191	14,883,389
Gross operating profit	6,162,380	1,247,080
Expenses:		
Other employee compensation, general and administration	6,201,296	5,512,398
Depreciation of property and equipment	325,812	312,990
Amortization of intangibles	271,372	75,384
Foreign exchange (gain) loss	(21,766)	79,843
	6,776,714	5,980,615
Operating loss	(614,334)	(4,733,535)
Investment income (loss), net	362,629	(2,647,068)
Loss before the following:	(251,705)	(7,380,603)
Restructuring costs (note 11)	(1,001,055)	-
Net loss before tax	(1,252,760)	(7,380,603)
Provision for taxes	-	189,000
Net loss for the year	($1,252,760)	($7,569,603)
Loss per share	($0.08)	($0.46)
Weighted average number of shares outstanding:		
Basic and fully diluted	16,587,596	16,407,366

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Year Ending August 31 *2010*	*2009*
Net loss for the year	($1,252,760)	($7,569,603)
Other comprehensive income:		
Unrealized gain on marketable securities	285,057	175,384
Reclassification of (gains) losses included in the consolidated statement of loss	(175,384)	561,295
Change in unrealized gain on marketable securities	109,673	736,679
Comprehensive loss for the year	($1,143,087)	($6,832,924)

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

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY AND ACCUMULATED OTHER COMPREHENSIVE INCOME

	Deficit	Capital Stock			Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
		Common Shares	Class A Non-Voting Shares	Class B Voting Shares			
Balance - August 31, 2008	**($1,066,075)**	**$0**	**$19,582,200**	**$20,950**	**$488,693**	**($561,295)**	**$18,464,473**
Net loss for the year ended August 31, 2009	(7,569,603)	0	0	0	0	0	(7,569,603)
Repurchase and cancellation of Class A Non-voting Shares	0	0	(12,811)	0	5,416	0	(7,395)
Stock compensation (note 10)	0	0	0	0	78,628	0	78,628
Reduction of stated capital	0	0	(3,522,490)	(3,771)	3,526,261	0	0
Change in unrealized gains and losses on marketable securities available for sale	0	0	0	0	0	736,679	736,679
Balance - August 31, 2009	**($8,635,678)**	**$0**	**$16,046,899**	**$17,179**	**$4,098,998**	**$175,384**	**$11,702,782**
Net loss for the year ended August 31, 2010	(1,252,760)	0	0	0	0	0	(1,252,760)
Conversion of Class B to Class A shares, and reclassification to Common shares (note 10)		16,064,078	(16,046,899)	(17,179)	0	0	0
Stock compensation (note 10)	0	0	0	0	55,198	0	55,198
Change in unrealized gains and losses on marketable securities available for sale	0	0	0	0	0	109,673	109,673
Balance - August 31, 2010	**($9,888,438)**	**$16,064,078**	**$0**	**$0**	**$4,154,196**	**$285,057**	**$10,614,893**

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

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ending 2010	2009
Operating Activities		
Net loss for the year	($1,252,760)	($7,569,603)
Items not affecting cash		
Depreciation of property and equipment	325,812	312,990
Amortization of intangibles	271,372	75,384
(Gain) loss on sale of marketable securities	(198,567)	1,901,515
Provisions for writedowns	-	929,459
Stock compensation expense	55,198	78,628
Non-cash incentive compensation	294,300	652,240
	(504,645)	(3,619,387)
Net changes in working capital balances related to operations		
Increase in accounts receivable	(2,777,731)	(67,953)
Decrease in income taxes receivable	233,201	760,454
Increase in prepaid expenses and other assets	(673,104)	(753,807)
Increase (decrease) in accounts payable and accrued liabilities	4,931,529	(698,600)
Decrease in incentive accrual	(439,374)	(530,250)
(Decrease) increase in deferred revenue	(118,863)	69,800
	651,013	(4,839,743)
Investment Activities		
Proceeds on sale of marketable securities	1,508,615	6,281,227
Purchase of marketable securities	-	(2,791,079)
Increase in loans receivable, net	(52,083)	(84,959)
Additions to property and equipment	(264,434)	(547,931)
Disposals of property and equipment	4,615	84,017
Acquisition of business costs	(3,758)	(1,384,086)
Acquisition of intangible assets	(105,708)	-
	1,087,247	1,557,189
Financing Activities		
Repurchase of Class A shares	-	(7,395)
Net increase (decrease) in cash and cash equivalents during the year	1,738,260	(3,289,949)
Cash and cash equivalents, beginning of year	4,718,014	8,007,963
Cash and cash equivalents, end of year	$6,456,274	$4,718,014

Cash and cash equivalents is comprised of the following:

Cash	$5,734,574	$965,597
Short-term deposits	721,700	3,752,417
	$6,456,274	$4,718,014

Supplementary information:

Income taxes paid	$104,400	$239,400

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

THE CALDWELL PARTNERS INTERNATIONAL INC.

Notes to Consolidated Financial Statements
For The Years Ended August 31, 2010 and 2009

1. Basis of Presentation

The consolidated financial statements for the years ended August 31, 2010 and 2009 include the accounts of the Company and its subsidiaries: The Caldwell Partners International Ltd., Prince Arthur Advertising Inc., Caldwell Interim Executives Inc. and Caldwell Investments Inc.. All material intercompany transactions have been eliminated on consolidation.

2. Significant Accounting Policies

Revenue Recognition

Substantially all revenue is derived from fees for professional services related to executive recruitment performed on a retained basis. The Company also provides its clients from time to time with interim executive placement services and recruitment advertising through subsidiary companies.

Fee revenue from recruitment activities is generally one-third of the placed candidate's first year compensation. Revenue is recognized as services are rendered, generally over a three month period commencing upon client acceptance. Any fees earned in excess of the initial estimate or fees that are contingent on a candidate's future compensation are billed when actual compensation of the placed candidate is known. Where applicable, a portion of revenue for executive searches is deferred until services are fully rendered.

Property and Equipment

Property and equipment are stated at cost, less accumulated amortization. Amortization is calculated at the following annual rates to amortize the cost of assets over their estimated useful lives:

Furniture and equipment	- 20% declining balance
Computer equipment	- 30% declining balance
Computer application software	- straight-line over three to ten years
Leasehold improvements	- straight-line over the term of the lease

Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recognized. Measurement of the impairment loss for long-lived assets is based on the fair value of the asset.

Foreign Currency Translation

Transactions of the Company's Canadian operations denominated in foreign currencies are recorded in Canadian dollars at exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at the balance sheet date. Foreign exchange gains and losses are recorded as incurred in the consolidated statement of loss.

The Company's US operations are considered an integrated operation of the parent company and as a result, the net assets have been translated using the temporal method, which translates monetary items at the rate of exchange in effect on the balance sheet date and non-monetary items at historical rates. Revenue and expense items are translated at the rate of exchange in effect on the dates they occur. Foreign exchange gains and losses arising on translation of the US operations are included in the consolidated statement of loss.

Future Income Taxes

The Company accounts for income taxes using the asset and liability method of income tax allocation. Under this method, assets and liabilities are recorded for the future income tax consequences attributable to differences between the financial statement carrying values of assets and liabilities and their respective income tax bases. These future income tax assets and liabilities are recorded using substantively enacted income tax rates. The effect of a change in income tax rates on these future income tax assets or liabilities is included in income or other comprehensive income in the period in which the change occurs.

Cash and Cash Equivalents

Cash and cash equivalents comprises cash and short-term deposits with original maturity dates of less than three months. Short-term deposits are held in treasury bills, money market instruments and bank deposits earning interest at short-term market rates and have a duration of less than 90 days.

Income from Short-Term Investments and Marketable Securities

Realized gains and losses on the disposal of marketable securities are included in investment income (loss). Dividend income is recorded on the dividend record date and interest is recorded as earned.

Prepaid Expenses and Other Assets

Prepaid expenses are capitalized expenditures being amortized over their respective contract periods. Other assets include sign-on bonuses to certain employees which are being amortized over the next twelve months. These payments are contingent on the employee's continued employment and are subject to clawback provisions should the employee terminate his employment prior to the expiration of the clawback period.

Intangible Assets

Intangible assets are recorded at cost and are comprised of client backlog, client lists and non-competition and non-solicitation agreements. These intangible assets are subject to amortization on a straight-line basis over their estimated useful lives from 6 months to 10 years. Also included in the intangible assets is software costs that are not integral to the related hardware. These software costs are being amortized over a period of 2 to 10 years.

Goodwill

Goodwill represents the excess of the purchase price, including acquisition costs, over the fair value of identifiable net assets acquired. Goodwill is reviewed for impairment annually, or more frequently if events or circumstances indicate that it is more likely than not that the asset might be impaired and the carrying value of goodwill in excess of its fair value is charged to income.

Stock Based Compensation

The Company accounts for its stock option plan using the fair value method of accounting for stock based compensation and records stock based compensation over the vesting period of the grants.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements

Effective September 1, 2009, the Company adopted the CICA Handbook Section 3064, which replaces “Goodwill and Intangible Assets” Section 3062, and “Research and Development Costs”, Section 3450. The adoption of this CICA Handbook section, which establishes standards for recognition, measurement and disclosure of goodwill and intangible assets resulted in the reclassification of $255,467 (net book value) of computer software costs from property and equipment to intangible assets at August 31, 2009.

Also, on October 1, 2009, the Company adopted the amendments to the disclosure requirements under CICA Handbook Section 3862 “Financial Instruments - Disclosure” for all financial assets and liabilities that are recognized at fair value in the consolidated financial statements. These amendments expand the disclosure requirements around fair value and establish a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels, which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

- Level 1 – inputs are based on unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 – inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

Recently Issued Accounting Pronouncements Not Yet Effective

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests: Section 1582, “Business Combinations”, Section 1601, “Consolidated financial statements”, and Section 1602, “Non controlling interest” replace the former Section 1581, “Business Combinations” and Section 1600, “Consolidated Financial Statements” and establish a new section for accounting for a non-controlling interest in a subsidiary.

These sections provide the Canadian equivalent to International Financial Reporting Standards ("IFRS") 3, "Business Combinations" and International Accounting Standard 27, "Consolidated and Separate Financial Statements". Section 1582 is effective for business combinations for which the acquisition date is on/after the beginning of the first annual reporting period beginning on or after January 1, 2011. Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. Management does not expect that there will be a significant impact as a result of adopting these pronouncements in the financial statements.

3. Business Acquisition

On August 7, 2009, the Company acquired certain assets of a New York based company which provides executive search consulting services to clients across the United States of America. The results of these operations have been consolidated with those of the Company from the date of acquisition.

The following table summarizes the estimated fair value of the assets acquired at the date of acquisition.

Assets acquired:	
Property, plant and equipment	$42,265
Intangible assets	925,925
Goodwill	415,896
Total consideration paid (including transaction costs of $78,246)	$1,384,086

In fiscal 2010, additional transaction costs of $3,758 were added to goodwill along with contingent consideration of $303,736 due to actual revenues of the acquired company exceeding the predefined thresholds for fiscal 2010 as per the purchase and sale agreement. The contingent consideration remained unpaid at year-end and is accrued within accounts payable and accrued liabilities.

Further contingent consideration may add to this acquisition cost in fiscal 2011 dependent on whether actual revenues achieved in that year are in excess of pre-defined thresholds. There is no maximum to the contingent consideration that could be paid and the contingent period ends in 2011. Currently, such contingent consideration cannot be reasonably estimated and as a result any additional consideration paid in the future will be recorded as an increase to goodwill.

The acquired value of intangible assets of $925,925 were assigned to client backlog, client lists and non-competition and non-solicitation agreements. All of these intangible assets are subject to amortization over their estimated useful lives from 6 months to 10 years. The intangible assets and goodwill amounts are deductible for tax purposes.

4. Marketable Securities

The Company has investments in marketable securities which comprise the following:

	2010		2009	
	market value	cost, net of writedowns & provisions	market value	cost, net of writedowns & provisions
Preferred Shares	$915,550	$932,256	$2,242,305	$2,242,304
Managed Funds	3,076,927	2,791,080	2,966,463	2,791,080
Common Shares	132,308	116,392	116,392	116,392
	$4,124,785	$3,839,728	$5,325,160	$5,149,776

During fiscal 2010, the Company disposed of marketable securities with a cost of $1,310,048 and recorded a realized gain on disposition of $198,567.

During fiscal 2009, the Company disposed of marketable securities with a cost of $8,182,742 and recorded a realized loss on disposition of $1,901,515. As a result of the decline in equity markets, the Company also determined that its investments in preferred and common shares had experienced an other than temporary decline in value and recorded an impairment charge of $929,459 in 2009.

5. Loans Receivable, Net

Loans receivable include advances and amounts receivable from employees of the Company. The loans receivable balance is shown net of any amounts owing to employees, where the legal right of offset and net settlement option exists. The loan balances do not bear interest and have various repayment terms. The fair value approximates the carrying value of these loans.

6. Property and Equipment

	2010			2009		
	cost	accumulated amortization	net book value	cost	accumulated amortization	net book value
Furniture & equipment	$1,866,918	$1,390,191	$476,727	$1,780,423	$1,314,494	$465,929
Computer equipment	1,907,428	1,650,235	257,193	1,782,398	1,571,611	210,787
Computer application software	545,065	468,849	76,216	517,906	420,877	97,029
Leasehold improvements	2,474,157	1,628,386	845,771	2,467,599	1,519,444	948,155
	$6,793,568	$5,137,661	$1,655,907	$6,548,326	$4,826,426	$1,721,900

7. Intangible Assets

	2010			2009		
	cost	accumulated amortization	net book value	cost	accumulated amortization	net book value
Non-integral computer software	$1,187,952	$991,029	$196,923	$1,186,382	$930,915	$255,467
Acquired intangible assets (note 3)	1,030,063	211,258	818,805	925,925	-	925,925
	$2,218,015	$1,202,287	$1,015,728	$2,112,307	$930,915	$1,181,392

8. Income Taxes

The following table reconciles income taxes calculated at the combined statutory tax rate with the income tax provision in the consolidated financial statements.

	2010	2009
	%	%
Combined statutory income tax rate	33.6	33.1
Decrease resulting from:		
Dividends received on preferred and common shares	3.0	0.6
Non-taxable portion of capital losses	0.0	(12.1)
Increase in valuation allowance	(32.7)	(23.3)
Increase resulting from:		
Non-deductible expenses	(3.6)	(0.1)
Other	(0.3)	(0.8)
	0.0	(2.6)

Future income tax assets and liabilities are provided for temporary differences between the consolidated financial statement carrying values of existing assets and liabilities and their respective tax bases. The significant components of future income tax assets and liabilities are as follows:

	2010	2009
Future income tax assets:		
Capital and non capital losses and other deductions available to offset future taxable income (net of valuation allowance of $2,281,247)	$452,422	$304,850
Future income tax liabilities:		
Excess of the carrying values of property and equipment over the tax base	(452,422)	(304,850)
Net future income tax liability	-	-

As at August 31, 2010, the Company has non-capital losses with the following expiry dates available to reduce taxable income in future years:

Expiry	Amount
2028	$866,399
2029	$4,144,044
2030	$1,133,786

The Company also has capital losses of $3,523,259 that can only be utilized against capital gains and are without expiry date.

9. Long-term Incentive Compensation

Included in long-term liabilities is an accrual for long-term incentive compensation for the Company's consistently top revenue-producing employees. The current portion reflects payments that have vested and will be paid in the next twelve months.

10. Capital Stock

Common Shares

On April 21, 2010, pursuant to a settlement with the Company's founder and former Executive Chairman, C. Douglas Caldwell, holders of both Class A Non-voting Shares and Class B Voting Shares voted in favour of accelerating a previously approved share conversion whereby the Company's voting and non-voting shares were converted into a single class of voting shares. Voting Class B Shares received 1.149 Class A Shares for each of their Class B Shares and all Class A Shares became single-voting common shares. Following approval being received by the Toronto Stock Exchange on May 10, 2010, 3,883,450 Class B Shares were converted to 4,462,082 Class A shares. Immediately following this conversion, all Class A Shares were then reclassified as Common Shares with one vote per share.

As at August 31, 2010, the authorized share capital of the Company consists of an unlimited number of Common Shares of which 16,985,505 are issued and outstanding. The holders of Common Shares are entitled to share equally, share for share, in all dividends declared by the Company and equally in the event of a liquidation, dissolution or winding-up of the Company or other distribution of the assets among shareholders.

As at August 31, 2009, the authorized share capital consisted of an unlimited number of Class A Non-voting Shares of which 12,523,423 were outstanding and an unlimited number of Class B Voting Shares of which 3,883,450 were issued and outstanding. Over the course of 2009, the Company under its normal course issuer bid, repurchased and cancelled 8,200 of its Class A Non-voting shares.

Stock Options

Stock options are granted periodically to directors, officers and employees of the Company. Cash received upon exercise of options for common shares is credited to capital stock. Total outstanding stock options are summarized as follows:

	2010		2009	
	number of options outstanding	weighted average exercise price	number of options outstanding	weighted average exercise price
Outstanding at beginning of year	600,000	$1.05	-	$0.00
Options expired or cancelled	-	-	-	-
Options granted	120,000	$0.56	600,000	$1.05
Outstanding at end of year	720,000	$0.97	600,000	$1.05

All options outstanding have a strike price equal to the market value of Common Shares on the date of issuance.

On September 11, 2008, 600,000 options to purchase Class A Non-voting Shares with a grant price of $1.05 were approved and issued to the Chief Executive Officer and the Chairman. On November 16, 2009, a further 120,000 options with a grant price of $0.56 were approved and issued to the Chief Executive Officer and Chairman. All options currently outstanding vest over three years and have a contractual life of five years. Options are exercisable at various times over this five-year period, commencing one year from the date of grant, based on the market price of the stock on the date of grant. Stock option expense of $55,198 has been recorded in the twelve months ended August 31, 2010 (2009 – $78,628). The fair value of these options was determined using the Black-Scholes option pricing model (using an expected volatility of 22.7%, a risk-free interest rate of 2.5% and an estimated useful life of 4 years).

11. Restructuring costs

The Company has recorded a restructuring charge of $1,001,055 related to the March 23, 2010 retirement of its founder and shareholder C. Douglas Caldwell from the position of Executive Chairman and as Director of the Company, and the related agreement to accelerate the planned conversion of the Company's non-voting Class A shares to voting common shares. This amount consists of $626,055 for settlement and conclusion of Mr. Caldwell's employment contract, an additional $150,000 paid to Mr. Caldwell for legal and other costs, and $225,000 representing the Company's legal and associated costs. These amounts were fully paid and no amounts remain outstanding at the end of the year. This transaction represents a related party transaction and was approved by the Board of Directors.

12. Segmented Information

As a result of expansion into the United States of America in 2009, the Company commenced disclosing the results by geographic segment. Both geographic segments provide retained executive search consulting services to clients and have similar economic characteristics.

The following provides a reconciliation of the Company's statement of earnings by geographic segment to the consolidated results:

	2010			2009		
	Canada	**United States**	**Total**	Canada	United States	Total
Operating revenue	$13,773,196	$15,427,375	$29,200,571	$14,451,922	$1,678,547	$16,130,469
Operating loss	(51,141)	(563,193)	(614,334)	(3,553,828)	(1,179,707)	(4,733,535)
Net loss for the year	(689,567)	(563,193)	(1,252,760)	(6,389,896)	(1,179,707)	(7,569,603)

A summary of property and equipment, goodwill and total assets by country is as follows:

	2010			2009		
	Canada	**United States**	**Total**	Canada	United States	Total
Property and equipment	1,177,900	478,007	1,655,907	1,297,997	423,903	1,721,900
Goodwill	0	723,390	723,390	0	415,896	415,896
Total Assets	13,053,219	9,049,460	22,102,679	15,101,368	3,117,872	18,219,240

13. Commitments

The Company's future operating lease commitments for premises excluding operating costs, including those amounts paid to related parties as set out in note 14, are as follows:

Year ending August 31, 2011	$1,253,486
Year ending August 31, 2012	1,197,301
Year ending August 31, 2013	890,061
Year ending August 31, 2014	488,807
Year ending August 31, 2015	276,853
September 1, 2015 and thereafter	1,130,140
	$5,236,648

14. **Related Party Transactions**

The Company paid rent at the exchange amount to affiliated companies owned by a shareholder (C. Douglas Caldwell, until March 23, 2010, the Executive Chairman of the Company) in the amount of $234,504 (2009 - $291,421), net of recoveries from other related parties also controlled by the same shareholder, pursuant to the Company's lease commitments. The exchange amount is the amount of consideration agreed to by the parties of the transaction and was determined to be fair market rental rates at the inception of the lease by two commercial leasing agents.

On August 7, 2009, the Company entered into an amended lease agreement, extending the term for a further ten years and for a reduced amount of space. The terms of this lease were determined to approximate fair market rental rates at the inception of the lease amendment by an independent commercial real estate counselor and was approved by the independent members of the Board of Directors.

15. Financial Instruments

Classification of Financial Instruments

Under Canadian generally accepted accounting principles, financial instruments are classified into one of the following categories: held for trading, held to maturity, available for sale, loans and receivable, other financial liabilities and derivatives.

As at August 31, 2010, the classification of the financial instruments, as well as their carrying amounts and fair values, are shown in the table below.

	Classification	Measurement	Carrying Amount	Fair Value
Cash & cash equivalents	held for trading	fair value	$ 6,456,274	$ 6,456,274
Marketable securities	available for sale	fair value	4,124,785	4,124,785
Accounts receivable	loans & receivables	amortized cost	5,875,065	5,875,065
Loans receivable	loans & receivables	amortized cost	471,020	471,020
Accounts payable & accrued liabilities	other financial liabilities	amortized cost	9,174,008	9,174,008
Incentive accrual	other financial liabilities	amortized cost	2,106,432	2,106,432

As at August 31, 2009, the classification of the financial instruments, as well as their carrying amounts and fair values, are shown in the table below.

	Classification	Measurement	Carrying Amount	Fair Value
Cash & cash equivalents	held for trading	fair value	$ 4,718,014	$ 4,718,014
Marketable securities	available for sale	fair value	5,325,160	5,325,160
Accounts receivable	loans & receivables	amortized cost	3,097,334	3,097,334
Loans receivable	loans & receivables	amortized cost	418,937	418,937
Accounts payable & accrued liabilities	other financial liabilities	amortized cost	3,938,743	3,938,743
Incentive accrual	other financial liabilities	amortized cost	2,251,506	2,251,506

The following table details the fair value hierarchy of financial instruments by level as at August 31, 2010:

	Quoted prices in active market (level 1)	Other observable inputs (level 2)	Unobservable inputs (level 3)	Total
Marketable Securities	$4,124,785	$0	$0	$4,124,785

The following table details the fair value hierarchy of financial instruments by level as at August 31, 2009:

	Quoted prices in active market (level 1)	Other observable inputs (level 2)	Unobservable inputs (level 3)	Total
Marketable Securities	$5,325,160	$0	$0	$5,325,160

Fair value

Cash and cash equivalents, accounts receivable, income taxes receivable and accounts payable and accrued liabilities are short-term financial instruments whose fair value approximates their carrying amount given that they will mature shortly.

The Company has designated the marketable securities in its portfolio as available for sale and as a result, these are recorded at fair value with unrealized gains and losses that are considered temporary in nature being measured in other comprehensive income. Other than temporary impairments of marketable securities are recorded within the Company's consolidated statement of loss. Realized gains and losses are removed from accumulated other comprehensive income and recognized within the consolidated statement of loss.

Embedded derivatives (elements of contracts whose cash flows more independently from the host contract) are required to be separated and measured at fair values if certain criteria are met. Under an election permitted by the new standard, management reviewed its existing contracts and determined that the Company does not currently have any significant embedded derivatives in these contracts that require separate accounting and disclosure.

16. Capital management

The Company's capital is comprised of common shares of the Company and retained earnings/(deficit). The Company manages its capital to ensure financial flexibility, to increase shareholder value through organic growth and selective acquisitions, as well as to allow the Company to respond to changes in economic and/or market conditions. While the Company has access to a line of credit, it continues to remain debt free. The Company is not subject to any externally imposed capital requirements. There have been no changes in the Company's approach to capital management during the current year.

The Company is exposed to various financial risks resulting from its operating, investing and financing activities. Financial risk management is carried out by the Company's management, in conjunction with the Investment Committee of the Board of Directors, with respect to investments in marketable securities and management of the Company's cash position. The Company does not enter into arrangements on financial instruments for speculative purposes. The Company's main financial risk exposures, as well as its risk management policy, are detailed as follows:

Foreign currency risk

The Company is exposed to exchange risk on U.S. currency denominated monetary assets and liabilities. There is a risk to the Company's earnings from fluctuations in Canadian and U.S. dollar exchange rates and the degree of volatility of these rates as the Company's financial results are reported in Canadian dollars.

At August 31, 2010, the Company has net monetary asset exposure of $2,861,726 denominated in U.S. dollars. A 5% depreciation or appreciation in the Canadian dollar against the U.S. dollar, assuming that all other variables had remained the same, would have resulted in an increase or decrease in foreign exchange gain/(loss) of $143,086 recognized in the consolidated statement of loss for the year ended August 31, 2010.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due.

The Company manages liquidity by maintaining adequate cash and cash equivalent balances, monitoring its investment portfolio, and monitoring cash requirements to meet expected operational expenses including capital requirements. The future ability to pay its obligations relies on the Company collecting its accounts receivables in a timely manner and by maintaining sufficient cash and cash equivalents in excess of anticipated needs.

The contractual maturities of the Company's significant financial liabilities as at August 31, 2010 are as follows:

	less than 1 year	1 to 3 years
Accounts payable & accrued liabilities	$9,174,008	
Current portion of incentive accrual	$1,639,818	
Long-term portion of incentive accrual		$466,614

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk consist principally of cash and cash equivalents and accounts receivable. The Company places its cash and cash equivalents with high credit quality financial institutions.

The carrying amount of the accounts receivable, net of applicable allowances for doubtful accounts, represent the Company's estimated potential credit risk with its clients. The Company's accounts receivable are not highly concentrated with particular clients or with clients in particular industry sectors, thereby minimizing credit risk. Further, the Company monitors its accounts receivable aging on a regular basis. As at August 31, 2010, $347,673 is greater than 90 days (2009 - $581,837) with a provision for doubtful accounts of $152,527 (2009 - $368,023).

Interest Rate Risk

The Company has no external debt and therefore exposure to interest rate risk on debt facilities is nil. The Company does invest excess cash in short-term deposits and therefore decreases in interest rates impact the amount of interest income earned from those investments. Included within marketable securities are preferred shares which to a certain extent are also subject to interest rate risk. The remaining portfolio is invested in equities and pooled funds which are also subject to market price risk (ie. fair value fluctuates based on changes in market prices).

17. Comparative Figures

Certain comparative account balances have been reclassified to achieve comparability to current year balances.

Directors

G Edmund King, Chair of the Board
Corporate Director

Richard D Innes
Consultant and Corporate Director

David A Lewis
Corporate Director

John N Wallace
President & Chief Executive Officer
The Caldwell Partners International Inc.

Kathryn A Welsh
Consultant and Corporate Director

Officers

John N Wallace
President and Chief Executive Officer
The Caldwell Partners International Inc.

Karen E Richards, CA
Chief Financial Officer and Corporate Secretary
The Caldwell Partners International Inc.

Shareholder Information

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants, Mississauga, Ontario

Counsel

Miller Thomson LLP
Barristers and Solicitors, Toronto, Ontario

Stock Exchange Listing

The Toronto Stock Exchange (symbol: CWL)

Transfer Agent

Valiant Trust Company

CIBC Mellon Trust Company operates a telephone information inquiry line that can be reached by dialing toll free:
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