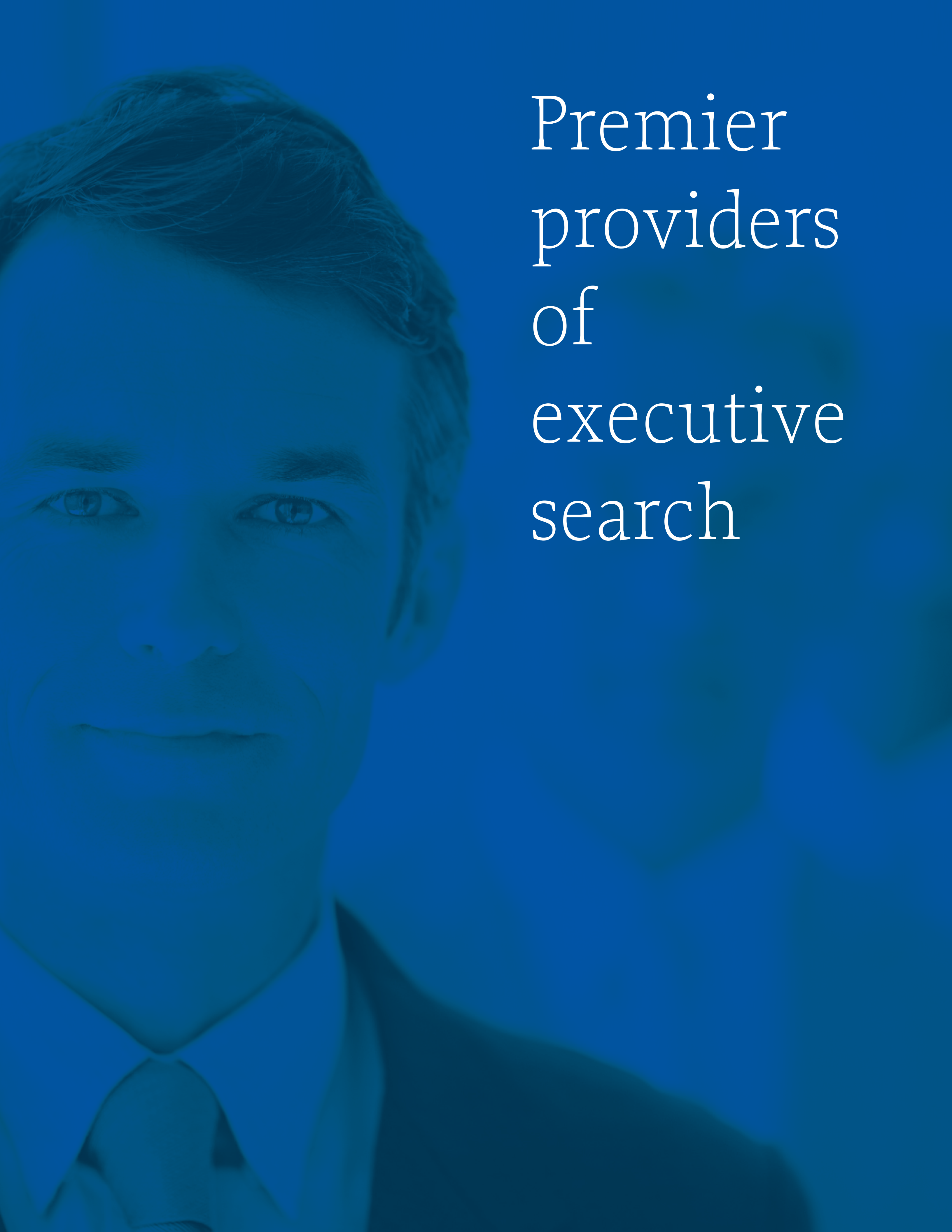
CALDWELL PARTNERS

The Caldwell Partners International Inc.

Annual Report 2013


Premier
providers
of
executive
search

Dear Shareholders, Clients, and Friends:

Fiscal 2013 turned out to be a year of polarized results. What began as a slow first half of the year in a challenging business climate swung dramatically positive over the course of the second half.

As a result of our strong back half, we ended the year with $33.8 million in annual revenue, up 3% over 2012. In our fourth quarter, our revenue was $10.3 million, up 17% from a year ago. We generated $0.9 million net operating profit in the fourth quarter, reducing our 2013 net operating loss to $0.1 million compared to a net operating profit of $1.0 million last year. Included in the 2013 results are $0.4 million in severance costs incurred in the third quarter and a deferral of $0.8 million in operating profit (on $1.4 million of deferred revenue) related to a change in our estimation methodology for deferred revenue that was implemented in the fourth quarter.

Unencumbered cash remained roughly the same as we started the year, over and above the payment of more than $1.0 million in dividends to our shareholders. We are feeling positive about both our momentum and our financial position moving into fiscal 2014.

As important are the intangibles that are the drivers and precursors of sustainable financial results: superior client service, exceptional client satisfaction, the caliber of people we attract and the respect with which we treat them. There is a strong correlation for us amongst the preeminence of our partners, the quality of our work, the level of client satisfaction and the subsequent value we are able to deliver to our shareholders.

The economic climate will continue to wax and wane; markets will go up and down. In the end, though, success doesn't hinge on the economy - it comes down to people.

We are intent on attracting the most talented people in the industry and providing them with an environment that is more than just a place to work but is, rather, a company about which they are truly excited, feel responsible for and want to be with for the long term.

And we are working on just that. We made a number of outstanding new partner and staff hires this year - each of whom has brought a palpable and contagious new energy to the firm. We are attracting great partners, because they're joining great partners, and we will continue to make targeted, strategic additions to the team.

We are also squarely focused on quality and satisfaction, and have taken concerted steps to strengthen both our search process and the dialogue that we have with our clients about what they truly value from us as their chosen search firm. It takes great time and energy to get a client, but it takes even more focus and discipline to keep a client.

We are working to build a company that is exceptional, and while it is a challenge that rests with us, it is one that is well within our grasp.

As always, we thank each and every member of the Caldwell Partners team for the solid financial results that we collectively achieved over the course of the past fiscal year. There is great energy and momentum within the firm, and we look forward to the year ahead!

Yours sincerely,

John Wallace

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

Management Discussion and Analysis

For the Years Ended August 31, 2013 and 2012

(Expressed in $000s Canadian, 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 over 40 years. As one of the region’s most trusted advisors in executive search, the Company has a sterling reputation built on successful searches for boards, chief and senior executives, and selected functional experts.

With offices in Vancouver, San Francisco, Los Angeles, Dallas, Calgary, Atlanta, Toronto, Stamford, New York City, and a strategic presence in London and Hong Kong, the Company 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. The Company is subject to many risks identified in the "Risk Factors" section of the Company's Annual Information Form and other public filings (copies of which may be obtained at www.sedar.com). Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements may vary materially from those expressed or implied by this MD&A. These factors should be considered carefully and the reader should not place undue reliance on the forward-looking statements. Although any forward-looking statements contained in this report are based upon what management currently believes to be reasonable assumptions, the Company cannot assure readers that actual results, performance or achievements will be consistent with these forward-looking statements, and management's assumptions may prove to be incorrect. These forward-looking statements are made as of the date of this MD&A.

Presentation

The following discussion and analysis, prepared on November 8, 2013, should be read in conjunction with the consolidated annual financial statements and related notes for the year ended August 31, 2013. 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.

Operating Results

Operating Revenue

		Q1	Q2	Q3	**Q4**	**Annual**
2013	Revenue	$7,417	$6,825	$9,223	**$10,338**	**$33,803**
	Period end number of partners	33	34	35	**33**	**33**
	Average number of partners	33.3	33.5	35.0	**34.0**	**33.9**
	Annualized revenue per partner	$891	$815	$1,054	**$1,216**	**$997**
2012	Revenue	$7,270	$7,221	$9,357	**$8,856**	**$32,704**
	Period end number of partners	33	34	34	**34**	**33**
	Average number of partners	32.0	33.3	34.5	**34.0**	**33.4**
	Annualized revenue per partner	$909	$867	$1,085	**$1,042**	**$979**

2013 fourth quarter revenue increased by 17% over the comparable period last year to $10,338 (2012: $8,856), reflecting billing increases of 34%, offset by increased deferred revenue of $1,358. 2013 annual revenue increased 3% over fiscal 2012 to $33,803 (2012: $32,704), reflecting billing increases of 8%, offset by increased deferred revenue of $1,358 from the fourth quarter.

Revenue results for the 2013 fourth quarter and full year were impacted by a change in the estimation of deferred revenue, based on the ability to access enhanced search performance metrics (as described in Note 11 to the Financial Statements). In the fourth quarter, this resulted in the deferral (reduction) of revenue of $1,358 (2012: $0). This change in methodology has been applied prospectively, and as such, creates a change in the timing of revenue recognition during the fourth quarter, and does not impact cash flow or cash balances.

The revenue increases for both the quarter and full year compared to the same periods in the prior year are attributable to increased revenue in the US and Canadian businesses. Revenue in the US for the quarter was up 20%, reflecting billing increases of 34% from higher search volumes, offset by increased deferred revenue of $769 as a result of the Company's changes in estimating for percentage of completion on searches in progress. For the year, US revenue was down 1%, reflecting billing increases of 2% on consistent search volumes with higher average fees, offset by the increased deferred revenue of $769. Fourth quarter revenue in Canada was up 10%, reflecting billing increases of 29% on increased search volumes and higher average fees, offset by increased deferred revenue of $589. Full year revenue in Canada was up 13%, reflecting billing increases of 19% again on higher search volumes and higher average fees, offset by increased deferred revenue of $589. US revenues represent 66% of consolidated revenues in 2013 versus 69% a year ago driven by Canada's increased productivity and resultant revenue proportion.

Sequentially, fourth quarter 2013 revenue was up $1,115 over third quarter 2013, reflecting billing increases of 27%, and offset by increased deferred revenue of $1,358. The sequential revenue increase was driven by increasing average revenue per partner (calculated based on the revenue for the period divided by the average number of partners for the period), the result of higher search volumes in both the US and Canadian businesses.

Cost of Sales

	Q1	Q2	Q3	**Q4**	**Annual**
2013	$5,620	$5,595	$7,183	**$7,607**	**$26,005**
2012	$5,912	$5,675	$6,759	**$6,236**	**$24,582**

Cost of sales, being both variable and fixed compensation and related costs of employees involved in search activities, were up 22% to $7,607 in the 2013 fourth quarter over the comparable period a year earlier (2012: $6,236), increasing primarily from the revenue increase of 17% for the same period. Also causing higher cost of sales were personnel additions to accommodate recent partner hires, increases in payroll taxes and healthcare costs and higher average commission tiers for Canadian partners on higher average billings. These increases were partially offset by lower average commission tiers for United States partners and a year over year reduction in compensation expense for the reversal of commissions accrued when receivables were not ultimately collected. As a result, fourth quarter cost of sales represented 74% of operating revenue in 2013 versus 70% in 2012.

For the full year 2013, cost of sales increased by 6% over the prior year to $26,005 from $24,582, reflecting the compensation impact of revenue increasing by 3% for the period, higher commission rates on increased per partner performance in Canada and increases in search delivery personnel during 2013. Additionally, the Company's CEO of the Year event incurred additional costs during 2013 compared to 2012. As a result, 2013 year-to-date direct costs represented 77% of operating revenue versus 75% of revenue in 2012.

To the extent revenue is deferred for recognition in a future period, the Company also defers the related amount of estimated compensation expense directly associated with such deferred revenue. Reflected in the 2013 fourth quarter and full year is a deferral of compensation expense of $586 (2012: $0).

Gross Profit and Margin

	Q1	Q2	Q3	**Q4**	**Annual**
2013	$1,797	$1,230	$2,040	**$2,731**	**$7,798**
	24%	18%	22%	**26%**	**23%**
2012	$1,358	$1,546	$2,597	**$2,621**	**$8,122**
	19%	21%	28%	**30%**	**25%**

Gross profit in the fourth quarter of 2013 increased to $2,731 or 26% of revenue versus fourth quarter in the previous year (2012: $2,621 or 30% of revenue); the result of the 17% increase in revenue offset by the 22% increase in cost of sales. Reflected in the 2013 fourth quarter is the deferral of gross profit of $772 (2012: $0), the net impact of the change in estimate for deferred revenue, less related deferred compensation expense.

Sequentially, fourth quarter margins have increased to 26% from 22% in the third quarter. Factors affecting the increased margin this quarter over the previous include a 12% increase in revenue quarter to quarter with a 6% increase in Cost of Sales as portions of cost of sales are fixed costs.

On a year-to-date basis, 2013 gross profit decreased to $7,798, from $8,122 in 2012. Reflected in the 2013 full year is the fourth quarter deferral of gross profit of $772 (2012: $0), the net result of the deferred revenue less related deferred compensation expense. The decrease was also driven by the revenue increase of 3% on better performance in Canada and the US, offset by the cost of sales increase of 6% from the increased compensation costs on higher revenue, increases in search delivery personnel costs and higher CEO of the Year event costs. As a result, gross margin for 2013 was 23% (2012: 25%).

Expenses

	Q1	Q2	Q3	**Q4**	**Annual**
2013	$1,850	$1,889	$2,406	**$1,785**	**$7,930**
2012	$1,758	$1,792	$1,888	**$1,673**	**$7,111**

Fourth quarter 2013 expenses increased 7% or $112 over the same period prior year to $1,785 (2012: $1,673). The drivers of the increased costs include higher spending on marketing and business development, higher occupancy costs from our Stamford, Connecticut office move and a benefit in the prior year from legal reserve reversals, offset by foreign exchange gains during the current year.

Full year 2013 expenses increased $819 over the same period prior year to $7,930 (2012: $7,111). The increase was largely due to a severance expense incurred during the third quarter of 2013 of $446 for an employee in Canada. The severance is being paid out monthly in equal cash installments to the end of May 2015. Under certain circumstances for the former employee, the Company may recoup a portion of the settlement. Excluding the severance expense, 2013 expenses increased 5% over the prior year to $7,484 (2012: $7,111). Contributors to the increase include higher accruals for the management long-term incentive plan based on an increase in share price, increased occupancy costs resulting from our Stamford, CT office move, investment in communication infrastructure and higher business development activity.

Operating Profit (Loss)

	Q1	Q2	Q3	**Q4**	**Annual**
2013	($52)	($659)	($367)	**$946**	**($132)**
	-1%	-10%	-4%	**9%**	**0%**
2012	($401)	($246)	$710	**$948**	**$1,011**
	-6%	-3%	8%	**11%**	**3%**

For the 2013 fourth quarter, higher year-over-year revenues ($1,482) offset by higher cost of sales ($1,371) and expenses ($112) resulted in a decrease in operating profit of $2. Reflected in the 2013 fourth quarter is the deferral of gross profit of $772 (2012: $0), the net impact of the change in estimate for deferred revenue, less related deferred compensation expense.

The full year 2013 operating loss was $132 (including $446 of severance costs expensed during the third quarter and the $772 gross profit deferral discussed above). This represents a $1,143 decline over the prior year's operating profit. Higher year-over-year revenue ($1,099) was offset by higher cost of sales ($1,423), and increased expenses ($819, of which $446 was severance expense and $373 were increased costs across other general and administrative areas).

Investment Income

	Q1	Q2	Q3	**Q4**	**Annual**
2013	$2	$7	$2	**$2**	**$13**
2012	$2	$7	$1	**$5**	**$15**

The Company manages market risk by using a third party investment manager to follow the specific investment criteria established and approved by the Board of Directors and designed to reduce exposure to market risk. As of August 31, 2013, the entire investment portfolio is placed with a third party investment manager and held in two pooled funds.

For the fourth quarter of 2013, the Company reported investment income of $2 compared to $5 from the comparable period last year. For the full year 2013, the Company reported investment income of $13 compared to $15 from 2012. The income amounts are the result of interest income on the investments.

At August 31, 2013, the market value of investments held by the Company of $3,577 (2012: $3,303) was $681 above book value, and reflecting an increase in value of $274 during the year. This unrealized gain has been reflected in both other comprehensive income and in the stated value of the investment portfolio.

Net Earnings (Loss)

Earnings (Loss) Before Tax

	Q1	Q2	Q3	**Q4**	**Annual**
2013	($50)	($652)	($365)	**$948**	**($119)**
2012	($399)	($239)	$711	**$953**	**$1,026**

For the fourth quarter of 2013, the revenue increase, coupled with higher cost of sales and expenses noted in the above discussion resulted in a net earnings before income taxes of $948 compared to net earnings before income taxes of $953 a year ago. Reflected in the 2013 fourth quarter is the deferral of gross profit of $772 (2012: $0), the net impact of the change in estimate for deferred revenue, less related deferred compensation expense.

The full year 2013 net loss before tax was $119 in 2013 (including $446 of severance costs expensed during the third quarter and the $772 gross profit deferral discussed above) compared to $1,026 of net earnings before tax in 2012.

Tax expense in 2013 of $163 (2012: $45) arose primarily as the result of writing off certain tax receivables and derecognizing certain deferred tax assets recorded in the prior year based on a change in management's estimate to recoup such amounts. The Company has Canadian loss carry forwards available to be applied against taxable income as it arises in future periods. As of August 31, 2013 no benefit for such future potential deferred tax recoveries has been recorded. As the company does not currently recognize tax assets on operating losses, no tax benefit was recorded for the impact of the change in estimate for deferred revenue.

Net Earnings (Loss)

	Q1	Q2	Q3	**Q4**	**Annual**
2013	($56)	($653)	($366)	**$793**	**($282)**
2012	($445)	($241)	$711	**$956**	**$981**
			Earnings (Loss) Per Share		
2013	($0.003)	($0.038)	($0.021)	**$0.045**	**($0.017)**
2012	($0.025)	($0.014)	$0.040	**$0.056**	**$0.057**

The fourth quarter net earnings were $793 ($0.045 per share) in 2013, as compared to $956 of net earnings ($0.056 per share) in the comparable period a year earlier.

The year-to-date net loss after tax was $282 (-$0.017 per share) in 2013, versus net earnings of $981 ($0.057 per share) in 2012.

As previously discussed, reflected in the 2013 fourth quarter is the deferral of gross profit of $772 (2012: $0), the net impact of the change in estimate for deferred revenue, less related deferred compensation expense, which has reduced net earnings and earnings per share by $772 and $0.045 respectively.

Dividends

Since shareholders approved a restatement of capital on May 1, 2012 that allowed the Company to reinstate the payment of quarterly dividends, total dividends declared through August 31, 2013 are 9.0 cents per share or $1,534 in total, as reflected in the following chart:

Declaration Date	Payment Date	Dividend per Share	Aggregate Amount
May 1, 2012	June 15, 2012	$0.015	$255
July 23, 2012	September 14, 2012	$0.015	$255
November 15, 2012	December 14, 2012	$0.015	$255
January 11, 2013	March 15, 2013	$0.015	$255
April 11, 2013	June 14, 2013	$0.015	$255
July 11, 2013	September 13, 2013	$0.015	$255

On November 8, 2013 the Board of Directors declared a dividend of 1.75 cents per share, payable to holders of Common Shares of record on November 25, 2012 and to be paid on December 13, 2013.

Liquidity and Capital Resources

As of August 31, 2013, the Company had $3,577 of marketable securities plus cash and cash equivalents of $7,868, for a total cash and marketable securities balance of $11,445, up $1,395 from $10,050 at year-end 2012. The increase is due to 2013 operating income and resultant cash flows from operations less dividend payments to shareholders, capital expenditures and net increases from other changes including foreign currency fluctuations and partner sign-on bonuses.

Unencumbered cash, a non-GAAP measure, that we define as the net of cash and cash equivalents, restricted cash, marketable securities, current accounts receivable and total liabilities excluding deferred revenue and deferred compensation expense related to deferred revenue total approximately $6,797 at August 31, 2013, down from $7,050 at the end of fiscal 2012. The decline is the result of the cash flow from operations, offset by sign-on payments to certain new partner hires, dividend payments issued during the fiscal 2013, capital expenditures and exchange rate fluctuations.

Accounts receivable were $7,089 at August 31, 2013, up $966 from $6,123 at the end of fiscal 2012. Days outstanding based on quarterly revenue were 56 days at August 31, 2013 versus 62 days at August 31, 2012. At August 31, 2013, a reserve of $352 or approximately 34% of accounts over 90 days old has been taken.

Total liabilities were $12,509 at August 31, 2013, up $3,386 from $9,123 at the end of 2012 reflecting an increase in commissions and bonuses payable on the increased revenue in 2013 compared to 2012, the deferral of revenue in 2013 net of the related reduction in compensation expense related to the deferred revenue and the severance costs accrued during 2013 but not yet paid.

The Company's investment in property and equipment at August 31, 2013 was $1,361 compared with $1,504 at the end of 2012. This reflects additions of $221 and depreciation expense of $400, net of exchange rate fluctuations over the period of $36. Capital expenditures included computer hardware and software as well as office furniture and equipment.

Shareholders' equity at August 31, 2013 was $10,226, down $781 from $11,007 at the end of 2012. This decrease reflects the year-to-date net loss of $282, dividend payments of $1,024, an unrealized gain on marketable securities of $274, translation gains on consolidation of $185, an employee stock option share issuance of $49, and share-based payment expense of $17.

The Board of Directors believes that the payment of regular dividends is in the best interests of the Company and all shareholders. Subsequent to shareholder approval of the restatement of capital on May 1, 2012, the Company has now declared six quarterly dividends through August 31, 2013, each of 1.5 cents per common share. On November 8, 2013 the Board of Directors declared a dividend of 1.75 cents per share, payable to holders of Common Shares of record on November 25, 2012 and to be paid on December 13, 2013.

Business Outlook

The Company observed improved market conditions during the back half of fiscal 2013, although our business historically has generally performed better in the third and fourth quarters compared to the first and second quarters of a given fiscal year. We remain focused on our North American growth opportunities through enhanced business development and marketing initiatives and select hires of high caliber search professionals. We believe there is still a large opportunity to grow the

Company organically, as we continue to build our practice and functional offerings across geographies in United States and Canada. We will also continue to focus on the higher end of the search market, where high touch search is seen as an important business investment, rather than an expense. This work allows us to deliver the most value and return to our clients, as well as our shareholders, as it brings higher search fees.

Related Party Transactions

Pursuant to its lease agreements, the Company paid rent for its Toronto office to an affiliated company owned by a shareholder, C. Douglas Caldwell, registered as owning more than ten percent of the Company. The amount of consideration agreed to by the parties was determined to be fair market rental rates at the inception of the lease by an independent commercial real estate counselor and was approved by the independent members of the Board of Directors. Occupancy costs within general and administrative expenses in the consolidated interim statements of earnings (loss) have been recognized for year ended August 31, 2013 in the amount of $200,343 (2012: $200,343).

Critical Accounting Estimates & Judgments

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are the estimates and judgments applied by management that most significantly affect the Company's financial statements. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The following discussion sets forth management's most significant estimates and assumptions in determining the value of assets and liabilities, and the most significant judgments in applying accounting policies.

Revenue recognition
The Company's method of revenue recognition requires it to estimate the expected average performance period and the percentage of completion, based on the proportion of the estimated effort to fulfill the Company's obligations throughout the expected average performance period for its executive searches. Differences between the estimated percentage of completion and the amounts billed will give rise to a deferral of revenue to a future period. Changes in the average performance period or

the proportion of effort expended throughout the performance period for its executive searches could lead to an under or overvaluation of revenue. Further information on deferred revenue is included in note 11 to the Financial Statements.

Allowance for doubtful accounts
Estimates are used in determining the allowance for doubtful accounts related to trade receivables. The estimates are based on management's best assessment of the collectability of the related receivable balance based, in part, on the age of the specific receivable balance. An allowance is established when the likelihood of collecting the account has significantly diminished. Future collections of receivables that differ from management's current estimates would affect the results of operation in future periods.

Impairment of Goodwill
The Company tests at least annually whether goodwill is subject to any impairment. Various assumptions are made in performing this test, including estimates of future revenue streams, operating costs and discount rates. Future results that differ from management's current estimates would affect the results of operation in future periods.

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; and the Company's ability to invest retained earnings in marketable securities 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. The Company is invested in pooled funds designed to adequately diversify its investments to reduce investment risk. Currently, professional investment managers invest and manage the entire $3,577 investment portfolio in accordance with the Company's investment policies. As of August 31, 2013, marketable securities, cash and cash equivalents and restricted cash total approximately $11,445. With the volatility of capital markets, returns on the Company's investment portfolio may diminish.

As the Company's operations in the United States continue to expand, foreign exchange risk will also increase. At August 31, 2013, the Company held two forward contracts to sell US dollars totalling $1,000 USD each, one expiring on September 3, 2013 and the other on September 10, 2013.

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 of August 31, 2013, 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

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting. Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

In designing and evaluating such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Additionally, management is required to use judgement in evaluating controls and procedures.

Management has used the criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") to design and assess the effectiveness of internal controls over financial reporting. Based on this assessment the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of these internal controls over financial reporting for the Company are effective to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of financial statements for external purpose in accordance with IFRS as of August 31, 2013.

Management has also evaluated whether there were changes in the Company's internal controls over financial reporting during the reporting period ended August 31, 2013 that materially affected, or are reasonably likely to affect, the Company's internal controls over financial reporting. Management has determined that no changes occurred during the quarter ended August 31, 2013 which would have a material impact.

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, 2013 and 2012

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 Caldwell Partners International Inc. (“the Company”). 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 Company 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 Company. The Auditor’s 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 Company, 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 of Directors for approval.

John N. Wallace

PRESIDENT AND CHIEF EXECUTIVE OFFICER

C. Christopher Beck, CPA

SECRETARY AND CHIEF FINANCIAL OFFICER

November 8, 2013

November 8, 2013

Independent Auditor's Report

To the Shareholders of
The Caldwell Partners International Inc.

We have audited the accompanying consolidated financial statements of **The Caldwell Partners International Inc.** and its subsidiaries, which comprise the consolidated statements of financial position as at August 31, 2013 and August 31, 2012 and the consolidated statements of earnings (loss), comprehensive earnings, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Caldwell Partners International Inc. and its subsidiaries as at August 31, 2013 and August 31, 2012 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
November 8, 2013

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in $Canadian)

	As at August 31 2013	*As at August 31 2012*
Assets		
Current assets		
Cash and cash-equivalents	7,612,957	6,494,246
Marketable securities (note 4)	3,576,811	3,303,044
Accounts receivable	7,088,555	6,122,577
Income taxes receivable	-	49,501
Prepaid expenses and other assets	1,060,998	775,572
	19,339,321	16,744,940
Non-current assets		
Restricted cash	255,012	252,966
Advances	292,035	92,023
Property and equipment (note 5)	1,360,646	1,504,015
Intangible assets (note 6)	447,434	488,647
Goodwill (note 7)	1,039,922	973,458
Deferred income taxes (note 12)	-	73,302
Total assets	22,734,370	20,129,351
Liabilities		
Current liabilities		
Accounts payable	1,345,146	1,007,926
Compensation payable (notes 10 and 11)	9,156,182	7,673,729
Dividends payable (note 14)	255,983	254,782
Taxes payable	13,741	-
Deferred revenue (note 11)	1,357,718	-
	12,128,770	8,936,437
Non-current liabilities		
Non-current severance accrual (note 10)	148,750	-
Long-term incentive accrual (note 14)	231,231	186,267
	12,508,751	9,122,704
Equity attributable to owners of the Company		
Share capital (note 14)	4,080,020	4,016,020
Contributed surplus (note 14)	16,247,987	16,245,848
Accumulated other comprehensive income	580,959	122,292
Deficit	(10,683,347)	(9,377,513)
Total equity	10,225,619	11,006,647
Total liabilities and equity	22,734,370	20,129,351

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

Signed on behalf of the Board:

G. Edmund King
Chair of the Board

Kathryn A. Welsh
Chair of the Audit Committee

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

(in $Canadian)

	Twelve months ended August 31 2013	Twelve months ended August 31 2012
Revenues (note 11)	33,802,994	32,703,717
Cost of sales (notes 8 and 11)	26,005,284	24,582,103
Gross profit	7,797,710	8,121,614
Expenses (note 8)		
General and administrative (note 10)	7,275,173	6,534,699
Sales and marketing	689,686	616,726
Foreign exchange gain	(35,035)	(40,696)
	7,929,824	7,110,729
Operating profit (loss)	(132,114)	1,010,885
Investment income	12,713	14,941
Earnings (loss) before income tax	(119,401)	1,025,826
Income tax (note 12)	162,503	44,818
Net earnings (loss) for the year attributable to owners of the Company	(281,904)	981,008
Earnings (loss) per share (note 13)		
Basic and diluted	($0.017)	$0.058

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

(in $Canadian)

	Twelve months ended August 31 2013	Twelve months ended August 31 2012
Net earnings (loss) for the year	(281,904)	981,008
Other comprehensive income:		
Items that may be reclassified subsequently to net income		
Unrealized gain on marketable securities (net of tax - $0)	273,767	176,217
Cumulative translation adjustment (net of tax - $0)	184,900	31,002
Comprehensive earnings for the year attributable to owners of the Company	176,763	1,188,227

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

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in $Canadian)

	Deficit	Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Income (Loss) – Cumulative Translation Adjustment	Accumulated Other Comprehensive Income (Loss) – Unrealized Gains on Marketable Securities	Total Equity
Balance - September 1, 2011	**(9,848,957)**	**16,064,078**	**4,179,399**	**(315,525)**	**230,598**	**10,309,593**
Net earnings for the year	981,008	-	-	-	-	981,008
Dividend payments declared (note 14)	(509,564)	-	-	-	-	(509,564)
Share based payment expense	-	-	18,391	-	-	18,391
Reduction of stated capital (note 14)	-	(12,048,058)	12,048,058	-	-	-
Change in unrealized gains on marketable securities	-	-	-	-	176,217	176,217
Change in cumulative translation adjustment	-	-	-	31,002	-	31,002
Balance - August 31, 2012	**(9,377,513)**	**4,016,020**	**16,245,848**	**(284,523)**	**406,815**	**11,006,647**
Net loss for the year	(281,904)	-	-	-	-	(281,904)
Dividend payments declared (note 14)	(1,023,930)	-	-	-	-	(1,023,930)
Employee share option plan share issue	-	64,000	(14,776)	-	-	49,224
Share-based payment expense	-	-	16,915	-	-	16,915
Change in unrealized gain on marketable securities	-	-	-	-	273,767	273,767
Change in cumulative translation adjustment	-	-	-	184,900	-	184,900
Balance - August 31, 2013	**(10,683,347)**	**4,080,020**	**16,247,987**	**(99,623)**	**680,582**	**10,225,619**

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

THE CALDWELL PARTNERS INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF CASH FLOW

(in $Canadian)

	Twelve months ended August 31 2013	2012
Cash flow provided by (used in)		
Operating activities		
Net earnings (loss) for the year	(281,904)	981,008
Adjustments for:	`	
Depreciation	400,283	390,406
Amortization	71,563	115,016
Share-based payment expense	21,339	18,391
Unrealized foreign exchange on subsidiary loans	(164,300)	(75,067)
Non-cash incentive compensation	44,964	132,777
Deferred taxes	77,403	-
Deferred revenue	1,348,890	-
Taxes paid	-	(44,418)
Increase in long-term severance accrual	148,750	-
Net changes in working capital		
Decrease (increase) in accounts receivable	(722,625)	484,368
Decrease (increase) in income taxes receivable	49,501	74,473
Decrease in prepaid expenses and other assets	(248,119)	409,015
Increase (decrease) in accounts payable	303,171	(455,849)
(Decrease) increase in compensation payable	1,250,695	(1,169,804)
Increase in taxes payable	12,465	-
(Decrease) increase in contingent consideration	-	(510,286)
Increase in dividends payable	1,201	-
Decrease in current portion of incentive accrual	-	(530,250)
Net cash provided by (used in) operating activities	2,313,277	(180,220)
Investment activities		
(Increases) decrease in advances	(177,627)	79,855
Increase in restricted cash	(2,046)	(2,966)
Additions to property and equipment	(221,360)	(187,202)
Net cash used in investing activities	(401,033)	(110,313)
Financing activities		
Dividend payments	(1,023,930)	(254,782)
Share issuance from employee share option plan	44,800	-
Net cash used in financing activities	(979,130)	(254,782)
Effect of exchange rate changes on cash and cash equivalents	185,597	95,477
Net increase (decrease) in cash and cash equivalents	1,118,711	(449,838)
Cash and cash equivalents, beginning of year	6,494,246	6,944,084
Cash and cash equivalents, end of year	7,612,957	6,494,246

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

THE CALDWELL PARTNERS INTERNATIONAL INC.

Notes to Consolidated Financial Statements
For The Year Ended August 31, 2013

(in $ Canadian)

1. General Information

The Caldwell Partners International Inc. (the Company) is an executive search consulting firm specializing in recruiting executives on behalf of its clients. The Company contracts with its clients, on an assignment basis, to provide consulting advice on the identification, evaluation, assessment and recommendation of qualified candidates for specific positions. The Company concentrates its activities on locating executives to fill senior executive positions.

The Company was incorporated by articles of incorporation under the Business Corporations Act (Ontario) on August 22, 1979 and is listed on the Toronto Stock Exchange (symbol: CWL). With operations in both Canada and the United States, the Company's head office is located at 165 Avenue Road, Toronto, Ontario.

The Board of Directors approved these consolidated financial statements for issue on November 8, 2013.

2. Basis of Presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

3. Significant Accounting Policies, Judgments and Estimation Uncertainty

Significant Accounting Policies

The significant accounting policies used in the preparation of these consolidated financial statements are described below.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value, including available-for-sale marketable securities.

Consolidation

These consolidated financial statements include the assets and liabilities and results of operations of the Company and its subsidiaries: The Caldwell Partners International Ltd., Prince Arthur Advertising Inc., Caldwell Interim Executives Inc. and Caldwell Investments Inc. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are those entities which the Company controls by having the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is obtained and are de-consolidated from the date that control ceases.

Acquisitions are accounted for using the acquisition method. The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated balance sheet at their fair values. Goodwill is determined after separately identifying intangible assets. Goodwill represents the excess of acquisition costs over the fair value of the Company's share of identifiable assets of the acquiree at the date of acquisition. Any excess of identifiable net assets over acquisition cost is recognized in profit or loss immediately after acquisition. Transaction costs are expensed as incurred.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

Foreign currency translation

(i) Functional and presentation currency

The financial statements of the parent company and each subsidiary in the consolidated financial statements of The Caldwell Partners International Inc. are measured using the currency of the primary economic environment in which the subsidiary operates (the "functional currency"). The functional and presentation currency of the Company is the Canadian dollar. The functional currency of the subsidiary located in the United States is the US dollar.

The financial statements of subsidiaries that have a functional currency different from the presentation currency are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the average rate of the period (as this is considered a reasonable approximation of the actual rates prevailing at the transaction dates). All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

If the Company disposes of its entire interest in a foreign subsidiary, or loses control over a foreign subsidiary, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign subsidiary are recognized in profit or loss.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of these transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statement of earnings, within other gains and losses.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

Restricted cash

Restricted cash includes a term deposit set aside by a Canadian financial institution for collateral security on foreign exchange contracts entered into by the Company.

Advances

Advances are sign-on payments made to employees to join the Company. Such amounts may be recouped if the employee leaves the Company before a contractually stipulated period of time has lapsed, usually 24 to 36 months from their start date. The advances are amortized to expenses on a straight line basis over the life of the contractual recoupment period.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category. The only instruments held by the Company classified in this category are short-term foreign exchange contracts to sell U.S. currency (see (v) below).

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of earnings. Gains and losses arising from changes in fair value are presented in the statement of earnings within other gains and losses (net) in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

(ii) Available-for-sale investments: Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company's available-for sale assets comprise its investments in marketable securities.

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Available-for-sale investments are classified as current, unless the investment matures beyond twelve months.

Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of earnings as part of investment income. Dividends on available-for-sale equity instruments are recognized in the statement of earnings as part of other gains and losses when the Company's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the statement of earnings and are included in investment income.

(iii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise accounts receivable and cash and cash equivalents, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(iv) Other financial liabilities at amortized cost: Financial liabilities at amortized cost include accounts payable, compensation payable and dividends payable which are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payable are measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

(v) Derivative financial instruments: The Company has entered into short-term foreign-exchange contracts to sell U.S. currency. Foreign exchange contracts are purchased from a reputable financial institution. The Company has a risk of loss in the event that the counter-party to the transaction is unable to fulfill its contractual obligation. All foreign exchange contracts are valued at fair value at each reporting period. Gains and losses on forward-exchange contracts are included in general and administrative expense on the consolidated statement of earnings.

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset (other than a financial asset classified as fair value through profit or loss) is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

(i) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

(ii) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of earnings. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to net income.

Impairment losses on financial assets carried at amortized cost and available for sale financial assets are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity investments are not reversed.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of earnings during the period in which they are incurred.

The major categories of property and equipment are depreciated as follows:

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

Residual values, methods of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of earnings.

Identifiable intangible assets

The Company's intangible assets are stated at cost less accumulated amortization and are comprised of client lists and non-competition and non-solicitation agreements. These intangible assets are amortized on a straight-line basis in the statement of earnings over their estimated useful lives of 3 to 10 years. Also included in the intangible assets are software costs that are not integral to the related hardware. These software costs are being amortized over 3 years.

Impairment of non-financial assets

Property and equipment and intangible assets (other than goodwill) are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Goodwill is reviewed for impairment annually or at any time if an indicator of impairment exists.

Goodwill acquired through a business combination is allocated to each CGU or group of CGUs that are expected to benefit from the related business combination. A group of CGUs represents the lowest level within the Company at which the goodwill is monitored for internal management purposes, which is not higher than an operating segment.

The Company evaluates impairment losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration.

Stock-based compensation

The Company grants stock options and restricted stock units periodically to certain employees.

Stock options currently outstanding vest over two or three years and have a contractual life of five years. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. Any subsequent changes in fair value to a vested award are recognized in the consolidated statement of earnings in the period in which they occur.

Restricted stock units are common shares of the Company that are restricted to be issued to members of the management team. These restricted stock units cliff vest three years from the date of grant, and may be settled either in shares or in cash. The Board of Directors may elect to settle in either cash or shares; should the Board of Directors elect to settle in shares, the individual may elect to receive up to half of the settlement in cash. Fair value of each tranche is based on the fair value of the awards at the date of grant, with the fair value being updated at each reporting date. Compensation expense is recognized on a straight-line basis over the vesting period.

The awards have been recorded as a current or long-term incentive accrual depending on when they vest.

Commission and bonus plans

The Company recognizes a liability and an expense for bonuses and commissions, based on performance measures relevant to the particular employee group. Revenue-producing employees earn bonuses tied directly to individual and team revenue production. Management bonuses are primarily determined based on achievement of planned revenue and operating profit levels, approved by the Board of Directors at the outset of the fiscal year. The Company recognizes the expense and related liability in the year such performance levels are attained. To the extent revenue is deferred for recognition in a future period, the Company will also defer the related amount of estimated compensation expense directly associated with such deferred revenue.

Provisions

Provisions for legal claims, where applicable, are recognized in other liabilities when the Company has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the statement of earnings except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case the income tax is also recognized in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary difference can be recognized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are presented as non-current.

Revenue

Revenue consists of retainers and indirect expenses billed to clients based on terms set forth in signed engagement letters with each client. The Company is typically paid a retainer for its executive search services, equal to one-third of the position's estimated first year compensation. The Company's standard practice is to bill its clients for its retainer and indirect expenses in one-third increments over a three-month period commencing in the month of a client's acceptance of the contract. Any fees earned in excess of the retainer or fees that are contingent on a candidate's future compensation are billed when actual compensation of the placed candidate is known. Indirect expenses are generally calculated as a percentage of the retainer with certain dollar limits per search.

Revenue is recognized when it is probable that that the economic benefits will flow to the Company and service has been provided, the fee is determinable, and collectability is reasonably assured. Revenue from standard executive search engagements is recognized over the expected average performance period, in proportion to the estimated effort to fulfill the Company's obligations under the engagement terms. To the extent that there are differences between the estimated percentage of completion based on the expected average performance period and amounts billed the Company defers a portion of revenue to be recognized in a future period and records this as deferred revenue on the consolidated balance sheet.

Revenue in excess of the retainer, resulting from actual compensation of the placed candidate exceeding the estimated compensation, is recognized upon completion of the executive search when the amount of the additional fee is known. Revenue from certain non-standard executive search engagements is recognized in accordance with the completion of the engagement deliverables.

Cost of sales

Cost of sales includes direct costs associated with the generation of revenue, being both variable and fixed compensation and related costs of employees involved in search activities. When revenue is deferred, the related amount of estimated compensation expense directly associated with such deferred revenue is also deferred. This expense deferral is recorded as a reduction in compensation payable on the consolidated balance sheet.

Leases

Leases are classified as either operating or finance, based on the substance of the transaction at the inception of the lease.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to profit or loss within general and administrative expenses on a straight line basis over the period of the lease.

The Company leases certain property and equipment. Leases of property and equipment, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Currently, all of the Company's leases pertain to its office space and are considered operating leases.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Dividends

Dividends on common shares are recognized in the Company's consolidated financial statements in the period in which the dividends are approved by the Board of Directors of the Company.

Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net income for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options and similar instruments is computed using the treasury stock method. The Company's potentially dilutive common shares comprise stock options and restricted stock units granted to employees.

Accounting Standards Issued But Not Yet Applied

International Financial Reporting Standard 9, *Financial Instruments* (*IFRS 9*)

IFRS 9, *Financial Instruments*, was issued in November 2009 and addresses classification and measurement for financial assets and replaces the multiple category and measurement models in IAS 39 - *Financial Instruments — Recognition and Measurement (IAS 39)* for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

The following revised standards and amendments are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted.

IFRS 10 - *Consolidated Financial Statements (IFRS 10)*, requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement in the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policy of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC 12 - *Consolidation-Special Purpose Entities* and parts of IAS 27 - *Consolidated and Separate Financial Statements*. The Company has assessed that the adoption of this IFRS will not impact the Company's consolidated financial statements.

IFRS 13 - *Fair Value Measurement*, is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The adoption of this IFRS will not have a material impact on the Company's consolidated financial statements. However, it will impact the annual disclosures and these disclosures could be extensive.

There are no other standards or interpretations that are not yet effective that would be expected to have a material impact on the Company.

Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. The following are the estimates and judgments applied by management that most significantly affect the Company's financial statements. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The following discussion sets forth management's most significant estimates and assumptions in determining the value of assets and liabilities, and the most significant judgments in applying accounting policies.

Revenue recognition
The Company's method of revenue recognition requires it to estimate the expected average performance period and the percentage of completion, based on the proportion of the estimated effort to fulfill the Company's obligations throughout the expected average performance period for its executive searches. Differences between the estimated percentage of completion and the amounts billed will give rise to a deferral of revenue to a future period. Changes in the average performance period or the proportion of effort expended throughout the performance period for its executive searches could lead to an under or overvaluation of revenue. Further information on deferred revenue is included in note 11.

Allowance for doubtful accounts
Estimates are used in determining the allowance for doubtful accounts related to trade receivables. The estimates are based on management's best assessment of the collectability of the related receivable balance based, in part, on the age of the specific receivable balance. An allowance is established when the likelihood of collecting the account has significantly diminished. Future collections of receivables that differ from management's current estimates would affect the results of operation in future periods.

Impairment of Goodwill

The Company tests at least annually whether goodwill is subject to any impairment in accordance with the accounting policy. Various assumptions are made in performing this test, including estimates of future revenue streams, operating costs and discount rates. These assumptions are disclosed in note 7. Future results that differ from management's current estimates would affect the results of operation in future periods.

4. Marketable Securities

The Company has investments in managed funds (classified as available for sale financial assets) which are comprised of the following:

August 31	Fair Value	Cost, net of writedowns & provisions
2013	3,576,811	2,896,231
2012	3,303,044	2,896,231

During fiscal 2013 and 2012, the Company recorded no realized gains or losses on disposition of available for sale marketable securities. An unrealized gain of $273,767 was recognized as part of other comprehensive income during the year (2012: $176,217).

5. Property and Equipment

	furniture and equipment	computer equipment	computer application software	leasehold improvements	total
Year ended August 31, 2012:					
Opening net book value	590,299	196,772	95,269	818,381	1,700,721
Additions	67,383	62,239	52,301	5,279	187,202
Depreciation for the year	(126,782)	(69,243)	(59,333)	(135,048)	(390,406)
Exchange differences	4,527	978	(442)	1,435	6,498
Closing net book value	535,427	190,746	87,795	690,047	1,504,015
At August 31, 2012:					
Cost	2,165,987	1,986,694	682,641	2,575,972	7,411,294
Accumulated depreciation	(1,630,560)	(1,795,948)	(594,846)	(1,885,925)	(5,907,279)
Net book value	535,427	190,746	87,795	690,047	1,504,015
Year ended August 31, 2013:					
Opening net book value	535,427	190,746	87,795	690,047	1,504,015
Additions	92,530	81,783	35,745	11,302	221,360
Depreciation for the year	(116,064)	(70,987)	(77,281)	(135,951)	(400,283)
Exchange differences	19,314	7,124	4,198	4,918	35,554
Closing net book value	531,207	208,666	50,457	570,316	1,360,646
At August 31, 2013:					
Cost	2,277,831	2,075,601	722,584	2,592,192	7,668,208
Accumulated depreciation	(1,746,624)	(1,866,935)	(672,127)	(2,021,876)	(6,307,562)
Net book value	531,207	208,666	50,457	570,316	1,360,646

Depreciation of property and equipment is included in general and administrative expenses in the consolidated statement of earnings (loss). Disposals of fully depreciated assets have been derecognized amounting to cost and accumulated depreciation of $182,753 (2012: $0).

6. Intangible Assets

	client lists	non-competition & non-solicitation agreements	computer software	total
Year ended August 31, 2012:				
Opening net book value	577,196	12,551	7,575	597,322
Amortization for the year	(91,742)	(14,514)	(8,760)	(115,016)
Exchange differences	3,193	1,963	1,185	6,341
Closing net book value	488,647	-	-	488,647
At August 31, 2012:				
Cost	736,971	49,689	1,266,029	2,052,689
Accumulated amortization	(248,324)	(49,689)	(1,266,029)	(1,564,042)
Net book value	488,647	-	-	488,647
Year ended August 31, 2013:				
Opening net book value	488,647	-	-	488,647
Amortization for the year	(71,563)	-	-	(71,563)
Exchange differences	30,350	-	-	30,350
Closing net book value	447,434	-	-	447,434
At August 31, 2013:				
Cost	767,321	49,689	-	817,010
Accumulated amortization	(319,887)	(49,689)	-	(369,576)
Net book value	447,434	-	-	447,434

Amortization of intangible assets is included in general and administrative expenses in the consolidated statement of earnings (loss). Disposals of fully amortized assets have been derecognized amounting to cost and accumulated amortization of $1,266,029 (2012: $0).

7. Goodwill

In assessing goodwill for impairment at August 31, 2013 and 2012, the Company compared the aggregate recoverable amount of the assets included in the cash generating unit (CGU) in its US segment to its respective carrying amount. The recoverable amount has been determined based on the estimated value in use of the CGU using a one year cash flow budget. For periods beyond the budget period, cash flows were extrapolated using growth rates in the table below. Assumptions made were as follows:

	2013	2012
Average growth rate	0%	-5%
Expected gross margin	27%	28%
Discount rate	8%	8%

The impairment tests performed resulted in no impairment at August 31, 2013 or 2012.

8. Nature of Expenses

	2013	2012
Compensation costs	28,449,009	26,528,286
Occupancy costs	3,142,354	2,978,331
Marketing and business development costs	689,686	616,726
Depreciation	400,283	390,406
Amortization	71,563	115,016
Other	1,182,213	1,064,067
	33,935,108	31,692,832

9. Compensation of Key Management

Key management includes the Board of Directors and named executive officers of the Company. Compensation awarded to key management included:

	2013	2012
Salaries and short-term benefits	1,230,289	1,237,539
Share-based payments and restricted stock units	237,552	123,878
	1,467,841	1,361,417

10. Severance Accrual

During fiscal 2013, the Company reached an agreement to pay an employee a severance of $446,250. The severance is to be paid out monthly in equal cash installments to the end May 2015. Under certain circumstances for the former employee, the company may recoup a portion of the settlement, but no such recovery has been recorded due to its uncertainty. A liability has been recorded on the consolidated statement of financial position at August 31, 2013, with the current portion of $210,000 in compensation payable and $148,750 in the non-current severance accrual.

11. Deferred Revenue

The Company's method of revenue recognition requires it to estimate the expected average performance period and the proportion of the estimated effort to fulfill the Company's obligations throughout the average performance period for its executive searches. Differences between the revenue recognition period and the billing period will give rise to a deferral of revenue. When this occurs the Company defers a portion of the amounts billed to be recognized in a future period.

During 2012 it was determined that the performance period approximated the billing period, and accordingly no deferred revenue was recorded. During 2013, based on the ability to access enhanced search performance metrics, the Company changed its estimate of the expected average performance period and its method of estimating the percentage of completion which resulted in a performance period longer than the billing period. As a result, the change in estimate was applied prospectively and during 2013 the Company deferred revenue of $1,357,718 (2012: $0), with such amount to be recognized during a future period.

When revenue is deferred, the related amount of estimated compensation expense directly associated with such deferred revenue is also deferred. Accordingly, during 2013 the Company deferred compensation expense of $582,038 (2012: $0) to be expensed in the future period in which the related deferred revenue is recognized. This expense deferral is recorded as a reduction in compensation payable.

12. Income Taxes

	2013	2012
Current tax:		
Current tax on net earnings for the year	89,201	45,286
Deferred tax:		
Origination and reversal of temporary differences	73,302	(468)
	162,503	44,818

The tax on the Company's earnings (loss) before income tax differs from the amount that would arise using the weighted average tax rate applicable to earnings (loss) of the consolidated entities as follows:

	2013	2012
Combined statutory income tax rate	50.8%	28.6%
Utilization of deferred tax asset not previously recognized	(147.1%)	(28.4%)
Non-deductible expenses	(22.8%)	3.2%
Prior years taxes	(21.5%)	-
Tax rate differences	-	0.9%
Other	4.5%	0.1%
	(136.1%)	4.4%

The weighted average applicable tax rate was 37.5% (2012: 4.4%).

The analysis of deferred tax assets and liabilities is as follows:	2013	2012
Deferred tax assets:		
Deferred tax assets to be recovered after more than 12 months	265,456	319,379
Deferred tax assets to be recovered within 12 months	100,620	125,897
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 12 months	(265,456)	(319,379)
Deferred tax liabilities to be recovered within 12 months	(100,620)	(52,595)
Deferred tax assets (net)	-	73,302

The movement of the deferred income tax account is as follows:	2013	2012
As of September 1	73,302	72,834
Credit to statement of earnings (loss)	(73,302)	468
As of August 31	-	73,302

The movement in deferred income tax assets and liabilites during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

	Compensation payable	Non-Capital losses	Total
At September 1, 2011	72,834	351,395	424,229
Credited to the statement of earnings (loss)	468	20,579	21,047
At August 31, 2012	73,302	371,974	445,276
Credited to the statement of earnings (loss)	(73,302)	(181,277)	(79,201)
At August 31, 2013	-	190,697	366,075

Deferred tax liabilities

	Excess Carrying Value of P&E over tax base	Other	Total
At September 1, 2011	351,395	-	351,395
(Charged)/Credited to the statement of earnings (loss)	(32,016)	52,595	20,579
At August 31, 2012	319,379	52,595	371,974
(Charged)/Credited to the statement of earnings (loss)	(53,924)	48,025	(5,899)
At August 31, 2013	265,455	100,620	366,075

Deferred income tax assets are recognized for tax loss carry-forwards and other temporary differences to the extent that the realization of the related tax benefit through future taxable earnings are probable. The Company did not recognize deferred income tax assets of $1,745,084 (2012: $2,124,000) that can be carried forward against future taxable income.

As at August 31, 2013, the Company has non-capital losses with the following expiry dates available to reduce income of future years.

Expiry	Amount
2029	1,349,582.00
2031	422,447.00

The Company also has capital losses of $3,531,000 that can only be utilized against capital gains and are without expiry date.

13. Earnings (loss) per share

(i) Basic

Basic earnings (loss) per share are calculated by dividing the net earnings (loss) attributable to owners of the Company by the weighted average number of common shares outstanding during the years.

	2013	2012
Net earnings (loss) for the year attributable to owners of the Company	(281,904)	981,008
Weighted average number of Common Shares outstanding	17,048,628	16,985,505
Basic earnings per share	($0.017)	$0.058

(ii) Diluted

Diluted earnings (loss) per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's outstanding shares for the period), based on the exercise prices attached to the stock options currently outstanding. The number of shares calculated above is compared with the number of shares that would have been issued assuming exercise of the stock options.

	2013	2012
Net earnings (loss) for the year attributable to owners of the Company	(281,904)	981,008
Weighted average number of Common Shares outstanding	17,048,628	16,985,505
adjustments for:		
- share options	77,389	18,188
Weighted average number of common shares for diluted earnings (loss) per share	17,126,017	17,003,693
Diluted earnings per share	($0.017)	$0.058

In the current year the impact of the share options is anti-dilutive therefore the diluted loss per share is equal to the basic loss per share.

14. Capital Stock

Common Shares

As at August 31, 2013 the authorized share capital of the Company consists of an unlimited number of Common Shares of which 17,065,505 are issued and outstanding (August 31, 2012: 16,985,505). On November 22, 2012, a member of the management team exercised options to purchase 80,000 Common Shares of the Company at an exercise price of $0.56 per share.

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.

Prior to May 1, 2012, the Company had suspended dividend payments given its deficit position. On May 1, 2012, shareholders of the Company approved a special resolution to reduce the stated capital of the Company by 75%. This transaction resulted in a $12,048,058 reduction of stated capital with an equivalent increase in contributed surplus. As a result, the Company was able to reinstitute dividend payments.

A summary of dividends declared during fiscal 2012 and 2013 to-date is as follows:

declaration date	payment date	dividend per share	aggregate dividends declared
May 1, 2012	June 15, 2012	$0.015	$ 254,782
July 23, 2012	September 14, 2012	$0.015	$ 254,782
November 15, 2012	December 14, 2012	$0.015	$ 255,983
January 11, 2013	March 15, 2013	$0.015	$ 255,983
April 11, 2013	June 14, 2013	$0.015	$ 255,982
July 11, 2013	September 13, 2013	$0.015	$ 255,982

On June 5, 2013, the Toronto Stock Exchange accepted the Company’s notice of intention to purchase through a normal course issuer bid up to 853,275 of its Common Shares. No shares have been repurchased as of November 8, 2013.

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:

	2013		2012	
	number of options outstanding	weighted average exercise price	number of options outstanding	weighted average exercise price
Outstanding at beginning of period	995,000	$0.89	720,000	$0.97
Options exercised	(80,000)	$0.56	-	-
Options granted	100,000	$1.02	275,000	$0.68
Outstanding at end of period	1,015,000	$0.93	995,000	$0.89
Exercisable at end of period	777,500		680,000	

A summary of options granted and exercised is as follows:

date	Number of options	action	strike price
September 11, 2008	600,000	options granted	$1.05
November 16, 2009	120,000	options granted	$0.56
February 6, 2012	275,000	options granted	$0.68
November 22, 2012	(80,000)	options exercised	$0.56
April 11, 2013	100,000	options granted	$1.02
	1,015,000		

All options currently outstanding vest ratably over two or three years and have a contractual life of five years. Options have an exercise price equal to the market value of the common shares on the date of issuance. Stock option expense of $21,339 has been recorded in the year ended August 31 (2012: $18,391) within general and administrative expenses. The fair value of the options granted in the previous year was determined using the Black-Scholes option pricing model (using an expected volatility of 24%, a risk-free interest rate of 2%, a dividend yield of 5%, and an estimated life of 4 years). The fair value of the options granted in the current year was determined using the Black-Scholes option pricing model (using an expected volatility of 15.5%, a risk-free interest rate of 1%, a dividend yield of 6%, and an estimated life of 4 years)

Restricted Stock Units

The long-term incentive accrual represents a provision for a restricted stock unit plan issued to members of the Company's management team.

Restricted stock units are common shares of the Company that are restricted to be issued to members of the management team. These restricted stock units cliff vest three years from the date of grant. The Board of Directors may elect to settle in either cash or shares; should the Board of Directors elect to settle in shares, the individual may elect to receive up to half of the settlement in cash. The estimated cost of this plan is being amortized straight-line over the three year vesting period.

On January 12, 2012, 441,000 restricted stock units were granted to members of the management team based on a current market price of $0.63 per share. On November 15, 2012, 294,667 restricted stock units were granted to members of the management team based on a current market price of $0.75 per share.

Total outstanding restricted stock units are summarized as follows:

	2013		2012	
	number of RSUs outstanding	weighted average grant price	number of RSUs outstanding	weighted average grant price
Outstanding at beginning of period	836,000	$0.62	395,000	$0.60
RSUs cancelled	(205,333)	$0.65	-	-
RSUs granted	294,667	$0.75	441,000	$0.63
Outstanding at end of period	925,334	$0.65	836,000	$0.62

RSU expense of $282,965 has been recorded in the year ended August 31, 2013 (2012 – $132,779) within general and administrative expenses.

15. Segmented Information

The Company has operations in both Canada and the United States. Both geographic segments provide retained executive search consulting services to clients.

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

	2013			2012		
	Canada	United States	total	Canada	United States	total
Revenues	11,551,156	22,251,838	33,802,994	10,181,559	22,522,158	32,703,717
Gross profit	3,489,388	4,308,322	7,797,710	3,592,976	4,528,638	8,121,614
General and administrative	(3,281,123)	(3,994,050)	(7,275,173)	(2,408,262)	(4,126,437)	(6,534,699)
Sales and marketing	(173,723)	(515,963)	(689,686)	(143,554)	(473,172)	(616,726)
Foreign exchange gain (loss)	43,362	(8,327)	35,035	44,640	(3,944)	40,696
Operating profit (loss)	77,904	(210,018)	(132,114)	1,085,800	(74,915)	1,010,885
Investment income	12,704	9	12,713	14,046	895	14,941
Income tax	(86,970)	(75,533)	(162,503)	-	(44,818)	(44,818)
Net earnings (loss) for the period	3,638	(285,542)	(281,904)	1,099,846	(118,838)	981,008

Included in general and administrative expenses for Canada is a severance expense of $446,250 (2012: $0) as disclosed in note 10. General and administrative expenses include management fees representing a transfer of corporate overhead expenses from the Canadian parent company to its US subsidiary. For year ending August 31, 2013, management fees amounted to $1,235,887 (2012: $1,583,308).

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

	at August 31, 2013			at August 31, 2012		
	Canada	United States	Total	Canada	United States	Total
Property and equipment	820,661	539,985	1,360,646	965,161	538,854	1,504,015
Intangible assets	-	447,434	447,434	-	488,647	488,647
Goodwill	-	1,039,922	1,039,922	-	973,458	973,458
Total assets	13,063,565	9,670,805	22,734,370	11,737,883	8,391,468	20,129,351

Depreciation recorded on property and equipment is as follows:

	2013			2012		
	Canada	United States	Total	Canada	United States	Total
Depreciation expense	209,458	190,825	400,283	205,584	184,822	390,406
Amortization expense	-	71,563	71,563	-	115,016	115,016

16. 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 17, are as follows:

Twelve months ending August 31, 2014	1,785,396
Twelve months ending August 31, 2015	1,653,600
Twelve months ending August 31, 2016	1,569,031
Twelve months ending August 31, 2017	1,271,751
Twelve months ending August 31, 2018	1,187,560
September 1, 2018 and thereafter	3,032,866
	10,500,204

During the year ended August 31, 2013, the Company expensed $2,350,803 (2012: $2,270,792) relating to operating leases for its nine locations in Canada and the United States, inclusive of rents paid to a related party described in note 17. This expense is included in general and administrative expenses. With the exception of the Toronto office, all leases are with third party commercial landlords at fair market rental rates at the inception of the lease. Lease terms at inception were five to ten years, dependent on the location.

17. Related Party Transactions

Pursuant to its lease agreements, the Company paid rent for its Toronto office to an affiliated company owned by a shareholder, C. Douglas Caldwell, registered as owning more than ten percent of the Company. The amount of consideration agreed to by the parties was determined to be fair market rental rates at the inception of the lease by an independent commercial real estate counselor and was approved by the independent members of the Board of Directors. Occupancy costs within general and administrative expenses in the consolidated interim statements of earnings (loss) have been recognized for year ended August 31, 2013 in the amount of $200,343 (2012: $200,343).

18. Financial Instruments

Classification of Financial Instruments

The classification of the financial instruments are shown in the table below. As at August 31, 2013 and 2012 the carrying amounts equal their fair values.

	Classification	Measurement
Cash and cash equivalents	loans & receivables	amortized cost
Marketable securities	available for sale	fair value
Accounts receivable	loans & receivables	amortized cost
Restricted cash	loans & receivables	amortized cost
Accounts payable	other financial liabilities	amortized cost
Compensation payable	other financial liabilities	amortized cost
Dividends payable	other financial liabilities	amortized cost

Fair value hierarchy

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2: This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative financial instruments in this category are valued using models or other industry standard valuation techniques derived from observable market inputs.

Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

The fair value hierarchy of marketable securities were Level 2 as at August 31, 2013 and 2012.

Fair value

Cash and cash equivalents, restricted cash, accounts receivable, and accounts payable are short-term financial instruments whose fair value approximates their carrying amount given their short-term maturity.

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 earnings. Realized gains and losses are removed from accumulated other comprehensive income and recognized within the consolidated statement of earnings (loss).

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 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, 2013, the Company has net monetary asset exposure of $3,287,975 denominated in U.S. dollars (2012: $3,020,700). A 5% depreciation or appreciation in the Canadian dollar against the U.S. dollar, assuming that all other variables remained the same, would have resulted in an increase or decrease in foreign exchange gain/(loss) of $164,399 recognized in the cumulative translation adjustment in the Company's consolidated statement of financial position for the year ended August 31, 2013 (2012: $151,035).

In fiscal 2011, the Company began entering into foreign exchange forward contracts with a Canadian financial institution to sell US dollars to reduce its foreign exchange risk. Seven such contracts each to sell $1 million US expired during the year ending August 31, 2013, generating a net foreign exchange loss of $57,000 (2012: $43,900 loss) which has been recorded in foreign exchange gains in the consolidated statement of earnings (loss) for the year. As at August 31, 2013, the fair value of the foreign exchange forward contracts was a liability of $57,600 (2012: $28,600).

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 cash resources to meet its financial liabilities as they come due.

The Company manages liquidity by maintaining adequate cash and cash equivalent balances, monitoring its investment portfolio of marketable securities, 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 receivable 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 non-derivative financial liabilities are as follows:

	As at August 31, 2013			As at August 31, 2012		
	less than 6 months	6 months to 1 year	1 to 3 years	less than 6 months	6 months to 1 year	1 to 3 years
Accounts payable	1,345,146	-	-	1,007,926	-	-
Compensation payable	9,051,182	105,000	379,980	7,673,729	-	186,267
Dividends payable	255,983	-	-	254,782	-	-

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, restricted cash, accounts receivable and loans receivable. The Company places its cash and cash equivalents with high credit quality financial institutions.

Accounts receivable were comprised of the following at August 31:

	As at August 31	
	2013	2012
Accounts receivables	7,402,129	6,615,460
Less: allowance for doubtful accounts	(352,031)	(531,800)
	7,050,098	6,083,660
Other receivables	38,457	38,917
	7,088,555	6,122,577

No financial assets are past due except for a portion of trade receivables. As at August 31, 2013, trade receivables of $6,372,255 (2012: $5,295,752) were fully performing, $677,843 (2012: $701,451) were over 90 days but not impaired and $352,031 (2012: $618,257) were over 90 days and impaired.

The following table summarizes the changes in the allowance for doubtful accounts for the trade receivables:

	As at August 31	
	2013	2012
Start of year	531,800	225,739
Provision for impairment	340,517	431,395
Receivables written off during the year as uncollectible	(469,218)	(50,627)
Unused amounts reversed	(51,069)	(74,707)
End of year	352,031	531,800

Interest Rate Risk and Market Price Risk

The Company has no external debt and therefore exposure to interest rate risk on debt facilities is minimal. 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. Marketable securities are comprised of investments in pooled funds which are also subject to market price risk (i.e. fair value fluctuates based on changes in market prices).

At August 31, 2013, the Company has $3,576,811 invested in managed funds (2012: $3,303,044). A 5% variation in the market price of underlying securities would have resulted in an increase or decrease in the value of this asset of $178,841 (2012: $165,152).

19. Capital management

The Company's capital is comprised of common shares of the Company and 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. Because the Company continues to remain debt free, it 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.

20. Comparative figures

Certain prior year figures have been reclassified to comply with current year classifications.

21. Subsequent event

On November 8, 2013 the Board of Directors declared a dividend of 1.75 cents per share, payable to holders of Common Shares of record on November 25, 2012 and to be paid on December 13, 2013.

Directors

G Edmund King, Chair of the Board
Corporate Director

Paul R. Daoust
Consultant and Corporate Director

Richard D Innes
Consultant and 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.

C. Christopher Beck, CPA
Chief Financial Officer and Corporate Secretary
The Caldwell Partners International Inc.

Shareholder Information

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants, Toronto, Ontario

Counsel

Miller Thomson LLP
Barristers and Solicitors, Toronto, Ontario

Stock Exchange Listing

The Toronto Stock Exchange (symbol: CWL)

Transfer Agent

Valiant Trust Company

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