

ATLANTIC EDUCATION INTERNATIONAL INC.
FINANCIAL STATEMENTS
FOR THE EIGHT MONTHS ENDED AUGUST 31, 2008

**TEED
SAUNDERS
DOYLE & CO.**
Chartered Accountants

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Chartered Accountants

An Independent Member of
DFK Canada Inc. and DFK International

AUDITORS' REPORT

To the Directors of Atlantic Education International Inc.

We have audited the statement of financial position of Atlantic Education International Inc. as at August 31, 2008 and the statements of operations, changes in net assets and cash flows for the period then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at August 31, 2008 and the results of its operations for the period then ended in accordance with Canadian generally accepted accounting principles.

January 9, 2009
Fredericton, NB

Teed Saunders Doyle & Co
CHARTERED ACCOUNTANTS

Fredericton Partners

Brian J. Saunders Ralph D. Gorman
David H. Bradley John H. Landry
T.J. Smith Jeffrey E. Saunders



Saint John Partners

John H. Teed Andrew P. Logan
Peter L. Logan James K. Whittaker

ATLANTIC EDUCATION INTERNATIONAL INC.

STATEMENT OF FINANCIAL POSITION

AS AT AUGUST 31, 2008

	Aug. 31, 2008	Dec. 31, 2007
ASSETS		
Current Assets		
Cash	\$ 149,266	\$ 41,131
Accounts receivable	299,487	1,233,668
Prepaid expenses	<u>20,188</u>	<u>8,500</u>
	\$ <u>468,941</u>	\$ <u>1,283,299</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 8,008	\$ 335,316
Deferred revenue	75,387	561,229
Due to AKD International Inc. (note 4)	<u>155,691</u>	<u>93,594</u>
	<u>239,086</u>	<u>990,139</u>
Long Term Debt		
Loan payable (note 5)	<u>30,000</u>	<u>30,000</u>
NET ASSETS		
Capital Stock (note 6)	3	3
Unrestricted Net Assets	<u>199,852</u>	<u>263,157</u>
	<u>199,855</u>	<u>263,160</u>
	\$ <u>468,941</u>	\$ <u>1,283,299</u>

Approved By The Board:



ATLANTIC EDUCATION INTERNATIONAL INC.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE EIGHT MONTHS ENDED AUGUST 31, 2008

	Eight Months Ended Aug. 31, 2008	Year Ended Dec. 31, 2007
Net Assets At Beginning Of Period	\$ 263,157	\$ 234,898
Excess (Deficiency) Of Receipts Over Disbursements For The Period	<u>(63,305)</u>	<u>28,259</u>
Net Assets At End Of Period	<u>\$ 199,852</u>	<u>\$ 263,157</u>

ATLANTIC EDUCATION INTERNATIONAL INC.

STATEMENT OF OPERATIONS

FOR THE EIGHT MONTHS ENDED AUGUST 31, 2008

	Eight Months Ended Aug. 31, 2008	Year Ended Dec. 31, 2007
Receipts	\$ <u>534,760</u>	\$ <u>540,105</u>
Disbursements		
Administration	363,680	247,646
Education costs		
NB International Student Program	5,124	-
Summer and winter camps	37,013	73,620
Other	4,457	13,817
Travel	<u>187,791</u>	<u>176,763</u>
	<u>598,065</u>	<u>511,846</u>
Excess (Deficiency) Of Receipts Over Disbursements For The Period	\$ <u>(63,305)</u>	\$ <u>28,259</u>

ATLANTIC EDUCATION INTERNATIONAL INC.
STATEMENT OF CASH FLOWS
FOR THE EIGHT MONTHS ENDED AUGUST 31, 2008

	Eight Months Ended Aug. 31, 2008	Year Ended Dec. 31, 2007
Cash Provided By (Required For):		
Operating Activities		
Excess (deficiency) of receipts over disbursements for the period	\$ (63,305)	\$ 28,259
Changes in non-cash operating working capital		
Accounts receivable	934,181	(262,906)
Prepaid expenses	(11,688)	(8,500)
Accounts payable and accrued liabilities	(327,308)	(73,148)
Deferred revenue	(485,842)	185,014
Due to AKD International Inc.	<u>62,097</u>	<u>124,135</u>
Increase (Decrease) In Cash During The Period	108,135	(7,146)
Cash Position At Beginning Of Period	<u>41,131</u>	<u>48,277</u>
Cash Position At End Of Period	<u>\$ 149,266</u>	<u>\$ 41,131</u>

ATLANTIC EDUCATION INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE EIGHT MONTHS ENDED AUGUST 31, 2008

1. Nature Of Operations

Atlantic Education International Inc. implements various educational initiatives in partnership with the New Brunswick Department of Education and AKD International Inc. The company is a crown corporation owned by the Province of New Brunswick and is therefore exempt from income tax.

2. Significant Accounting Policies

Use of Estimates

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

Financial Instruments

Section 3855 of the CICA Handbook establishes standards for measuring and recognizing financial assets and liabilities. The standards require that financial instruments be classified as one of the following: held-for-trading, available-for-sale, held-to-maturity, loans and receivables. Financial instruments are measured at fair value with the exception of loans, receivables and investments classified as held-to-maturity which are measured at amortized cost. The fair value of a financial instrument is the arm's length exchange amount between knowledgeable and willing parties.

The organization's financial instruments consist of cash, accounts receivable, accounts payable and other liabilities which have been designated as held-for-trading. The carrying values of these financial assets and liabilities approximate fair values due to the short-term maturity of these instruments. The fair values of the loans payable to N.B. Department of Advanced Education and Labour and AKD International Inc. have not been determined because there is no ready market for these financial instruments. It is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from financial instruments.

Revenue

Revenue from tuition and course fees is recognized on the basis of instruction completed in relation to the start and end dates of the programs.

3. Transactions With AKD International Inc.

Receipts during the period for general operations from AKD International Inc. amounted to \$264,571 (2007 - \$358,955).

Receipts during the period for programs administered on behalf of AKD International Inc. amounted to \$746,302 (2007 - \$1,195,139).

Accounts receivable includes \$287,955 (2007 - \$1,233,668) owing from AKD International Inc. at period-end.

ATLANTIC EDUCATION INTERNATIONAL INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE EIGHT MONTHS ENDED AUGUST 31, 2008

4. Due To (From) AKD International Inc.

	Eight Months Ended Aug. 31, 2008	Year Ended Dec. 31, 2007
Receipts	\$ <u>746,302</u>	\$ <u>1,195,139</u>
Disbursements		
Accommodations	289,465	430,346
Education costs		
Post-secondary program	-	2,765
Enhanced program	270,948	471,075
Summer and winter camps	8,492	5,079
Travel	33,282	21,276
Recruitment	26,633	25,272
Contracts	-	80,000
Other	<u>55,385</u>	<u>35,191</u>
	<u>684,205</u>	<u>1,071,004</u>
Excess (Deficiency) Of Receipts Over Disbursements For The Period	62,097	124,135
Balance At Beginning Of Period	<u>93,594</u>	<u>(30,541)</u>
Balance At End Of Period	<u>\$ 155,691</u>	<u>\$ 93,594</u>

5. Loan Payable

The N.B. Department of Advanced Education and Labour contributed an initial amount of \$30,000 to assist in the cash flow of the corporation. This contribution is repayable when the cash flow of the corporation allows. There are no interest, security or specific terms of repayment.

6. Capital Stock

	Aug. 31, 2008	Dec. 31, 2007
Authorized		
An unlimited number of common shares without nominal or par value		
Issued		
1 common share	\$ <u>3</u>	\$ <u>3</u>

7. Change In Fiscal Reporting Period

The organization has changed its fiscal reporting period to end on August 31 from December 31.