

ATLANTIC EDUCATION INTERNATIONAL INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

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

ATLANTIC EDUCATION INTERNATIONAL INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

CONTENTS

	<u>Page</u>
Auditors' Report	1
Statement of Financial Position	2
Statement of Changes in Net Assets	3
Statement of Operations	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 7

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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, 2009 and the statements of operations, changes in net assets and cash flows for the year 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fredericton, New Brunswick
December 29, 2009

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

1



Saint John Partners

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

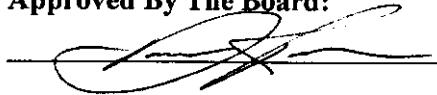
ATLANTIC EDUCATION INTERNATIONAL INC.

STATEMENT OF FINANCIAL POSITION

AS AT AUGUST 31, 2009

ASSETS		
	<u>2009</u>	<u>2008</u>
Current Assets		
Cash	\$ 577,636	\$ 149,266
Accounts receivable	183,148	299,487
Prepaid expenses	<u>36,107</u>	<u>20,188</u>
	<u>\$ 796,891</u>	<u>\$ 468,941</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 25,321	\$ 8,006
Deferred revenue	141,453	75,387
Due to AKD International Inc.	<u>-</u>	<u>155,694</u>
	<u>166,774</u>	<u>239,087</u>
Long Term Debt		
Loan payable (note 3)	<u>30,000</u>	<u>30,000</u>
NET ASSETS		
Capital Stock (note 4)	3	3
Unrestricted Net Assets	<u>600,114</u>	<u>199,851</u>
	<u>600,117</u>	<u>199,854</u>
	<u>\$ 796,891</u>	<u>\$ 468,941</u>

Approved By The Board:



ATLANTIC EDUCATION INTERNATIONAL INC.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED AUGUST 31, 2009

	Year Ended Aug. 31, 2009	Eight Months Ended Aug. 31, 2008
Net Assets At Beginning Of Year	\$ 199,851	\$ 263,156
Excess (Deficiency) Of Receipts Over Disbursements For The Year	<u>400,263</u>	<u>(63,305)</u>
Net Assets At End Of Year	\$ <u>600,114</u>	\$ <u>199,851</u>

ATLANTIC EDUCATION INTERNATIONAL INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED AUGUST 31, 2009

	Year Ended Aug. 31, 2009	Eight Months Ended Aug. 31, 2008
Receipts		
China program	\$ 1,998,628	\$ 1,105,361
NB International Student Program	752,429	9,330
Confucius Institute	<u>79,626</u>	<u>104,274</u>
	<u>2,830,683</u>	<u>1,218,965</u>
Disbursements		
Education and tuition	844,972	270,948
Student accomodations	646,626	289,465
Administration	403,975	360,719
Travel	240,289	217,132
Advertising and recruiting	50,888	46,264
Teaching materials and supplies	62,796	7,000
Conferences	24,993	-
English second language training	101,632	-
Other	<u>54,249</u>	<u>90,742</u>
	<u>2,430,420</u>	<u>1,282,270</u>
Excess (Deficiency) Of Receipts Over Disbursements For The Year	\$ <u>400,263</u>	\$ <u>(63,305)</u>

ATLANTIC EDUCATION INTERNATIONAL INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2009

	Year Ended Aug. 31, <u>2009</u>	Eight Months Ended Aug. 31, <u>2008</u>
Cash Provided By (Required For):		
Operating Activities		
Excess (deficiency) of receipts over disbursements for the year	\$ 400,263	\$ (63,305)
Changes in non-cash operating working capital		
Accounts receivable	116,339	934,181
Prepaid expenses	(15,920)	(11,688)
Accounts payable and accrued liabilities	17,316	(327,307)
Deferred revenue	66,066	(485,842)
Due to AKD International Inc.	<u>(155,694)</u>	<u>62,096</u>
Increase In Cash During The Year	428,370	108,135
Cash Position At Beginning Of Year	<u>149,266</u>	<u>41,131</u>
Cash Position At End Of Year	<u>\$ 577,636</u>	<u>\$ 149,266</u>

ATLANTIC EDUCATION INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

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. 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.

ATLANTIC EDUCATION INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

4. Capital Stock

		<u>2009</u>	<u>2008</u>
Authorized	An unlimited number of common shares without nominal or par value		
Issued	1 common share	\$ <u> 3</u>	\$ <u> 3</u>

5. Comparative Figures

The comparative figures for 2008 have been restated to conform with the current year's presentation.