CIBT EDUCATION GROUP INC.

CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2014

EXPRESSED IN CANADIAN DOLLARS

Independent auditor's report

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To the shareholders of CIBT Education Group Inc.:

We have audited the accompanying consolidated financial statements of CIBT Education Group Inc., which comprise the consolidated statement of financial position as at August 31, 2014 and August 31, 2013, and the consolidated statements of loss, comprehensive loss and changes in equity and the consolidated statement of cash flows for the year then ended August 31, 2014 and August 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the 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 audit. We conducted our audit 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of CIBT Education Group Inc. as at August 31, 2014 and August 31, 2013, and its financial performance and its cash flows for the year then ended August 31, 2014 and August 31, 2013, in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Vancouver, Canada
November 30, 2014

Chartered accountants

CIBT EDUCATION GROUP INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
EXPRESSED IN CANADIAN DOLLARS

	August 31, 2014	August 31, 2013 Restated Note 26
ASSETS		
CURRENT		
Cash and cash equivalents	$ 2,706,229	$ 3,555,419
Restricted cash (Note 4)	197,450	190,987
Short-term investments	2,118,333	-
Accounts receivable (Note 3)	7,323,999	6,636,480
Prepaid expenses	640,935	642,694
Inventory	389,758	378,020
TOTAL CURRENT ASSETS	13,376,704	11,403,600
DEPOSITS (Note 4)	1,575,000	-
CASH HELD IN TRUST (Note 5)	748,200	-
DUE FROM RELATED PARTIES (Note 24)	835,000	52,500
PROPERTY AND EQUIPMENT (Note 6)	2,478,150	2,794,473
DEFERRED COSTS	53,483	33,518
REFUNDABLE DEPOSITS (Note 4)	6,500,000	-
INVESTMENT IN ASSOCIATES (Note 4 and Note 5)	232,320	-
INTANGIBLE ASSETS (Note 7)	8,521,598	9,097,072
GOODWILL (Note 8)	4,793,303	4,793,303
DEFERRED INCOME TAX ASSETS (Note 18)	2,582,442	2,654,283
ASSETS HELD FOR SALE (Note 10)	-	11,709,872
TOTAL ASSETS	$ 41,696,200	$ 42,538,621
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 11)	$ 3,819,796	$ 3,462,507
Provisions (Note 12)	38,000	115,841
Due to GEC Langara LP (Note 4 and Note 5)	2,323,200	-
Income taxes payable (Note 18)	155,491	153,564
Deferred educational revenue	9,831,156	11,179,121
Current portion of finance lease obligations (Note 13)	157,959	142,491
Current portion of long-term debt (Note 13)	450,000	2,931,495
Due to related parties (Note 24)	381,156	224,898
TOTAL CURRENT LIABILITIES	17,156,758	18,209,917
FINANCE LEASE OBLIGATIONS (Note 13)	508,764	480,483
DEFERRED INCOME TAX LIABILITIES (Note 18)	479,918	1,062,690
LIABILITIES HELD FOR SALE (Note 10)	-	8,070,697
TOTAL LIABILITIES	18,145,440	27,823,787
EQUITY		
SHARE CAPITAL (Note 14)	48,836,693	48,182,766
RESERVES	5,214,064	5,917,043
DEFICIT	(35,814,881)	(40,706,293)
ACCUMULATED OTHER COMPREHENSIVE INCOME	158,247	111,923
EQUITY ATTRIBUTABLE TO CIBT EDUCATION GROUP INC. SHAREHOLDERS	18,394,123	13,505,439
NON-CONTROLLING INTERESTS (Note 16)	5,156,637	1,209,395
TOTAL EQUITY	23,550,760	14,714,834
TOTAL LIABILITIES AND EQUITY	$ 41,696,200	$ 42,538,621

COMMITMENTS & CONTINGENCIES (Note 19)

SUBSEQUENT EVENTS (Note 27)

Approved on behalf of the Board:

"Toby Chu"
Toby Chu, Chief Executive Officer & Director

"Troy Rice"
Troy Rice, Director

CIBT EDUCATION GROUP INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
EXPRESSED IN CANADIAN DOLLARS

		Year Ended August 31, 2014		Year Ended August 31, 2013 Restated Note 26
REVENUES				
Educational	$	27,590,311	$	29,085,965
Design and advertising		860,989		993,927
Commissions and referral fees		843,022		667,669
Development fees (Note 4)		1,621,832		-
		30,916,154		30,747,561
DIRECT COSTS				
Educational		11,132,629		12,243,618
Design and advertising		174,759		253,278
Commissions and referral fees		407,655		192,991
Development fees		459,586		-
		12,174,629		12,689,887
OTHER EXPENSES				
General and administrative (Note 22)		19,729,134		19,963,023
Amortization of property, equipment and intangible assets (excluding agency fees)		1,101,531		1,163,981
Share-based payment expense		15,992		81,527
Business development costs		180,000		-
		21,026,657		21,208,531
OPERATING INCOME (LOSS)		(2,285,132)		(3,150,857)
INTEREST AND OTHER INCOME		135,445		38,743
FOREIGN EXCHANGE GAIN (LOSS)		98,720		97,914
FINANCE COSTS		(118,438)		(106,839)
GAIN (LOSS) ON DISPOSAL OF ASSETS		(52,007)		142
INCOME (LOSS) BEFORE INCOME TAXES		(2,221,412)		(3,120,897)
INCOME TAXES (Note 18)				
Current income tax expense (recovery)		6,953		(397,464)
Deferred income tax expense (recovery)		(510,931)		(818,803)
		(503,978)		(1,216,267)
INCOME (LOSS) FROM CONTINUING OPERATIONS		(1,717,434)		(1,904,630)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS (Note 10)		7,030,395		319,540
NET INCOME (LOSS)	$	5,312,961	$	(1,585,090)
ATTRIBUTABLE TO:				
CIBT Education Group Inc. shareholders	$	5,124,553	$	(1,904,516)
Non-controlling interests		188,408		319,426
NET INCOME (LOSS)	$	5,312,961	$	(1,585,090)
BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE - CONTINUING OPERATIONS	$	(0.03)	$	(0.03)
BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE - DISCONTINUED OPERATIONS		0.11		0.00
BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE - CONTINUING AND DISCONTINUED OPERATIONS	$	0.08	$	(0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
Basic		65,101,971		67,146,290
Diluted		65,101,971		67,146,290

CIBT EDUCATION GROUP INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
EXPRESSED IN CANADIAN DOLLARS

		Year Ended August 31, 2014		Year Ended August 31, 2013 Restated Note 26
NET INCOME (LOSS)	$	5,312,961	$	(1,585,090)
OTHER COMPREHENSIVE INCOME (LOSS):				
Exchange differences on translating foreign operations		81,261		174,240
	$	5,394,222	$	(1,410,850)
ATTRIBUTABLE TO:				
CIBT Education Group Inc. shareholders	$	5,205,814	$	(1,585,090)
Non-controlling interests		188,408		174,240
	$	5,394,222	$	(1,410,850)

CIBT EDUCATION GROUP INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
EXPRESSED IN CANADIAN DOLLARS

Restated - Note 26	Share Capital		Reserves							
	Number of Common Shares	Dollar Amount	Warrants	Share-Based Payments	Treasury Shares	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
Balance, August 31, 2012	71,949,344	$ 48,182,766	$ 2,415,473	$ 3,420,043	$ (3,631,510)	$ 12,152	$ (34,855,216)	$ 15,543,708	$ 1,248,768	$ 16,792,476
Unrealized translation adjustments	-	-	-	-	-	99,771	-	99,771	74,469	174,240
Net income (loss) for the period	-	-	-	-	-	-	(1,830,047)	(1,830,047)	244,957	(1,585,090)
						99,771	(1,830,047)	(1,730,276)	319,426	(1,410,850)
Share-based payments	-	-	-	81,527	-	-	-	81,527	-	81,527
Payments to non-controlling interests	-	-	-	-	-	-	-	-	(358,799)	(358,799)
Purchase of treasury shares	-	-	-	-	(389,520)	-	-	(389,520)	-	(389,520)
Treasury share cancellations	(6,015,224)	-	-	-	4,021,030	-	(4,021,030)	-	-	-
Balance, August 31, 2013	65,934,120	48,182,766	2,415,473	3,501,570	-	111,923	(40,706,293)	13,505,439	1,209,395	14,714,834
Unrealized translation adjustments	-	-	-	-	-	46,324	-	46,324	34,937	81,261
Net income (loss) for the period	-	-	-	-	-	-	5,159,490	5,159,490	153,471	5,312,961
						46,324	5,159,490	5,205,814	188,408	5,394,222
Share-based payments	-	-	-	15,992	-	-	-	15,992	-	15,992
Payments to non-controlling interests	-	-	-	-	-	-	-	-	(236,654)	(236,654)
Non-controlling interests contributions (Note 16)	-	-	-	-	-	-	-	-	3,995,488	3,995,488
Purchase of treasury shares	-	-	-	-	(818,874)	-	-	(818,874)	-	(818,874)
Treasury share cancellations	(865,600)	-	-	-	268,078	-	(268,078)	-	-	-
Shares issued - stock option exercises	1,500	525	-	(165)	-	-	-	360	-	360
Shares issued - share warrant exercises	1,386,833	653,402	(168,010)	-	-	-	-	485,392	-	485,392
Balance, August 31, 2014	66,456,853	$ 48,836,693	$ 2,247,463	$ 3,517,397	$ (550,796)	$ 158,247	$ (35,814,881)	$ 18,394,123	$ 5,156,637	$ 23,550,760

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

CIBT EDUCATION GROUP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
EXPRESSED IN CANADIAN DOLLARS

	Year Ended August 31, 2014	Year Ended August 31, 2013 Restated Note 26
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net income (loss)	$ 5,312,961	$ (1,585,090)
Adjusted for items not involving cash:		
- amortization of property, equipment and intangible assets (including agency fees)	1,830,410	3,183,130
- share-based payment expense	15,992	81,527
- (gain) loss on disposal of assets	52,007	(142)
- bad debt provision	100,000	-
- development fees	(1,621,832)	-
- gain on discontinued operations disposal	(7,030,395)	-
- deferred income tax recovery	(510,931)	(781,674)
- current income tax recovery	-	(426,498)
	(1,851,788)	471,253
Net changes in non-cash working capital items (Note 23)	(2,449,894)	(2,268,852)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	(4,301,682)	(1,797,599)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchases of property and equipment	(377,359)	(1,354,206)
Cash held in trust	(748,200)	-
Restricted cash	(6,463)	66,513
Deposits on real estate properties	(1,950,000)	-
Acquisition of intangible assets	(411,718)	(1,407,350)
Disposal of business assets	6,356,931	2,421
Receipt of promissory note	3,612,639	-
NET CASH FROM (USED IN) INVESTING ACTIVITIES	6,475,830	(2,692,622)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from issuance of shares	485,752	-
Treasury share transactions	(818,874)	(389,520)
Advances from related parties	208,758	195,981
Non-controlling interest draws	(236,654)	(358,799)
Finance lease obligation	(136,717)	(129,617)
Long-term debt repayments	(2,481,495)	(1,652,737)
Long-term debt advances	-	3,000,000
Deferred costs	(19,965)	(33,518)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	(2,999,195)	631,790
NET INCREASE (DECREASE) IN CASH	(825,047)	(3,858,431)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	(24,143)	(44,021)
CASH AND CASH EQUIVALENTS IN ASSETS HELD FOR SALE	-	(506,605)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,555,419	7,964,476
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 2,706,229	$ 3,555,419
CASH AND CASH EQUIVALENTS:		
Cash in bank	$ 2,706,229	$ 3,384,432
Term deposits	0	170,987
	$ 2,706,229	$ 3,555,419
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ 85,681	$ 138,874
Income taxes paid	$ 6,953	$ -

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

NOTE 1 – NATURE OF OPERATIONS

Nature of operations

CIBT Education Group Inc. (the "Company") is an educational management organization headquartered in Vancouver, British Columbia, Canada. The Company's current business operations include education, media communications, and real estate development. The Company currently has four principal business units/segments, being CIBT School of Business & Technology Corp. ("CIBT"), Sprott-Shaw Degree College Corp. ("SSDC"), IRIX Design Group Inc. ("IRIX"), and Global Education City Holdings Inc. ("GEC"). The Company's education business is conducted through CIBT and its subsidiaries in Asia, and through SSDC in Canada. The Company operates its media communications business through IRIX and its subsidiaries. IRIX is based in Canada with representatives in Hong Kong and the United States. The Company recently established a new business operation called GEC, which is an investment holding and management company with a focus on education related real estate projects in Canada such as student housing.

The head office, principal address, and registered and records office of the Company are located at Suite 1200, 777 West Broadway, Vancouver, British Columbia, Canada.

On August 31, 2013, the Company entered into an agreement to sell KGIC, and accordingly the operations of KGIC has been classified as a discontinued operation in these financial statements. The sale of KGIC closed on September 17, 2013 (refer to Note 10).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation and statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and include the significant accounting policies as described in Note 2. The policies set out below are consistently applied to all the periods presented unless otherwise noted below. These financial statements were prepared on a going-concern basis, under the historical cost convention except for marketable securities classified as at fair value through profit or loss. The financial statements were approved by the Company's Board of Directors and authorized for issue on November 30, 2014.

Principles of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries as at August 31, 2014. Control exists over an investee when the Company is exposed, or has rights, to variable returns from its investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control.

All intercompany transactions, balances, revenues and expenses have been eliminated on consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Company. The Company attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

EXPRESSED IN CANADIAN DOLLARS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Principles of consolidation (cont'd)

The consolidated financial statements include the financial statements of CIBT Education Group Inc. and its subsidiaries. The subsidiaries and percentage of ownership are as follows:

	Percentage of Ownership as at	
Entity	August 31, 2014	August 31, 2013
CIBT School of Business & Technology Corp.	100%	100%
Sprott-Shaw Degree College Corp.	100%	100%
IRIX Design Group Inc.	51%	51%
Global Education City Holdings Inc.	100%	-
CIBT Group Holdings Inc.	100%	-

Significant accounting judgements and key sources of estimate uncertainty

In the preparation of the consolidated financial statements and the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosure of contingent liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during each reporting period. The estimates and associated assumptions are limited by the relevance of historical data and uncertainty of future events. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Significant accounting judgements

The following are the significant judgements, apart from those involving estimates, that management made in the process of applying the Company's key accounting policies and have the most significant effect on the amounts recognized in the consolidated financial statements.

Determination of functional currency
The functional currency for the Company and each of the Company's subsidiaries is the currency of the primary economic environment in which an entity operates. This involves evaluating factors such as the currency used in the selling price of each entity's services, the dominant currency that influences local competition and regulation, the currency that is used to pay local operating costs, the currency used to generate financing cash inflows and the level of operating and financing autonomy given to each entity by the Company. The evaluation of these factors has required the use of judgment and has resulted in the determination that the Canadian dollar and the Chinese renminbi ("RMB") are the appropriate functional currency for use by various entities.

Determination of cash-generating units
For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). In management's judgment the Company has four cash-generating units (CIBT, SSDC, IRIX, and GEC) based on the evaluation of the smallest discrete group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Determination of discontinued operations
Management considers the significance of the line of business to the Company in deciding whether to present operations that have been abandoned or sold as discontinued operations in the statement of loss.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Significant accounting judgements (cont'd)

Recognition of deferred income tax assets
The decision to recognise a deferred tax asset is based on management's judgement of whether it is considered probable that future taxable profits will be available against which unused tax losses, tax credits or deductible temporary differences can be utilized.

Assessment of indefinite life intangibles
CIBT holds three types of indefinite life intangible assets: Accreditations and registrations, brand-names and trade-names, and Chinese university agreements. Management reassess at each annual reporting period whether there have been any changes in the current market place or regulatory environment that would impact the conclusion that these are indefinite life intangibles. Management continues to conclude that there is no definite end to the cash flows to be generated from accreditations and registrations and brand-names and trade-names as at August 31, 2014.

Chinese university agreements are partnership contracts held through CIBT's Chinese operations and have a contractual life of between 15 and 20 years with renewal clauses. Management individually reviews and assesses each university contract for appropriateness of classification as an indefinite lived intangible. Management's history with each of these individual contracts is that they will be automatically renewed for a subsequent period after the initial contractual life and as a result, in management's judgment, represent indefinite life intangible assets.

Determination of leases
Management uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards of ownership. Management evaluates the lease terms and in some cases the lease transaction is not always conclusive in its classification as a finance lease.

Determination of relationships with Limited Partnerships
Management has determined that in some cases it controls and in some cases it has significant influence over investees in Limited Partnerships which have been formed to hold the GEC operations of the business. CIBT has determined that notwithstanding the fact that the Company holds less than the majority of voting units in a certain limited partnership that they do have control as they will direct the business of the partnership and no one investee is to effect a change in this control. Furthermore, the Company has determined for its other interest in limited partnerships that while they do not hold a 20% interest in the investee, that the ability to direct the business of the partnership supports the basis for significant influence. These assessments impact the presentation of the operations of the limited partnerships in the Company's consolidated results.

Key sources of estimate uncertainty

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future periods affected. Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts included in the financial statements included, but were not limited to, the following:

Allowance for doubtful accounts
The Company provides for bad debt by setting aside a percentage of sales towards the allowance account based on historical default experience. Uncertainty relates to the actual collectivity of customer balances that can vary from the Company's estimation.

Valuation of financial instruments
When the fair value of financial assets and financial liabilities recorded in the consolidated balance sheets cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Key sources of estimate uncertainty (cont'd)

Share-based payments
The Company measures the cost of equity settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

Useful lives of property and equipment and definite life intangible assets
The Company estimates useful life, residual value and depreciation methods based on industry norms, historical experience, market conditions and future cash flows. It is possible that future results could be materially affected by changes in the above factors. The Company reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utilization of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utilization of certain assets.

Impairment of indefinite life intangible assets and goodwill
Indefinite life intangible assets and goodwill are reviewed for impairment annually or more frequently if changes in circumstances indicate that the carrying value may be impaired. Impairment of an asset occurs when its carrying value exceeds its recoverable amount, which is the higher of its fair value less cost of disposal and value in use. This calculation is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The calculation is based on a discounted cash flow model, which incorporates the Company’s budget and business plan. The recoverable amount is most sensitive to the discount rate used in the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. To arrive at cash flow projections the Company uses estimates of economic and market information over the projection period, including growth rates in revenues, estimates of future expected changes in operating margins, and cash expenditures. Other significant estimates and assumptions include future estimates of capital expenditures and changes in future working capital requirements.

Cash and cash equivalents

The Company considers only those investments that are highly liquid, readily convertible to cash with original maturities of three months or less at date of purchase as cash equivalents.

Restricted cash

Restricted cash represents Canadian dollar deposits in bank as collateral for the credit cards used in business operations, and Chinese RMB deposits at governmental accounts as security to conduct business in China.

Short-term investments

Included in short-term investments are securities typically with terms of maturity of more than three months, but one year or less when acquired.

Inventory

Inventories, which are comprised primarily of textbooks and other education materials, are valued at the lower of cost and net realizable value, with cost being determined on a weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price and any costs directly attributable to bringing the asset into working condition for its intended purpose. Amortization is provided over the estimated useful lives of assets as follows:

- Leasehold improvements – straight-line over the lesser of five years and remaining lease term;
- Furniture and equipment – 20% declining balance.

Estimates of residual values and useful lives are reassessed annually and any change in estimate is taken into account in the determination of remaining depreciation charges. Depreciation commences on the date the asset is available for use and capable of operating in the manner intended by management.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of operations in the period in which the item is derecognized.

Foreign currency

Functional currency is the currency of the primary economic environment in which an entity operates. These consolidated financial statements are presented in Canadian dollars.

In preparing the financial statements of each individual subsidiary, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the dates those fair values are determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into Canadian dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Leases

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognized at the lower of the fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of lease expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Intangible assets

The Company's finite life and indefinite life intangible assets are recorded at their cost which, for intangible assets acquired in business combinations, represents the acquisition date fair value.

Indefinite life intangible assets include accreditations and registrations, brand and trade names, and Chinese university partnership contracts. The Company considers such assets to represent an ongoing benefit to the Company through an indefinite period of control of such assets and expected usage. Such intangible assets are not subject to amortization and are tested for impairment annually or where an indication of impairment exists as described under "Impairment of intangible assets and property and equipment" below.

Finite life intangible assets, which include agreements and contracts, curriculum, foreign cooperative agreements, and agency fees are carried at cost less accumulated amortization and impairment losses. The Company capitalizes direct costs incurred in developing programs and curriculums for new courses as intangible assets with finite life. These costs are amortized to direct educational cost on a straight-line basis over the expected life of the course (ranging from 3 months to 48 months) upon commencement of the new courses. Costs relating to the ongoing development and maintenance of existing courses are expensed as incurred. For language programs in SSDC, the Company engages a network of agents in foreign countries, who recruit and/or provide ongoing services to international students to attend the Company's programs in Canada. Agency fees attributable to each student, are deferred as intangible assets and recognized proportionately over the instruction period for the student to match with the tuition fee revenues which are within a year.

Amortization is calculated over periods ranging from less than 1 year to 15 years on a straight-line basis, being their estimated useful lives. The expected useful lives of assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively. Finite life intangible assets are tested for impairment whenever events or changes in circumstances indicate the carry value may not be recoverable as described under "Impairment of intangible assets and property and equipment" below.

Investments in associates

Associates are those entities over which the Company is able to exert significant influence but which it does not control and which are not interests in a joint venture. Control is reassessed on an ongoing basis. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method. Acquired investments in associates are also subject to the acquisition method as explained above. However, any goodwill or fair value adjustment attributable to the Company's share in the associate is included in the amount recognized as investments in associates.

All subsequent changes to the Company's share of interest in the equity of the associate are recognized in the carrying amount of the investment. Changes resulting from the earnings or losses generated by the associate are reported within share of earnings from investments, at equity on the Company's consolidated statements of income. These changes include subsequent depreciation, amortization or impairment of the fair value adjustments of assets and liabilities. Changes resulting from earnings of the associate or items recognized directly in the associate's equity are recognized in earnings or equity of the Company, as applicable. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports earnings, the Company resumes recognizing its share of those earnings only after its share of the earnings exceeds the accumulated share of losses that had previously not been recognized.

Unrealized gains and losses on transactions between the Company and its associates are eliminated to the extent of the Company's interest in those entities. Where unrealized losses are eliminated, the underlying asset is also tested for impairment losses from a Company perspective. At each reporting period end date, the Company assesses whether there are any indicators of impairment in its investment in associates. For investments in publicly traded entities, carrying value of the investment is compared to the current market value of the investment based on its quoted price at the balance sheet date. For entities which are not publicly traded, value-in-use of the investment is determined by estimating the Company's share of the present value of the estimated cash flow's expected to be generated by the investee. If impaired, the carrying value of the Company's investment is written down to its estimated recoverable amount, being the higher of fair value less cost of disposal and value-in-use.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investments in associates (cont'd)

In the process of measuring future cash flows, management makes assumptions about future growth of profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Company's investments in associates in the subsequent financial years.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Certain acquisition related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12, *Income Taxes* and IAS 19, *Employee Benefits*, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2, *Share-Based Payment*, at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*, are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which is limited to one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, or IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Business combinations (cont'd)

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (the date when the Company obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the cash generating unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods. Management evaluates goodwill for impairment annually as of August 31st.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment of intangible assets and property and equipment

The carrying amount of property and equipment and intangible assets with a finite life are reviewed each reporting period to determine whether events or changes in circumstances indicate that their carrying amounts may not be recoverable. Intangible assets with an infinite life are reviewed and tested on an annual basis or whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The recoverable amount is the higher of an asset’s fair value less costs of disposal or its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where appropriate, the future cash flow estimates are adjusted to reflect risks specific to the liability.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized within financing costs.

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Company. Contingent liabilities are not recognized in the financial statements, but are disclosed unless the possibility of an outflow of economic resources is considered remote.

Revenue recognition

The Company recognizes revenue when the amount of revenue can be reliably measured, if it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company’s activities as described below.

Revenue is measured at the fair value of the consideration received or receivable.

The primary sources of the Company’s revenues are as follows:

(a) Educational programs and services
The educational programs and services consist of tuition fee (net of discounts) on course offerings by CIBT and SSDC. Tuition is paid in advance and is initially recorded as deferred revenue. Tuition revenue for educational programs and services is recognized proportionately as the instructions are delivered, and is reported net of scholarships, business taxes and related surcharges, and tuition refunds. Students are entitled to a short term course trial period which commences on the date the course begins. Partial tuition refunds are provided to students if they decide within the trial period that they no longer want to take the course. After the trial period, if a student withdraws from a class, no refunds will be provided and any collected but unearned portion of the fee is recognized at that time.

(b) Revenue sharing arrangement with education service providers
One of the Company’s subsidiaries, CIBT, has entered into numerous educational delivery agreements with various educational service providers whereby a portion of the tuition fees, net of discounts, are paid to these educational service providers for the provision of facilities and/or teaching staff. For the majority of these revenue sharing arrangements, CIBT is considered the primary obligor and accordingly records the tuition fee revenues on a gross basis and the portion paid to the educational service providers is included in direct educational costs.

(c) Design and advertising
IRIX recognizes revenue for services provided using the percentage-of-completion method when the contract revenues, contract costs to complete and the stage of contract completion at the end of the reporting period can be measured reliably and when the contract costs can be identified and measured reliably so that actual contract costs incurred can be compared with prior estimates, and the economic benefits associated with the transaction will flow to IRIX.

(d) Commissions and referral fees
CIBT has agreements with various private schools in North America to recruit students from overseas (primarily in China) for the primary and secondary private school sector in North America. CIBT is paid commissions and referral fees by the private schools for recruiting students that are accepted into and start the school's programs in North America. Commissions and referral fees are paid to CIBT only when the student can no longer obtain a refund on tuition fees paid to the private school. Commissions and referral fees are recognized as revenue by CIBT when the student commences study and has passed the full refund policy of the private school.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue recognition (cont'd)

(e) Development fees
The Company earns fees in connection with certain real estate development activities. The services provided by the Company include, but are not limited to, land identification and acquisition, preparation of financial models, market analysis, development of investment structure and engagement of construction consultants.

Share-based payments

The Company grants stock options to certain directors and employees to acquire shares in the common stock of the Company in accordance with the terms of the Company's stock option plan. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. The fair value is measured for each tranche at grant date and is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted and management's estimate of forfeitures and expected volatility based on historical volatility. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that vest.

Income taxes

Income tax expense represents current tax and deferred tax. The Company records current tax based on the taxable profits for the period which is calculated using tax rates that have been enacted or substantively enacted by the reporting date. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred income taxes are accounted for using the liability method. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantively enacted tax rates and laws in effect when the differences are expected to reverse. The effect of a change in tax rates or tax legislation is recognized in the period of substantive enactment. Deferred tax assets, such as unused tax losses, income tax reductions, and certain items that have a tax basis but cannot be identified with an asset or liability on the statement of financial position, are recognized to the extent it is probable that taxable profit will be available against which the asset can be utilized.

Earnings per share

Basic earnings per share figures have been calculated by dividing net income (loss) by the weighted monthly average number of shares outstanding during the respective periods. The Company follows the treasury stock method for determining diluted earnings per share. This method assumes that proceeds received from in-the-money stock options and share purchase warrants are used to repurchase common shares at the average prevailing market rate during the reporting period. Anti-dilutive stock options and share purchase warrants are not considered in computing diluted earnings per share. The treasury shares are excluded from the calculation of earnings per share.

Treasury shares

The Company from time to time acquires its own common shares into treasury. The carrying amount of these reacquired shares is recorded as a separate component of shareholders' equity. If any of these shares are resold, the resulting gains are recorded as reserves in equity and resulting losses are applied first against prior reserves, if any, and secondly to retained earnings (deficit). When treasury shares are cancelled, the cost of the shares is charged first to the prior reserve gains, if any, and secondly to retained earnings (deficit).

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments

Measurement - initial recognition

On initial recognition, all financial assets and liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at fair value through profit or loss ("FVTPL"). The directly attributable transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period in which they are incurred.

Classification and measurement - subsequent to initial recognition.

Subsequent measurement of financial assets and liabilities depends on the classifications of such assets and liabilities as follows:

Financial assets classified as at FVTPL are measured at fair value with changes in fair values recognized in net earnings. They are classified as such when: (i) they are acquired or incurred principally for short-term profit taking and/or meet the definition of a derivative; or (ii) they meet the criteria for being designated as FVTPL and have been designated as such on initial recognition.

A financial asset is classified as available-for-sale when: (i) it is not classified as a loan and receivable or as at FVTPL; or (ii) it is designated as available-for-sale on initial recognition. The Company does not have any financial assets classified as available for sale. Changes in fair value that remain unrealized for available-for-sale financial instruments are recorded in other comprehensive income until realized or determined to be impaired at which time the gain, loss or impairment is recognized in net income (loss) for the period.

Financial assets classified as loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method. The effective interest method calculates the amortized cost of a financial asset or financial liability and allocates the effective interest income or interest expense over the term of the financial asset or liability, respectively. The interest rate is the rate that exactly discounts estimated future cash receipts or payments throughout the term of the financial instrument to the net carrying amount.

The following is a summary of the categories of financial instruments included in the Company's consolidated statement of financial position as well as their designation by the Company:

Balance sheet item	Classification	Measurement basis
Cash and cash equivalents	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Short-term investments	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Refundable deposits	Loans and receivables	Amortized cost
Cash held in trust	Loans and receivables	Amortized cost
Due from related parties	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Long-term debt	Other liabilities	Amortized cost
Due to related parties	Other liabilities	Amortized cost

Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that financial assets are impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset that has a negative impact on the estimated future cash flows of the financial asset that can be reliably measured.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Fair value information

The fair value hierarchy establishes three levels to classify the significance of inputs to valuation techniques used in making fair value measurements. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 3 inputs are not based on unobservable market data. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. Fair value is defined as 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. In assessing the fair value of a particular contract, the market participant would consider the credit risk of the counterparty to the contract.

Non-controlling interests

Non-controlling interests exist in less than wholly-owned subsidiaries and divisions of the Company and represent the outside interests' share in the carrying values and operations of the subsidiaries and divisions.

The interests of the non-controlling shareholders is initially measured at either fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Any subsequent income/loss, dividends and foreign translation adjustments attributable to the non-controlling interests is recognized as part of the non-controlling interests' income or equity.

As of August 31, 2014 and August 31, 2013 the non-controlling interests were as follows:

Subsidiary / division	Non-controlling interest %
Beihai College	40.00 %
Sprott-Shaw Degree College Corp. – Surrey Campus	33.33 %
Irix Design Group Inc.	49.00 %
Investor 2 in GEC Project 2 *	54.50% *

* The GP 2 has complete responsibility for the conduct of all of the business affairs of the GEC LP 2. The GP 2 can only be removed by major partnership resolution passed, or consented to in writing, by limited partners holding not less than 66% of the total partnership units.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Accounting standards development

Standards adopted during the year

In the annual period beginning September 1, 2013, the Company adopted IFRS 10, *Consolidated Financial Statements* ("IFRS10"). IFRS 10 replaces the consolidation requirements in SIC-12, *Consolidation - Special Purpose Entities* and IAS 27, *Consolidated and Separate Financial Statements*. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control.

In the annual period beginning September 1, 2013, the Company adopted IFRS 11, *Joint arrangements* ("IFRS 11") which was originally issued by the IASB in May 2011. IFRS 11 focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and expenses in accordance with the arrangement, whereas entities in the latter case account for the arrangement using the equity method.

In the annual period beginning September 1, 2013, the Company adopted IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12"). IFRS 12 establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, and associates. The standard carries forward existing disclosures and introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

In the annual period beginning September 1, 2013, the Company adopted the amendments to IFRS 7, *Financial Instruments: Disclosures* ("IFRS 7"). The amendment requires new disclosures relating to the offset of financial assets and financial liabilities that will enable the users of financial statements better compare financial statements prepared in accordance with IFRS.

In the annual period beginning September 1, 2013, the Company adopted IFRS 13, *Fair Value Measurement*. This standard establishes a single framework for all fair value measurements where fair value is required or permitted by IFRSs.

In the annual period beginning September 1, 2013, the Company adopted IAS 19 (Amendment), *Employee Benefits*, which revises recognition and measurement of post-employment benefits. This amended standard modifies accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits.

New standards not yet adopted

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued that the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

In the annual period beginning September 1, 2014, the Company will be required to adopt IAS 32, *Financial Instruments: Presentation* ("IAS 32") which was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. Earlier adoption is permitted. Management does not expect the adoption of this standard during the first quarter of fiscal 2015 to have a significant impact on the consolidated financial statements of the Company.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Accounting standards development (cont'd)

New standards not yet adopted (cont'd)

In the annual period beginning September 1, 2018, the Company will be required to adopt IFRS 9, *Financial Instruments*, which is the result of the IASB's project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. Management is evaluating any potential impact of the standard.

In May 2013, the IASB issued an amendment to IAS 36, *Impairment of Assets* ("IAS 36"). The amendment reduces the circumstances in which the recoverable amount of assets or cash-generating units are required to be disclosed, clarifies the disclosures required, and introduces an explicit requirement to disclose the discount rate used in determining impairment. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014. Management does not expect the adoption of this standard during the first quarter of fiscal 2015 to have a significant impact on the consolidated financial statements of the Company.

On May 12, 2014, the IASB issued amendments to IAS 38, *Intangible Assets* ("IAS 38"). The amendments in IAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption could be overcome only when revenue and consumption of the economic benefits of the intangible asset are highly correlated or when the intangible asset is expressed as a measure of revenue. The Company intends to adopt the amendments to IAS 38 in its consolidated financial statements for the annual period beginning on September 1, 2016. Management is currently evaluating the impact that this standard will have on the consolidated financial statements.

On May 28, 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). This standard sets out the requirements for recognizing revenue that apply to all contracts with customers (except for contracts that are within the scope of the Standards on leases, insurance contracts and financial instruments). IFRS 15 replaces the previous revenue standards: IAS 18, Revenue and IAS 11, Construction Contracts, and the related interpretations on revenue recognition: IFRIC 13, Customer Loyalty Programs, IFRIC 25, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services. This standard is effective from January 1, 2017. Earlier application is permitted. Management is currently evaluating the impact that this standard will have on the consolidated financial statements.

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the Interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or before January 1, 2014, with early adoption permitted. The adoption of IFRIC 21 may have an impact on the Company's accounting for production and similar taxes, which do not meet the definition of an income tax in IAS 12. The Company is evaluating any potential impact of this standard.

EXPRESSED IN CANADIAN DOLLARS

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at August 31, 2014 and August 31, 2013:

	August 31, 2014	August 31, 2013 Restated - Note 26
Trade receivables	$ 7,683,245	$ 7,267,263
Less: allowance for bad debts	(359,246)	(630,783)
	$ 7,323,999	$ 6,636,480

Aging of past due but not impaired	August 31, 2014	August 31, 2013
30 to 60 days	$ 113,740	$ 104,362
60 to 90 days	27,431	28,808
	$ 141,171	$ 133,170

Movement in the allowance for doubtful accounts	August 31, 2014	August 31, 2013
Beginning balance	$ 630,783	$ 726,399
Reclassification to assets held for sale	-	-
Additions	308,816	112,056
Amounts written off during the year as uncollectible	(448,289)	(127,030)
Amounts recovered during the year	(132,064)	(80,642)
Ending balance	$ 359,246	$ 630,783

NOTE 4 – REAL ESTATE DEVELOPMENT

Student Housing and Market Rental Development Projects

During the 2014 fiscal year, the Company and certain of its subsidiaries entered into several agreements and organizational transactions in connection with the development of the Company's planned student housing arm. In particular, the Company is planning to develop student centric serviced apartments for rental to domestic and foreign students studying in the Lower Mainland region of British Columbia and to provide various services to the students and their families.

In anticipation of these projects, during the 2014 fiscal year the following companies were incorporated:

- Global Education City Holdings Inc. ("GEC Holdings") as a wholly-owned subsidiary of the Company,
- CIBT Group Holdings Inc. ("CIBT Holdings") as a wholly-owned subsidiary of GEC Holdings, and
- Global Education City Management Corp. ("GEC Mgmt.") as a wholly-owned subsidiary of GEC Holdings.

The First Project (the "GEC Project 1")

Pursuant to a Purchase and Sale Agreement dated April 1, 2014 (the "Developer 1 PSA"), CIBT Holdings entered into an agreement with a developer ("Developer 1") and its subsidiary (the "Bare Trustee 1") whereby CIBT Holdings agreed to purchase from Developer 1 100% of its interest in the Bare Trustee 1 and certain real property and future planned development thereon (the "GEC Property 1"). Under the terms of the Developer 1 PSA, CIBT Holdings will pay Developer 1 a total of $31,500,000 in a series of deposits (amount refundable prior to closing upon non-completion by Developer 1) upon Developer 1, in their capacity as property developer, achieving certain developmental milestones, with the final balance due at the closing to be held following receipt of an occupancy permit. As at August 31, 2014, total refundable deposits of $1,575,000 were paid by GEC Langara LP accumulated in a trust account held by the Company's legal counsel. The deposit will be released to Developer 1 when security in the form of a mortgage is granted in favour of CIBT Holdings. The amount is refundable to the extent that Developer 2 does not achieve certain developmental milestones.

In accordance with the Developer 1 PSA, the Developer has an option to purchase the GEC Property 1 on or before October 24, 2014. This option was not exercised (refer to Note 27).

Pursuant to a Purchase and Sale Agreement dated May 30, 2014 (the "GEC LP 1 PSA"), CIBT Holdings entered into an agreement to sell its interest in the Bare Trustee 1 and the GEC Property 1, assuming completion occurs under the Developer 1 PSA, to a limited partnership. The terms of payment of the deposits and final purchase price of the GEC LP 1 PSA track those of the Developer 1 PSA.

On May 30, 2014, a limited partnership was formed known as GEC Langara LP ("GEC LP 1") and an agreement was executed between the following partners:

- "Investor 1" as an 80% limited partner;
- GEC Holdings as a 10% limited partner;
- An unrelated third party as the remaining 10% limited partner; and
- "GEC GP 1 Inc." as the general partner, a newly incorporated wholly-owned subsidiary of CIBT Group Holdings Inc.

The GEC LP 1 will be funded in accordance with the schedule contained in the limited partnership agreement.

The general partner has complete responsibility for the conduct of all of the business affairs of the GEC LP 1. The general partner can only be removed by major partnership resolution passed, or consented to in writing, by limited partners holding not less than 66% of the total partnership units.

Effective May 30, 2014, GEC Mgmt. entered into a 20 year Management Agreement with the GEC LP 1 whereby GEC Mgmt. was retained to manage substantially all activities of the GEC LP 1 commencing upon closing of the Developer 1 PSA, which is expected to be approximately April 2017.

NOTE 4 – REAL ESTATE DEVELOPMENT (cont'd)

The First Project (the "GEC Project 1") (cont'd)

In connection with the GEC Project 1, the Company entered into a Fee Agreement with Investor 1 to compensate the Company for services provided related to locating the site, negotiating the Developer 1 PSA and organizing the formation of GEC LP 1 in the amount of $1,161,600. Investor 1 agreed to make capital contributions to GEC LP 1 on behalf of GEC Holdings for units in GEC LP 1 as payment for these services. As of August 31, 2014, $232,320 of the amount owing by Investor 1 under the Fee Agreement had been paid and was recognized as revenue of the Company. The remaining fee will be recognized to coincide with the issuance of units.

Management has determined that the Company and certain of its subsidiaries have significant influence over the GEC LP 1, notwithstanding that GEC Holdings holds less than 20% of the voting units in GEC LP 1. Management believes that they have the power to participate in the financial and operating policy decisions of the associate as they are the general partner and have delegated responsibility to GEC Mgmt. to carry out the business of the limited partnership. As of August 31, 2014 and for the period then ended, the GEC LP 1 had no operations. Accordingly, the carrying value of GEC Holdings' investment in the GEC LP 1 in the Company's consolidated financial statements consists only of the initial investment in limited partnership units totaling $232,320 (refer to Note 5).

The Second Project (the "GEC Project 2")

Pursuant to a Purchase and Sale Agreement dated May 9, 2014 (the "Developer 2 PSA"), CIBT Holdings entered into an agreement with a developer ("Developer 2") and its subsidiary (the "Bare Trustee 2") whereby CIBT Holdings agreed to purchase from Developer 2 100% of its interest in the Bare Trustee 2 and certain real property and future planned development thereon (the "GEC Property 2"). Under the terms of the Developer 2 PSA, CIBT Holdings will pay a total of $42,500,000 in a series of deposits (amount refundable prior to closing upon non-completion by Developer 2) upon Developer 2, in their capacity as property developer, achieving certain developmental milestones, with the final balance due at the closing to be held following receipt of an occupancy permit. As at August 31, 2014, refundable deposits of $6,500,000 were paid to Developer 2 upon receipt of security in the form of a mortgage granted in favour of CIBT Holdings. The amount is refundable to the extent that Developer 2 does not achieve certain developmental milestones.

At August 31, 2014, Developer 2 and the Bare Trustee 2 own two of the three parcels of land required for the GEC Project 2 development and have the option to purchase the third required parcel of land, which was purchased subsequent to year-end (refer to Note 27).

Pursuant to a Purchase and Sale Agreement dated May 12, 2014 (the "GEC LP 2 PSA"), CIBT Holdings entered into an agreement to sell its interest in the Bare Trustee 2 and the GEC Property 2, assuming completion occurs under the Developer 2 PSA, to a limited partnership. The terms of payment of the deposits and final purchase price of the GEC LP 2 PSA track those of the Developer 2 PSA.

On May 12, 2014, a limited partnership was formed known as GEC Pearson LP ("GEC LP 2") and an agreement was executed between the following partners:

- "Investor 2" as a limited partner;
- GEC Holdings as a limited partner, and;
- "GEC GP 2 Inc." as the general partner, a newly incorporated wholly-owned subsidiary of CIBT Group Holdings Inc.

The GEC LP 2 will be funded in accordance with the schedule contained in the limited partnership agreement. Upon completion of the funding of the GEC LP 2, the limited partnership units will be owned 38.5% by GEC Holdings and 61.5% by Investor 2. GEC Holdings has committed to contribute total of $4,455,000 for its partnership units.

Pursuant to the GEC LP 2 funding requirements, GEC is required to provide capital contributions totalling $4,455,000. As at August 31, 2014, GEC has paid $1,950,000 into GEC LP 2. The balance of $2,505,000 is due in various stages ending on or before May 16, 2016.

EXPRESSED IN CANADIAN DOLLARS

NOTE 4 – REAL ESTATE DEVELOPMENT (cont'd)

The Second Project (the "GEC Project 2") (cont'd)

Management has determined that the Company and certain of its subsidiaries have control over the GEC LP 2, notwithstanding that GEC Holdings holds only 45.5% of the voting units in GEC LP 2. Management believes that the Company and its subsidiaries have the power to determine the financial and operating policy decisions of GEC LP 2 and that the Company and its subsidiaries have exposure or rights to variable returns from its involvement with GEC LP 2. Additionally, the general partner can only be removed by major partnership resolution passed, or consented to in writing, by limited partners holding not less than 66% of the total partnership units. Accordingly, the Company has consolidated the results of GEC LP 2.

Effective May 12, 2014, GEC Mgmt. entered into a 20 year Management Agreement with the GEC LP 2 whereby GEC Mgmt. was retained to manage substantially all the activities of the GEC LP 2 commencing upon closing of the Developer 2 PSA, which is expected to be approximately February 2017.

In connection with the GEC Project 2, the Company entered into a Fee Agreement with the general partner to compensate the Company for services provided related to locating the site, negotiating the Developer 1 PSA and organizing the formation of GEC LP 1 in the amount of $1,485,000. The parties further agreed to settle the amount owing through the issuance of 100 fully paid limited partnership units of the GEC LP 2 to the Company's wholly-owned subsidiary, GEC Holdings. As of August 31, 2014, $1,389,512 of the fee has been recognized as revenue, representing the value of GEC Holdings' interest in the limited partnership.

Management has determined that the Company and certain of its subsidiaries have control over the GEC LP 2 and, accordingly, have consolidated the results of the GEC LP 2 for the period subsequent to its formation. Notwithstanding the fact that GEC Holdings owns less than the majority of voting units at August 31, 2014, the GEC LP 2 Agreement does not allow for the removal of the general partner unless 66% of the units could be voted to effect this change, which will not be the case. Furthermore, as the general partner and GEC Mgmt. will direct the business of the partnership they are considered to have control. The GEC LP 2 is governed by the limited partnership agreement which specifies restrictions on the use of assets and distributions. As of August 31, 2014 and for the period then ended, the GEC LP 2 had no operations or cash flows from operations.

NOTE 5 – INVESTMENT IN ASSOCIATES

The following table summarizes the financial information of the Company's investment in GEC LP 1 at August 31, 2014. The nature of the investment is disclosed in Note 4 – The First Project (the "GEC Project 1").

Assets		
Cash in trust	$	748,200
Refundable property deposit in trust		1,575,000
Total Assets / Equity	$	2,323,200
Company's ownership %		10%
Carrying amount of investment	$	232,320

EXPRESSED IN CANADIAN DOLLARS

NOTE 6 – PROPERTY AND EQUIPMENT

		Furniture & equipment		Leasehold improvements		Equipment - finance lease		Total
Cost (Restated - Note 26)								
August 31, 2012	$	4,247,774	$	3,767,549	$	947,159	$	8,962,482
Additions		559,556		645,544		614,425		1,819,525
Reclassification to assets held for sale (Note 10)		(504,103)		(809,608)		(463,575)		(1,777,286)
Disposals		(853)		-		(159,766)		(160,619)
Foreign exchange adjustments		41,602		3,373		-		44,975
August 31, 2013		4,343,976		3,606,858		938,243		8,889,077
Additions		276,948		104,725		197,457		579,130
Disposals		(40,196)		(27,971)		(102,527)		(170,694)
Foreign exchange adjustments		19,485		1,693		-		21,178
August 31, 2014	$	4,600,213	$	3,685,305	$	1,033,173	$	9,318,691
Depreciation (Restated - Note 26)								
August 31, 2012	$	(2,604,101)	$	(2,586,024)	$	(253,187)	$	(5,443,312)
Depreciation for the year		(558,773)		(517,039)		(185,412)		(1,261,224)
Reclassification to assets held for sale (Note 10)		262,364		208,614		101,557		572,535
Disposals		658		-		67,408		68,066
Foreign exchange adjustments		(27,114)		(3,555)		-		(30,669)
August 31, 2013		(2,926,966)		(2,898,004)		(269,634)		(6,094,604)
Depreciation for the year		(436,224)		(239,770)		(153,372)		(829,366)
Disposals		26,914		7,830		62,638		97,382
Foreign exchange adjustments		(12,645)		(1,308)		-		(13,953)
August 31, 2014	$	(3,348,921)	$	(3,131,252)	$	(360,368)	$	(6,840,541)
Net carrying amounts								
At August 31, 2013	$	1,417,010	$	708,854	$	668,609	$	2,794,473
At August 31, 2014	$	1,251,292	$	554,053	$	672,805	$	2,478,150

EXPRESSED IN CANADIAN DOLLARS

NOTE 7 – INTANGIBLE ASSETS

Intangible assets with definite life	Agreements	Curriculum	Foreign cooperative agreements	Agency fees	Total
Cost					
August 31, 2012	$ 348,333	$ 3,206,147	$ 1,227,258	$ 3,672,374	$ 8,454,112
Additions	-	75,900	180,623	1,331,450	1,587,973
Reclassification to assets held for sale (Note 10)	-	(928,179)	(370,000)	(2,497,742)	(3,740,604)
Foreign exchange adjustments	-	-	55,317	-	55,317
August 31, 2013	348,333	2,353,868	1,093,198	2,506,082	6,301,481
Additions	-	-	-	403,318	403,318
Disposals	-	-	-	-	-
Foreign exchange adjustments	-	-	27,800	-	27,800
August 31, 2014	$ 348,333	$ 2,353,868	$ 1,120,998	$ 2,909,400	$ 6,732,599
Accumulated amortization					
August 31, 2012	$ (328,230)	$ (870,070)	$ (927,349)	$ (2,132,930)	$ (4,258,579)
Amortization	(20,103)	(255,120)	(107,239)	(1,539,444)	(1,921,906)
Reclassification to assets held for sale (Note 10)	-	297,150	370,000	1,895,171	2,533,083
Foreign exchange adjustments	-	-	(29,238)	-	(29,238)
August 31, 2013	(348,333)	(828,040)	(693,826)	(1,777,203)	(3,647,402)
Amortization	-	(167,100)	(105,065)	(728,879)	(1,001,044)
Disposals	-	-	-	-	-
Foreign exchange adjustments	-	-	(13,948)	-	(13,948)
August 31, 2014	$ (348,333)	$ (995,140)	$ (812,839)	$ (2,506,082)	$ (4,662,394)
Net carrying amounts					
At August 31, 2013	$ -	$ 1,525,828	$ 399,372	$ 728,879	$ 2,654,079
At August 31, 2014	$ -	$ 1,358,728	$ 308,159	$ 403,318	$ 2,070,205
Weighted average remaining useful life at August 31, 2014	-	8.16 years	4.13 years	0.50 years	6.07 years

EXPRESSED IN CANADIAN DOLLARS

NOTE 7 – INTANGIBLE ASSETS (cont'd)

Intangible assets with indefinite life	Accreditations & registrations	Brand-names & trade-names	Chinese university agreements	Total
Cost				
At August 31, 2012	$ 2,706,000	$ 4,886,000	$ 460,993	$ 8,052,993
Reclassification to assets held for sale (Note 10)	(200,000)	(1,410,000)	-	(1,610,000)
At August 31, 2013	2,506,000	3,476,000	460,993	6,442,993
Additions	-	8,400	-	8,400
At August 31, 2014	$ 2,506,000	$ 3,484,400	$ 460,993	$ 6,451,393

Total intangible assets	August 31, 2014	August 31, 2013
Intangible assets with definite life	$ 2,070,205	$ 2,654,079
Intangible assets with indefinite life	6,451,393	6,442,993
Total intangible assets	$ 8,521,598	$ 9,097,072

NOTE 8 – GOODWILL

Goodwill consisted of the following at August 31, 2014 and August 31, 2013:

	August 31, 2014	August 31, 2013
Beginning balance	$ 4,793,303	$ 8,485,791
Reclassification to assets held for sale (Note 10)	-	(3,692,488)
Ending balance	$ 4,793,303	$ 4,793,303

Allocation by cash-generating units or group of cash generating units is as follows:

	August 31, 2014	August 31, 2013
Sprott-Shaw Degree College Corp.	$ 4,793,303	$ 4,793,303
KGIC Language College Corp.	-	3,692,488
Reclassified to assets held for sale in current year (Note 10)	-	(3,692,488)
	$ 4,793,303	$ 4,793,303

EXPRESSED IN CANADIAN DOLLARS

NOTE 9 – IMPAIRMENT TESTING OF INTANGIBLE ASSETS AND GOODWILL

The Company performs impairment tests annually on indefinite life intangible assets and goodwill based on cash-generating units. For the purpose of impairment testing, indefinite life intangible assets and goodwill to each of the Company's cash-generating units as follows:

	August 31, 2014	August 31, 2013
Intangible assets with indefinite life		
Sprott-Shaw Degree College Corp.	$ 5,990,400	$ 5,982,000
CIBT Beihai International College	460,993	460,993
KGIC Language College Corp.	-	1,610,000
Reclassified to assets held for sale in 2013 (Note 10)	-	(1,610,000)
	$ 6,451,393	$ 6,442,993
Goodwill		
Sprott-Shaw Degree College Corp.	$ 4,793,303	$ 4,793,303
KGIC Language College Corp.	-	3,692,488
Reclassified to assets held for sale in current year (Note 10)	-	(3,692,488)
	$ 4,793,303	$ 4,793,303

As at August 31, 2014, the Company performed the annual impairment test on indefinite life intangible assets and goodwill for impairment. The recoverable amount of each cash-generating unit is calculated based on value in use, which was determined by discounting the future cash flows generated from the continuing use of the cash-generating units. The cash flow projections reflect management's expectations of revenue growth, expenses and margin for each cash-generating unit based on past experience. The discount rates applied to the cash flows were derived from industry average weighted average cost of capital and past experience, and were adjusted for the different risk profile of each cash-generating unit. Value in use as at August 31, 2014 was determined on a consistent basis with the prior period.

The calculation of the value in use was based on the following key assumptions for the cash-generating units:

- Cash flows were projected over a three year period based on past experience and actual operating results.
- Growth rate for the Sprott-Shaw Degree College Corp. cash-generating unit was projected at 2.8%.
- Growth rate for the CIBT Beihai International College cash-generating unit was projected at 2%.
- A terminal growth rate of 2% was applied to both cash-generating units.
- A discount rate of 21.3% was applied to the Sprott-Shaw Degree College Corp. cash-generating unit to determine the recoverable amount of the unit.
- A discount rate of 26.3% was applied to the CIBT Beihai International College cash-generating unit to determine the recoverable amount of the unit.

As a result of the annual impairment test, the recoverable amount of each cash-generating unit was determined to be higher than its carrying value, and accordingly no impairment to the value of indefinite life intangible assets and goodwill at August 31, 2014.

EXPRESSED IN CANADIAN DOLLARS

NOTE 10 – ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Effective August 31, 2013, the Company and its subsidiary, CIBT School of Business & Technology Corp., entered into an agreement to sell to Loyalist Group Limited ("Loyalist"), 100% of the issued and outstanding common shares of the Company's respective subsidiaries, KGIC Business College (2010) Corp. and KGIC Language College (2010) Corp., who collectively make up the KGIC operations. The total purchase price for this transaction was $13,500,000 of which $9,500,000, subject to certain adjustments, was due upon closing and a further $4,000,000 was secured by way of a non-interest bearing promissory note issued by Loyalist in favour of the Company due six months after closing. The amount of the promissory note could be reduced to the extent of certain adjustments contemplated within the agreement and could be extended to 270 days from the original closing as may be required to finalize these adjustments. Further, in connection with the transaction, upon closing Loyalist assumed and paid all amounts owing by KGIC to the Company and its other subsidiaries.

The following details the gain on sale of the KGIC operations (which represents income from discontinued operations for the year ended August 31, 2014):

Gain on sale of KGIC operations	Amount
Gross sale proceeds	$ 13,500,000
Working capital adjustments	(1,715,445)
Miscellaneous financial statement adjustments	(1,371,916)
Transaction costs plus additional expenses	(443,069)
Net sale proceeds	(9,969,570)
Carrying value of net assets held for sale as at September 17, 2013	(2,939,175)
Gain on sale of KGIC operations	$ 7,030,395

On March 17, 2014, the Company received $3,612,639 from the $4,000,000 promissory note in connection with the sale of KGIC to Loyalist. The balance of $387,361 was mutually agreed upon by the Company and by Loyalist as an adjustment to working capital, and accordingly the gain on sale of KGIC was reduced by this amount.

Non-current assets, or disposal groups comprised of assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. The Company presents assets held for sale separately from the Company's other assets and separately from liabilities directly associated with the assets held for sale. Liabilities associated with assets held for sale are presented separately from the Company's other liabilities.

A discontinued operation is a component of the Company that has either been disposed of or that is classified as held for sale. A component of the Company is comprised of operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company. Net income (loss) of a discontinued operation and any gain or loss on disposal are combined and presented as net income (loss) from discontinued operations in the Consolidated Statements of Income (Loss). Comparative periods are restated to reflect discontinued operations presentation.

On August 31, 2013, the Company's KGIC operations meet the criteria for classification as assets held for sale and discontinued operations. Accordingly, the results of operations of KGIC for all periods presented have been classified as discontinued operations and the assets and liabilities of KGIC have been classified as assets and/or liabilities held for sale. Immediately before the classification of the KGIC business, the recoverable amount of the assets were evaluated against their estimated fair value less costs to sell, and no impairment losses were indicated or recorded.

EXPRESSED IN CANADIAN DOLLARS

NOTE 10 – ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (cont'd)

Summaries of the results of operations and cash flows for KGIC are as follows:

Results of operations	Year Ended August 31, 2014	Year Ended August 31, 2013 Restated - Note 26
Educational revenues	$ -	$ 25,471,308
Direct costs	-	(14,214,791)
	-	11,256,517
Other expenses	-	(10,875,015)
Other items	-	(24,833)
Income before income taxes	-	356,669
Income taxes	-	(37,129)
Net income for the year	$ -	$319,540

Results of cash flows	Year Ended August 31, 2014	Year Ended August 31, 2013 Restated - Note 26
Cash from (used in):		
Operating activities	$ -	$ 322,910
Investing activities	$ -	$ (484,525)
Financing activities	$ -	$ (2,063,720)

Results of operations and cash flows during the period from September 1, 2013 to the date of sale on September 17, 2013 were insignificant and are included in the results of continuing operations.

A summary of the assets and liabilities classified as held for sale as of August 31, 2013 is as follows:

	August 31, 2013 Restated - Note 26
Assets	
Current	
Cash and cash equivalents	$ 506,605
Accounts receivable	2,817,622
Prepaid expenses and other	644,806
Total current assets	3,969,033
Property and equipment	1,204,751
Intangible assets	2,843,600
Goodwill	3,692,488
Total assets	$ 11,709,872
Liabilities	
Current	
Accounts payable and accrued liabilities	$ 1,447,202
Deferred educational revenue	5,593,676
Current portion of finance lease obligations	276,981
Total current liabilities	7,317,859
Finance lease obligations	78,920
Deferred income tax liability	673,918
Total liabilities	$ 8,070,697

EXPRESSED IN CANADIAN DOLLARS

NOTE 11 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at August 31, 2014 and August 31, 2013:

	August 31, 2014	August 31, 2013 Restated - Note 26
Trade accounts payable	$ 2,172,068	$ 2,045,259
Payroll and related liabilities	329,141	339,185
Tuition fees and grants payable	602,336	1,033,363
Others	16,251	44,700
Refund of sale proceeds	700,000	-
	$ 3,819,796	$ 3,462,507

NOTE 12 – PROVISIONS

The Company's provisions are for onerous contracts and legal claims and severances. The provision for onerous contracts represents the present value of the future lease payments that the Company is presently obligated to make under non-cancellable onerous operating lease contracts, less contractual sublease revenues to be earned on the lease, where applicable. The provision may vary as a result of changes in the utilization of the leased premises and sub-lease arrangements where applicable. The unexpired terms of the leases range from 3 to 22 months.

Details of changes in the Company's provisions balance are as follows:

	Onerous leases	Legal claims and severance	Total
Balance, August 31, 2012	$ 165,026	$ 262,788	$ 427,814
Additional provisions recognized	1,907	48,441	50,348
Reductions arising from payments	(144,533)	(217,788)	(362,321)
Balance, August 31, 2013	22,400	93,441	115,841
Additional provisions recognized	-	38,000	38,000
Reductions arising from payments	(22,400)	(93,441)	(115,841)
Balance, August 31, 2014	$ -	$ 38,000	$ 38,000

EXPRESSED IN CANADIAN DOLLARS

NOTE 13 – LONG-TERM DEBT AND FINANCE LEASE OBLIGATIONS

Long-term debt

The carrying value of debt in the Company is as follows:

	August 31, 2014	August 31, 2013
SSDC Demand term instalment loan, payable in monthly instalments of $50,000 plus interest at the prime rate plus 2%, due June 2018	$ 450,000	$ 2,900,000
SSDC Promissory note payable at $460 per month including interest at 8.5% per annum, unsecured, due October 2013	-	31,495
	450,000	2,931,495
Less: current portion	(450,000)	(2,931,495)
	$ -	$ -

On June 5, 2013, SSDC refinanced its term instalment loan by obtaining an additional $3,000,000 term instalment loan. The term instalment loan is payable in monthly instalments of $50,000 plus interest at the prime rate plus 2% and is due June 2018. Proceeds from the $3,000,000 term instalment loan was used to pay down the existing term instalment loan, and the remaining balance was used for working capital purposes. On September 17, 2013, a total of $1,863,096 (comprised of $1,850,000 in principal and $13,096 in interest) was paid to reduce the term instalment loan.

In addition, SSDC has a demand operating credit facility available in the amount of $1,500,000 with interest calculated at the prime rate plus 2%. As at August 31, 2014, the demand operating facility was not utilized.

The demand operating credit facility and the demand term instalment loan is secured as follows:

- first priority security interest in the assets of SSDC
- assignment of fire and perils insurance on the property of SSDC
- postponement of claims from the Company on advances to SSDC

The debt covenants, calculated using SSDC's financial statements, of the demand term instalment loan are as follows:

- the senior debt to earnings before interest, taxes, depreciation and amortization ratio not to exceed 1.75 to 1.0 at any time
- the adjusted current ratio is not less than 1.75 to 1.0 at any time
- the adjusted fixed charge coverage ratio is not less than 1.0 to 1.0 at any time

The debt covenants are defined in accordance with the agreement between SSDC and the banking facility. As at August 31, 2014, the senior debt to earnings before interest, taxes, depreciation and amortization ratio was 0.39 to 1.0, the adjusted current ratio was 1.87 to 1.0, and the adjusted fixed charge coverage ratio was 3.09 to 1.0.

As at August 31, 2013, the senior debt to earnings before interest, taxes, depreciation and amortization ratio was 2.73 to 1.0, the adjusted current ratio was 2.03 to 1.0, and the adjusted fixed charge coverage ratio was 1.66 to 1.0. Although the senior debt to earnings before interest, taxes, depreciation and amortization ratio exceeded 1.75, the Company obtained a letter dated November 24, 2013 from the financial institution to waive the senior debt to earnings before interest, taxes, depreciation and amortization ratio for the current year end. As a result, the Company is not in violation of any debt covenants as at August 31, 2013.

EXPRESSED IN CANADIAN DOLLARS

NOTE 13 – LONG-TERM DEBT AND FINANCE LEASE OBLIGATIONS (cont'd)

Finance lease obligations

The Company has classified certain leases for equipment as finance leases on the basis that the lease term represents the major portion of the asset's economic life and the minimum lease payments over the term of the lease amount to substantially all of the estimated fair value of the asset. The estimated future annual minimum lease payments for these assets are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	August 31, 2014	August 31, 2013 Restated Note 26	August 31, 2014	August 31, 2013 Restated Note 26
Not later than one year	$ 199,022	$ 181,377	$ 157,959	$ 142,491
Later than one year and not later than five years	560,045	543,637	508,764	480,483
Later than five years	-	-	-	-
	759,067	725,014	666,723	622,974
Less: future finance charges	(92,344)	(102,040)	-	-
Present value of minimum lease payments	666,723	622,974	$ 666,723	$ 622,974
Less: current portion	(157,959)	(142,491)		
	$ 508,764	$ 480,483		

EXPRESSED IN CANADIAN DOLLARS

NOTE 14 – SHARE CAPITAL

Authorized shares

Authorized share capital consists of 150,000,000 common shares without par value.

Share purchase warrants

At August 31, 2014, the Company had no share purchase warrants outstanding.

The Company's share purchase warrant activity is summarized as follows:

	Number of Warrants	Weighted Average Exercise Price ($)	Weighted Average Remaining Life
Balance, August 31, 2012	2,756,833	0.35	1.84 years
- warrants issued during the year	-	-	
- warrants expired during the year	-	-	
Balance, August 31, 2013	2,756,833	0.35	0.84 years
- warrants issued during the year	-	-	
- warrants exercised during the year	(1,386,833)	0.35	
- warrants expired during the year	(1,370,000)	0.35	
Balance, August 31, 2014	-	-	-

Stock options

The Company has stock options outstanding to certain employees, officers and directors providing the right to purchase up to 3,439,000 shares at prices ranging from $0.24 per share to $0.42 per share exercisable for periods ending from March 1, 2016 to July 10, 2019.

The Company has in place a rolling stock option plan (the "Plan") whereby a maximum of 10% of the issued and outstanding shares of the Company, from time to time, may be reserved for issuance pursuant to the exercise of options. The material terms of the Plan are as follows:

- The term of any options granted under the Plan is fixed by the board of directors at the time the options are granted, to a maximum term of five years.
- The exercise price of any options granted under the Plan is determined by the board of directors, but shall not be less than the last closing price on the TSX Exchange of the Company's common shares preceding the grant of such options, less any permitted discount.
- Unless otherwise imposed by the board of directors, no vesting requirement applies to options granted under the Plan but a four month hold period, commencing from the date of grant of an option, applies to all shares issued upon exercise of an option.
- All options granted under the Plan are non-assignable and non-transferable.
- If an option holder ceases to hold a position with the Company in which the option holder would be eligible to be granted an option (other than by reason of death), then the option granted shall expire on the 30th day following the date that the option holder ceases to hold any such position.

EXPRESSED IN CANADIAN DOLLARS

NOTE 14 – SHARE CAPITAL (cont'd)

Stock options (cont'd)

The Company's stock option activity is summarized as follows:

	Number of Options	Weighted Average Exercise Price ($)	Weighted Average Remaining Life
Balance, August 31, 2012	4,533,000	0.31	3.96 years
- options granted during the year	-	-	
- options expired during the year	(486,500)	0.35	
Balance, August 31, 2013	4,046,500	0.30	3.01 years
- options granted during the year	30,000	0.37	
- options exercised during the year	(1,500)	0.24	
- options expired during the year	(636,000)	0.29	
Balance, August 31, 2014	3,439,000	0.31	2.06 years

Details of options outstanding as at August 31, 2014 are as follows:

Number of Options	Exercise Price	Expiry Date	Remaining Contractual Life
1,265,000	$0.42	March 1, 2016	1.50 years
2,144,000	$0.24	January 6, 2017	2.35 years
30,000	$0.37	July 10, 2019	4.86 years
3,439,000			

As at August 31, 2014, a total of 2,627,125 stock options were exercisable with a weighted average exercise price of $0.31 per share

Details of options outstanding as at August 31, 2013 are as follows:

Number of Options	Exercise Price	Expiry Date	Remaining Contractual Life
100,000	$0.54	October 13, 2013	0.12 years
1,265,000	$0.42	March 1, 2016	2.50 years
2,681,500	$0.24	January 6, 2017	3.35 years
4,046,500			

As at August 31, 2013, a total of 2,199,750 stock options were exercisable with a weighted average exercise price of $0.32 per share

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NOTE 14 – SHARE CAPITAL (cont'd)

Share-based payment

Date Granted	Shares Granted	Exercise Price	Fair Value	Vesting Period
March 1, 2011	1,265,000	$0.42	$278,300	20% vesting on grant and 20% at end of each of 12, 24, 36 and 48 months
January 6, 2012	3,058,000	$0.24	$225,068	25% vesting on grant and 25% at end of each of 12, 24 and 36 months
July 10, 2014	30,000	$0.37	$5,700	25% vesting on grant and 25% at end of each of 12, 24 and 36 months

The fair value of these options is estimated at the time of the grant using the Black-Scholes option pricing model with weighted average assumptions per grant for the years ended as follows:

	For the year ended August 31, 2014
Expected life	3.50 years
Risk-free interest rate	1.31%
Expected dividend yield	0.00%
Expected volatility	78.13%
Expected forfeiture rate	8.00%

NOTE 15 – TREASURY SHARES

In accordance with TSX Exchange approval and the provisions of a normal course issuer bid, the Company from time to time acquires its own common shares into treasury. Effective February 19, 2013, the Company received approval from the TSX to a normal course issuer bid to purchase for re-sale up to 3,000,000 of the Company's common shares to a maximum aggregate acquisition cost of $1,000,000. The normal course issuer bid expired on February 20, 2014. Effective February 24, 2014, the Company received approval from the TSX to a normal course issuer bid to purchase for re-sale up to 3,000,000 of the Company's common shares to a maximum aggregate acquisition cost of $1,000,000. The normal course issuer bid expires on February 23, 2015.

On August 19, 2013, the Company cancelled a total of 6,015,224 treasury shares with an accumulated cost of $4,021,030. On February 28, 2014, the Company cancelled a total of 865,600 treasury shares with an accumulated cost of $268,078.

Details of changes in the Company's treasury shares balance are as follows:

	Number	Value
Balance, August 31, 2012	3,813,024	$ 3,631,510
Purchases of treasury shares	2,202,200	389,520
Cancellation of treasury shares	(6,015,224)	(4,021,030)
Balance, August 31, 2013	-	-
Purchases of treasury shares	2,435,700	818,874
Cancellation of treasury shares	(865,600)	(268,078)
Balance, August 31, 2014	1,570,100	$ 550,796

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NOTE 16 – NON-CONTROLLING INTERESTS

	CIBT	SSDC Restated Note 26	IRIX	GEC Project 2	Total
August 31, 2012	$ 827,395	$ 566,497	$ (145,124)	$ -	$ 1,248,768
Net contributions	-	-	-	-	-
Net withdrawals	-	(358,799)	-	-	(358,799)
Allocation of income (loss)	32,272	242,832	(30,147)	-	244,957
Foreign exchange adjustments	74,469	-	-	-	74,469
August 31, 2013	934,136	450,530	(175,271)	-	1,209,395
Net contributions	-	-	-	3,995,488	3,995,488
Net withdrawals	-	(236,654)	-	-	(236,654)
Allocation of income (loss)	35,019	151,757	(33,305)	-	153,471
Foreign exchange adjustments	34,937	-	-	-	34,937
August 31, 2014	$ 1,004,092	$ 365,633	$ (208,576)	$ 3,995,488	$ 5,156,637

NOTE 17 – FINANCIAL INSTRUMENTS

The estimated fair value of the Company’s financial instruments approximates the amount for which the financial instrument could currently be exchanged in an arm’s length transaction between willing parties who are under no compulsion to act. The carrying amounts of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities are considered reasonable approximations of their fair values due to the short-term nature of these instruments. The estimated fair value of the finance lease obligations and the long-term debt is categorized within Level 2 of the fair value hierarchy. The fair value of these items approximates their carrying value and has been determined by discounting the contractual cash flows using implied yields of obligations bearing similar credit risk and maturities.

The carrying values presented in the Statement of Financial Position relate to the following categories of assets and liabilities (all of the Company’s financial assets and liabilities are classified as either loan and receivables or other financial liabilities):

	August 31, 2014	August 31, 2013 Restated - Note 26
Financial assets		
Loans and receivables		
Cash and cash equivalents	$ 2,706,229	$ 3,555,419
Short-term investments	2,118,333	-
Accounts receivable	7,323,999	6,636,480
Due from related party	835,000	52,500
Refundable deposits	6,500,000	-
Cash held in trust	748,200	-
	$ 20,231,761	$ 10,244,399
Financial liabilities		
Other liabilities		
Accounts payable and accrued liabilities	$ 3,819,796	$ 3,462,507
Finance lease obligations	666,723	622,974
Debt and borrowings	450,000	2,931,495
	$ 4,936,519	$ 7,016,976

EXPRESSED IN CANADIAN DOLLARS

NOTE 17 – FINANCIAL INSTRUMENTS (cont'd)

Fair Value Information

The fair value hierarchy establishes three levels to classify the significance of inputs to valuation techniques used in making fair value measurements. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 3 inputs are not based on unobservable market data. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. Fair value is defined as 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. In assessing the fair value of a particular contract, the market participant would consider the credit risk of the counterparty to the contract.As at August 31, 2014, all of the Company's financial assets and liabilities are categorized as Level 1 and there were no transfers between the categories during the year.

NOTE 18 – INCOME TAXES

The Company's operations are subject to income taxes primarily in Canada and China. Income tax provision (recovery) in these consolidated financial statements relates to CIBT's domestic operations in China and to SSDC's domestic operations in Canada.

Statutory tax rates	2014	2013
China	25.00%	25.00%
Canada	26.00%	25.42%

The following table is a reconciliation of income tax expense (recovery), at the Canadian income tax rate and the amount of reported income tax expense in the Statements of Loss.

	Year Ended August 31, 2014	Year Ended August 31, 2013
Loss before taxes	$ (2,221,412)	$ (3,120,897)
Statutory Canadian income tax rate	26.00%	25.42%
Income tax recovery at statutory rate	(577,567)	(793,332)
Effect of differences in foreign tax rates	7,912	(554)
Expired non-capital loss carry-forwards	356,708	-
Non-deductible expenses, net	45,691	(4,820)
Effect of differences between current year rate and rates used to measure deferred income taxes	-	(104,714)
Effect of differences in prior period tax returns as filed	19,573	(90,229)
Change in deferred tax assets not recognized	(310,271)	(705,775)
Gain on disposal of investment for tax	36,996	737,180
Other	(83,020)	(254,023)
Income tax expense (recovery)	$ (503,978)	$ (1,216,267)
Consisting of:		
Current tax expense (recovery)	$ 6,953	$ (397,464)
Deferred tax expense (recovery)	(510,931)	(818,803)
	$ (503,978)	$ (1,216,267)

Effective January 1, 2012, the Canadian Federal corporate tax rate decreased from 16.5% to 15%. Effective April 1, 2013, the British Columbia provincial tax rate increased from 10% to 11%. The overall change in tax rates has resulted in an increase in the Company's statutory tax rate from 25.42% to 26.00%.

EXPRESSED IN CANADIAN DOLLARS

NOTE 18 – INCOME TAXES (cont'd)

The following table shows deferred income taxes resulting from temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amount used for tax purposes, as well as tax loss carry-forwards.

	Year Ended August 31, 2014	Year Ended August 31, 2013
Deferred income tax assets		
Canada		
Non-capital loss carry-forwards	$ 4,027,380	$ 3,471,719
Share issuance costs	5,744	35,997
Property and equipment	198,517	130,682
Intangible assets	-	-
Reserves	-	5,824
Net capital losses	6,391	6,392
China		
Non-capital loss carry-forwards	-	28,648
Property and equipment	-	3,444
Total deferred income tax assets	$ 4,238,032	$ 3,682,706
Deferred tax liabilities		
Canada		
Property and equipment	$ (195,178)	$ (126,765)
Goodwill and intangible assets	(1,825,083)	(1,845,656)
China		
Property and equipment	-	(3,444)
Intangible assets	(115,248)	(115,248)
Total deferred income tax liabilities	$ (2,135,509)	$ (2,091,113)
Classified as:		
Deferred tax assets, net	$2,582,442	$2,654,283
Deferred tax liabilities, net	(479,918)	(1,062,690)
Net deferred tax assets	$ 2,102,524	$ 1,591,593

Deductible temporary differences and unused tax losses for which a future benefit has not been recognized as a deferred tax asset include the following:

	August 31, 2014	August 31, 2013
Non-capital loss carry-forwards	$ 1,723,962	$ 2,950,664
Net capital loss carry-forwards	1,007,496	1,007,498
Investments	1,593,918	1,593,916
Property and equipment	135,352	125,825
Intangible assets	24,001	15,098
	$ 4,484,729	$ 5,693,001

(i) The Company has income tax loss carry-forwards of approximately $NIL (2013 - $639,643) for Canadian tax purposes.

(ii) The Company has un-recognized net capital loss carry-forwards of approximately $1,007,498 (2013 - $1,007,498) for Canadian tax purposes. These un-recognized tax losses are carried forward indefinitely.

(iii) The Company has un-recognized income tax loss carry-forwards of approximately $1,514,786 (2013- $1,913,984) for China tax purposes. These un-recognized tax losses will expire between 2015 to 2019.

(iv) The Company has un-recognized income tax loss carry-forwards of approximately $209,176 (2013 - $397,037) for Philippines tax purposes. These un-recognized tax losses will expire between 2015 to 2017.

NOTE 18 – INCOME TAXES (cont'd)

The Company has recognized $2,361,926 (2013 - $2,445,966) of deferred tax assets that are dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable differences. In addition the Company has suffered a loss in the current and prior period in the tax jurisdictions to which the deferred tax assets relate. The Company has undertaken tax planning in the current and prior period that is expected to increase future taxable income, which support the recognition of the deferred tax asset.

The Company has also projected, that its current program investment activities that are giving rise to current and prior period losses, will result in future taxable profits that will be sufficient to utilize the deferred tax assets.

NOTE 19 – COMMITMENTS & CONTINGENCIES

The Company entered into a lease agreement for the Company's corporate office space in Vancouver, B.C. CIBT's subsidiaries in China entered into various lease agreements. SSDC is committed to payments consisting of office and campus premises rental and operating leases for equipment.

	Corporate	CIBT (China)	SSDC	Total
Not later than one year	$ 94,614	$ 108,628	$ 1,371,098	$ 1,574,340
Later than one year and not later than five years	301,473	205,399	2,708,560	3,215,432
Later than five years	-	-	14,289	14,289
	$ 396,087	$ 314,027	$ 4,093,947	$ 4,804,061

SSDC has provided two letters of credit in the amount of $200,000 and $561,634. As at August 31, 2014 and August 31, 2013, these letters of credit were not utilized.

NOTE 20 – RISK MANAGEMENT

The Company has operations in China and accordingly is exposed to political and economic risks associated with investing in the PRC as well as related industry risks. The Company is engaged primarily in service related industries. The Company generates revenues from multiple sources and from a broad customer/client base and accordingly is not exposed to significant credit concentration risk. The Company is not exposed to significant interest rate risk.

The Company conducts business in Canada, the United States, China and Hong Kong giving rise to significant exposure to market risks from changes in foreign currency rates. The financial risk is the risk to the Company's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments or other measures to reduce its exposure to foreign currency risk. In addition, the Company is exposed to Chinese currency fluctuations and restrictions on Chinese currency exchange, which may affect the Company's ability to repatriate profits from China.

Exchange rate risk
The Company operates in Canada and China, and through its subsidiaries in China the Company generates revenues in Chinese RMB and incurs operating costs which are payable in RMB, giving rise to exposure to market risks from changes in foreign currency rates. The Company also holds a minor amount of cash in US dollars, the exchange rate fluctuation between Canadian dollar and US dollar will not have a material impact on net income.

NOTE 20 – RISK MANAGEMENT (cont'd)

Exchange rate risk (cont'd)

Foreign currency denominated financial assets and financial liabilities which expose the Company to currency risk are as follows (shown in Chinese renminbi with the Canadian dollar equivalent):

	August 31, 2014				August 31, 2013			
Financial assets	RMB	32,800,544	$	5,820,446	RMB	33,437,295	$	5,717,341
Financial liabilities		12,589,463		2,233,996		8,982,109		1,535,823
Exposure	RMB	20,211,081	$	3,586,450	RMB	24,455,186	$	4,181,517

The following shows the impact on net income and equity with the RMB fluctuating against the Canadian dollar:

	August 31, 2014		August 31, 2013	
RMB appreciation against C$ by 10%				
Net income (loss)	$	(84,543)	$	76,862
Shareholder equity	$	398,494	$	464,613
RMB depreciation against C$ by 10%				
Net income (loss)	$	69,172	$	(62,887)
Shareholder equity	$	(326,041)	$	(380,138)

Capital control exists in China. China still has many restrictions on the movement of money in and out of the country for anything except payments associated with exports and imports. At present, a company can repatriate up to 90 percent of profits from their China-based operations. A portion (at least 10 percent for Wholly Owned Foreign Entities), must be placed in a reserve account. This reserve is capped at 50 percent of a company's registered capital. To distribute the remainder, a company must obtain a board resolution authorizing distribution and file an application with China's State Administration of Taxation ("SAT") that includes an annual audit, tax receipts and other documents as required. SAT will then issue a Foreign Enterprise Income Tax Payment Certificate which will enable the bank to exchange Chinese RMB into the desired currency for remission of funds. As of August 31, 2014, the amount in the statutory reserve in China is $Nil (2013 - $Nil).

Credit risk

The financial instruments that potentially subject the Company to significant concentration of credit risk consist principally of cash and cash equivalents and accounts receivable. Cash and cash equivalents are on deposit at major financial institutions. Management is of the opinion that credit risk with respect to accounts receivable is limited due to the ongoing evaluations of its debts and the monitoring of their financial condition to ensure collections and to minimize losses. Accounts receivable as at August 31, 2014 is reported net of allowance for bad debts of $359,246 (August 31, 2013- $630,783). The carrying amount of the assets included on the statement of financial position represents the maximum credit exposure.

Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk primarily on its cash and cash equivalents, short-term investments, and demand term instalment loan. The Company monitors its exposure to interest rates and is comfortable with its exposures given the relatively low short-term prime rate. The weighted-average interest rate paid by the Company during the year ended August 31, 2014 on its demand term instalment loan was 5% (2013 - 5%). A 10% increase in the interest earned or paid would result in a nominal increase or decrease in the Company's net loss in both periods. The Company's exposure to interest rate risk has actually decreased, and there has been no change to its objectives or policies for managing these risks during the year ended August 31, 2014.

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NOTE 20 – RISK MANAGEMENT (cont'd)

Liquidity risk

The Company is exposed to liquidity risk which is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due in the normal course of business. The Company manages its liquidity risk by monitoring its operating requirements. As at August 31, 2014, the Company had $2,706,229 (August 31, 2013 - $3,555,419) of cash and cash equivalents. In addition, the Company has a demand operating credit facility of $1,500,000. The Company could look to capital financing which has it successfully raised in the past. However, there is no assurance that such financing will be available on favourable terms. Management prepares budgets and cash forecasts to ensure that the Company has sufficient funds to fulfill its financial obligations. The Company is currently in a working capital deficit position, however the Company has positive cash balances as discussed above.

The following tables summarize the obligations of the Company's financial liabilities and operating commitments as at August 31, 2014 and August 31, 2013:

August 31, 2014	Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
Accounts payable and accrued liabilities	$ 3,819,796	$ -	$ -	$ 3,819,796
Provisions	38,000	-	-	38,000
Income taxes payable	155,491	-	-	155,491
Finance leases (including interest charges)	199,022	560,044	-	759,067
Long-term debt (including interest charges)	459,390	-	-	459,390
	$ 4,671,699	$ 560,044	$ -	$ 5,231,744

August 31, 2013	Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
Accounts payable and accrued liabilities	$ 3,462,507	$ -	$ -	$ 3,462,507
Provisions	115,841	-	-	115,841
Income taxes payable	153,564	-	-	153,564
Finance leases (including interest charges)	181,377	543,637	-	725,014
Long-term debt (including interest charges)	3,288,008	-	-	3,288,008
	$ 7,201,297	$ 543,637	$ -	$ 7,744,934

NOTE 21 – CAPITAL DISCLOSURES

The Company's objectives in managing capital are to safeguard the Company's normal operating requirements on an ongoing basis and to ensure sufficient liquidity to conduct its strategy of organic growth in conjunction with strategic acquisitions, and to utilize capital to provide an appropriate return on investment to its shareholders. The Company's overall capital strategy remains unchanged from the prior periods. The capital structure of the Company consists of shareholders' equity excluding NCI (August 31, 2014 - $18,394,123 ; August 31, 2013 - $13,505,439) and debt (August 31, 2014 - $450,000 ; August 31, 2013 - $2,931,495). The Company manages and adjusts its capital structure in light of economic conditions and the risk characteristics of the underlying assets. The Company monitors its capital using various financial ratios and non-financial performance indicators. The Company's primary uses of capital are to finance working capital requirements, capital expenditures and acquisitions. The Company must comply, and is in compliance, with certain financial ratio requirements in connection with the long-term debt as at August 31, 2014 (refer to Note 13).

EXPRESSED IN CANADIAN DOLLARS

NOTE 22 – GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are comprised of the following:

	Year Ended August 31, 2014	Year Ended August 31, 2013 Restated - Note 26
Advertising	$ 3,480,705	$ 3,601,929
Bank charges and interest	192,080	187,154
Consulting and management fees	1,017,963	1,474,064
Directors insurance	22,500	27,500
Investor relations	158,374	112,400
Office and general	2,469,073	2,331,667
Professional fees	625,559	911,234
Rent	3,157,130	3,127,291
Salaries and benefits	8,261,222	7,954,839
Travel and promotion	344,528	234,945
	$ 19,729,134	$ 19,963,023

NOTE 23 – SUPPLEMENTAL CASH FLOW DISCLOSURES

Net changes in non-cash working capital items are comprised of the following:

	Year Ended August 31, 2014	Year Ended August 31, 2013 Restated - Note 26
Short-term investments	$ (2,118,333)	$ -
Accounts receivable	11,796	1,286,988
Prepaid expenses	5,128	(366,240)
Inventory	(11,738)	(2,388)
Accounts payable and accrued liabilities	348,400	(252,126)
Provisions	(77,841)	(311,973)
Income taxes payable	(2,699)	(8,314)
Deferred educational revenues	(1,352,807)	(2,614,799)
Cash held in trust	748,200	-
	$ (2,449,894)	$ (2,268,852)

The working capital items have been adjusted for the effects of non-cash changes and unrealized foreign exchange changes.

Non-cash transactions are as follow:

	Year Ended August 31, 2014	Year Ended August 31, 2013 Restated - Note 26
Property and equipment acquired with finance lease	$ 197,457	$ 457,829
Tangible and intangible assets acquired on credit terms	$ 8,442	$ 15,557
Deposit on GEC Project 1 made by GEC LP 1	$ 1,575,000	$ -
Deposit on GEC Project 2 made by Investor 2	$ 4,550,000	$ -

As discussed in Note 4, the Company entered into a Fee Agreement in connection with GEC Project 1 whereby the Company will earn a total of $1,161,600. During fiscal 2014, the Company recognized $232,320 of these fees with the amounts owing being paid to GEC LP 1 in satisfaction of amounts owing by GEC Holdings for its investment in GEC LP units.

As discussed in Note 4, the Company entered into a Fee Agreement in connection with GEC Project 2 whereby the Company will earn a total of $1,485,000 to be paid by way of issuance of fully paid units of GEC LP 2 to GEC Holdings to be funded by payments by the other GEC LP 2 investor to GEC LP 2. During fiscal 2014, the Company recognized $1,389,512 of these fees.

EXPRESSED IN CANADIAN DOLLARS

NOTE 24 – RELATED PARTY TRANSACTIONS

Significant transactions between the Company and the following related parties:

	August 31, 2014	August 31, 2013
Accounts receivable - Weifang University (1)	$ 3,600,878	$ 3,940,266
Accounts payable - Weifang University (1)	$ 782,854	$ 1,524,539
Due to officers, employees, directors and non-arm's length investors (2)	$ 381,156	$ 224,898
Due from officers, employees, directors and non-arm's length investors (3) (4)	$ 835,000	$ 52,500

1) CIBT has a business venture with Weifang University with a 60% interest in Beihai College. Beihai College is a Chinese Government approved college which has been in operation since 2002. Effective July 1, 2007, the Chinese Government implemented a new cash management policy affecting Beihai College. The tuition fees of Beihai College are required to be directly remitted to the local Chinese Government when tuition fees are received, and the funds are held by the Chinese Government under the account of Weifang. Beihai College can receive funds for its operations from Weifang on an as needed basis up to the amount of the tuition fees collected.

2) As of August 31, 2014, the amount due to officers, employees, directors and non-arm's length investors is comprised of $41,377 (August 31, 2013 – $168,913) due to officers and directors of the Company, $164,779 (August 31, 2013 – $55,985) due to the President of IRIX, and $175,000 (August 31, 2013 – $Nil) due to Investor 2 of the GEC Project 2 development. The $41,377 due to officers and directors of the Company is non-interest bearing and has no fixed terms of repayment. The $164,779 due to the President of IRIX is non-interest bearing and has no fixed terms of repayment. The $175,000 due to Investor 2 is non-interest bearing and has no fixed terms of repayment. On May 31, 2013, the Company received US$100,000 from a director of the Company as a loan, bearing interest at 7% per annum (with an additional maximum $20,000 bonus payable subject to appreciation of the Company's shares) and due on June 1, 2014. On June 1, 2014, the US$100,000 loan was repaid in full and the US$20,000 bonus was paid to the director. All interest owing on the loan has been paid to the director during the term of the loan. Transactions with related party are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Such amounts are included as part of the cash flows from operating activities in the Consolidated Statements of Cash Flow.

3) As at August 31, 2014, $Nil (August 31, 2013 – $52,500) was due from a director of the Company. The balance was being repaid by the director through quarterly instalments of $2,500 per quarter with a lump sum payment made on August 25, 2014 to reduce the balance to $Nil.

4) As at August 31, 2014, $835,000 (August 31, 2013 – $Nil) was due from Investor 2 in the GEC Project 2 development. Amounts due are non-interest bearing with no set terms of payment and will be repaid through additional funding of GEC Project 2 LP by Investor 2.

The remuneration of directors and other members of key management personnel are as follows:

	Year Ended August 31, 2014	Year Ended August 31, 2013
Management fees and salaries	$ 830,842	$ 1,073,077
Share-based payments	10,465	34,358
	$ 841,307	$ 1,107,435

EXPRESSED IN CANADIAN DOLLARS

NOTE 25 – SEGMENTED INFORMATION

The Company's primary industry and geographic segments are in China where CIBT operates technical and career training schools, and in Canada where SSDC operates technical and career training schools, IRIX conducts web design and advertising services, and GEC conducts education related real estate projects. The Company's corporate operations are also in Canada. Transactions between CIBT, SSDC, IRIX, GEC and the Company (Corporate) are reported as inter-segment transactions, and are eliminated on consolidation. Inter-segment transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties. Information reported to the Company's Chief Executive Officer for the purposes of resource allocation and assessment of segment performance focuses on the Company's business segments by geographic segments.

Industry and Geographic Segments	**Year Ended August 31, 2014**						
	CIBT (China)	SSDC (Canada)	KGIC (Canada)	IRIX (Canada)	GEC (Canada)	Corporate (Canada)	Consolidated
Revenues							
Educational	$ 2,371,950	$ 25,218,361	$ -	$ -	$ -	$ -	$ 27,590,311
Design and advertising	-	-	-	860,989	-	-	860,989
Commissions and referral fees	843,022	-	-	-	-	-	843,022
Development fees	-	-	-	-	-	1,621,832	1,621,832
	$ 3,214,972	$ 25,218,361	$ -	$ 860,989	$ -	$ -	$ 30,916,154
Revenues, net of direct costs	$ 1,493,372	$ 15,399,677	$ -	$ 686,230	$ -	$ 1,162,246	$ 18,741,525
Other expenses and items:							
General and administrative	(1,714,282)	(14,300,630)	-	(760,322)	-	(2,953,900)	(19,729,134)
Amortization	(243,027)	(824,368)	-	(25,702)	-	(8,434)	(1,101,531)
Share-based payment expense	-	-	-	-	-	(15,992)	(15,992)
Business development costs	-	-	-	0	-	(180,000)	(180,000)
Interest and other income	7,424	-	-	6,884	-	121,137	135,445
Foreign exchange gain (loss)	89,147	-	-	9,086	-	487	98,720
Finance costs	-	(91,171)	-	-	-	(27,267)	(118,438)
Gain (loss) on disposal of assets	(29,109)	(22,898)	-	-	-	-	(52,007)
Income tax recovery (provision), net	(50,070)	611,050	-	2,211	-	(59,213)	503,978
Inter-segment transactions	37,698	(2,016,991)	-	13,643	-	1,965,650	-
Income (loss) from continuing operations	(408,847)	(1,245,331)	-	(67,970)	-	4,714	(1,717,434)
Discontinued operations	-	-	7,030,395	-	-	-	7,030,395
Inter-segment transactions - discontinued operations	-	-	-	-	-	-	-
Net income (loss)	$ (408,847)	$ (1,245,331)	$ 7,030,395	$ (67,970)	$ -	$ 4,714	$ 5,312,961

EXPRESSED IN CANADIAN DOLLARS

NOTE 25 – SEGMENTED INFORMATION (cont'd)

Industry and Geographic Segments	August 31, 2014						
	CIBT (China)	SSDC (Canada)	KGIC (Canada)	IRIX (Canada)	GEC (Canada)	Corporate (Canada)	Consolidated
Total assets	$ 5,594,001	$ 20,012,439	$ -	$ 336,836	$ 9,167,147	$ 6,585,777	$ 41,696,200
Property and equipment	$ 371,601	$ 1,975,819	$ -	$ 93,576	$ -	$ 37,154	$ 2,478,150
Intangible assets	$ 769,152	$ 7,752,446	$ -	$ -	$ -	$ -	$ 8,521,598
Goodwill	$ -	$ 4,793,303	$ -	$ -	$ -	$ -	$ 4,793,303
Total liabilities	$ 552,576	$ 13,562,783	$ -	$ 479,101	$ 1,750,000	$ 1,800,980	$ 18,145,440
Non-controlling interests	$ 1,004,092	$ 365,633	$ -	$ (208,576)	$ 3,995,488	$ -	$ 5,156,637
Capital expenditures	$ 100,666	$ 246,261	$ -	$ 3,815	$ -	$ 26,617	$ 377,359

EXPRESSED IN CANADIAN DOLLARS

NOTE 25 – SEGMENTED INFORMATION (cont'd)

Industry and Geographic Segments	**Year Ended August 31, 2013**						
Restated - Note 26	CIBT (China)	SSDC (Canada)	KGIC (Canada)	IRIX (Canada)	GEC (Canada)	Corporate (Canada)	Consolidated
Revenues							
Educational	$ 2,773,191	$ 26,312,774	$ -	$ -	$ -	$ -	$ 29,085,965
Design and advertising	-	-	-	993,927	-	-	993,927
Commissions and referral fees	667,669	-	-	-	-	-	667,669
Development fees	-	-	-	-	-	-	-
	$ 3,440,860	$ 26,312,774	$ -	$ 993,927	$ -	$ -	$ 30,747,561
Revenues, net of direct costs	1,844,495	15,472,530	-	740,649	-	-	18,057,674
Other expenses and items:							
General and administrative	(1,328,275)	(14,312,610)	-	(818,931)	-	(3,503,207)	(19,963,023)
Amortization	(182,870)	(824,896)	-	(28,184)	-	(128,031)	(1,163,981)
Share-based payment expense	-	-	-	-	-	(81,527)	(81,527)
Business development costs	-	-	-	-	-	-	-
Interest and other income	4,645	-	-	26,572	-	7,526	38,743
Foreign exchange gain (loss)	104,236	-	-	(159)	-	(6,163)	97,914
Finance costs	-	(105,004)	-	-	-	(1,835)	(106,839)
Gain (loss) on disposal of assets	(195)	337	-	-	-	-	142
Income tax recovery (provision), net	563,771	463,581	-	711	-	188,204	1,216,267
Inter-segment transactions	16,248	(2,073,345)	-	17,819	-	2,039,278	-
Income (loss) from continuing operations	1,022,055	(1,379,407)	-	(61,523)	-	(1,485,755)	(1,904,630)
Discontinued operations	-	-	319,540	-	-	-	319,540
Inter-segment transactions - discontinued operations	9,111	259,049	(856,727)	-	-	588,567	-
Net income (loss)	$ 1,031,166	$ (1,120,358)	$ (537,187)	$ (61,523)	$ -	$ (897,188)	$ (1,585,090)

EXPRESSED IN CANADIAN DOLLARS

NOTE 25 – SEGMENTED INFORMATION (cont'd)

Industry and Geographic Segments **Restated - Note 26**	**August 31, 2013** CIBT (China)	SSDC (Canada)	KGIC (Canada)	IRIX (Canada)	GEC (Canada)	Corporate (Canada)	Consolidated
Total assets	$ 5,457,709	$ 22,296,685	$ 11,709,872	$ 297,119	$ -	$ 2,777,236	$ 42,538,621
Property and equipment	$ 430,781	$ 2,229,258	$ -	$ 115,463	$ -	$ 18,971	$ 2,794,473
Intangible assets	$ 860,365	$ 8,236,707	$ -	$ -	$ -	$ -	$ 9,097,072
Goodwill	$ -	$ 4,793,303	$ -	$ -	$ -	$ -	$ 4,793,303
Total liabilities	$ 663,140	$ 18,042,964	$ 8,070,697	$ 396,996	$ -	$ 649,990	$ 27,823,787
Non-controlling interests	$ 934,136	$ 450,530	$ -	$ (175,271)	$ -	$ -	$ 1,209,395
Capital expenditures	$ 93,263	$ 792,883	$ 435,758	$ 2,302	$ -	$ 30,000	$ 1,354,206

EXPRESSED IN CANADIAN DOLLARS

NOTE 26 – RESTATEMENT

During the 2014 fiscal year, the Company identified a number of errors that required a restatement of previously issued financial statements. The items that have been restated are as follows:

a) Prior to fiscal 2014, certain cash amounts received by SSDC in advance of providing educational services were erroneously recorded as a reduction of accounts receivable rather than as an increase in deferred revenue. Also prior to fiscal 2014, certain deferred revenue amounts were erroneously recorded as accounts payable.
b) Prior to fiscal 2014, SSDC recognized upfront payments received from students as revenue when received notwithstanding the fact that such payment had no standalone value from the students' perspective and should be deferred and recognized over the term of the student's course.
c) In 2013, SSDC acquired certain equipment under a lease that qualified as a finance lease under IFRS. Before restatement, this item was treated as an operating lease with all periodic payments expensed.
d) Prior to fiscal 2014, IRIX recorded media booking revenues and costs on a gross basis. Since IRIX operates as an agent rather than as a principal when it provides media booking services, the related revenues and expenses are more appropriately recorded on a net basis.
e) During fiscal 2014, the Company identified certain KGIC liabilities that should been accrued at August 31, 2013 but were not.

The impact of the above adjustments to the 2013 consolidated financial statements is as follows:

	Year Ended August 31, 2013						
	As Previously Reported	Adjustments (a)	(b)	(c)	(d)	(e)	As Restated
Consolidated statement of financial position							
Accounts receivable	$ 4,799,574	2,193,560	(356,654)				$ 6,636,480
Property and equipment	$ 2,534,771			259,702			$ 2,794,473
Accounts payable and accrued liabilities	$ 2,738,145	724,362					$ 3,462,507
Deferred educational revenue	$ 9,709,923	1,469,198					$ 11,179,121
Finance lease obligations	$ 368,551			254,423			$ 622,974
Liabilities held for sale	$ 7,444,271					626,426	$ 8,070,697
Deficit	$ (39,738,470)		(346,676)	5,279		(626,426)	$ (40,706,293)
Non-controlling interests	$ 1,219,373		(9,978)				$ 1,209,395
Consolidated statement of income (loss)							
Educational revenues	$ 29,132,242		(46,277)				$ 29,085,965
Design and advertising revenues	$ 1,355,708				(361,781)		$ 993,927
Design and advertising direct costs	$ 615,059				(361,781)		$ 253,278
Amortization of property and equipment	$ 1,134,918			29,063			$ 1,163,981
Advertising	$ 3,641,401			(39,472)			$ 3,601,929
Bank charges and interest	$ 182,024			5,130			$ 187,154
Income (loss) from discontinued operations	$ 945,966					(626,426)	$ 319,540
Income taxes (recovery)	$ (1,216,267)						$ (1,216,267)
Consolidated statement of cash flows							
Net cash from (used in) operating activities	$ (1,831,941)			34,342			$ (1,797,599)
Net cash from (used in) financing activities	$ (2,692,622)						$ (2,692,622)
Net cash from (used in) investing activities	$ 666,132			(34,342)			$ 631,790

NOTE 27 – SUBSEQUENT EVENTS

On October 14, 2014, a total of 1,900,000 common shares purchased under the Company's normal course issuer bid were cancelled.

On November 5, 2014, Company engaged U.S. investment banking firm INTL FCStone to provide investment banking and financial advisory services to arrange project level and equity financing up to US$100 million.

Related to the Company's Real Estate Development in Note 4, the following activities occurred subsequent to year end:

1. GEC Project 1

Developer 1 of GEC Project 1 did not exercise the option to purchase the GEC Property 1 on or before October 24, 2014. In November 2014, Developer 1 and CIBT Holdings signed a mutual release to terminate the Developer PSA. The Company is currently working on executing agreements with another developer to replace Developer 1, and has identified another real property to replace GEC Property 1. The replacement property will be secured by releasing to the new developer the refundable deposit of $1,575,000 held by the Company's legal counsel when security in the form of a mortgage is granted in favour of CIBT Holdings. The GEC Project 1 will proceed as planned under the terms and intent of the original PSA with Developer 1, however, a new developer and different real property will be named.

2. GEC Project 2

Developer 2 acquired the final parcel of land for GEC Property 2 on September 15, 2014. GEC Project 2 is now waiting for re-zoning approvals and development permits to be issued to Developer 2.