

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

Company No 05174452

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS

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CHAIRMAN'S STATEMENT

Overview

The results for the year ended 31 December 2009 show that it was another very successful year for AEC Education plc ("AEC"). AEC has continued to grow organically throughout the year, supplemented by strategic acquisitions in the UK and Asia completed in the second half of the financial year. The acquisition of UK-based Malvern House in July 2009 was another milestone in the Group's development as it not only substantially increases Group revenue and profits but it also provides AEC with a strong brand in English language training in the UK. Going forward, the Board believes there are opportunities to develop synergies with the Group's existing language training offering in Asia and build the Malvern House brand internationally.

Malvern House has colleges in three locations in London, including a modern facility at King's Cross which was opened in July 2009. These colleges are well known for their high quality, value for money provision of English language training to overseas students. One of the colleges also provides university foundation programmes preparing students for entry to UK universities. Although this is currently a small area of business for the Group, it has been growing rapidly and presents opportunities to link with the already successful university programmes offered by AEC in Singapore.

In November, AEC completed the purchase of the remaining 70% of IMS Professional Training Services Sdn Bhd ("IMS") and Kasturi Management Consultancy Sdn Bhd ("Kasturi") educational institutes based in Malaysia. Kasturi owns Kolej Kasturi ("KK"), a leading provider of professional and business programmes in Malaysia, and offers Association of Certified Chartered Accounts ("ACCA") and Certified Accounting Technician ("CAT") accounting programmes as well as a range of English Language training programmes. IMS is one of the five approved institutions in Malaysia to provide the Certified Financial Planner ("CFP") programme in the country and also runs Master of Science programmes in Management and Accounting & Planning in collaboration with University Utara Malaysia. The acquisition of the balance of shares in IMS and Kasturi resulted in them becoming wholly-owned subsidiaries of AEC and better positions the Group to take advantage of high growth opportunities within the Malaysian education sector.

The Group's results for the year reflect the contribution from Malvern House for six months and from the balance of 70% of IMS and Kasturi for three months. Integration of these acquisitions has progressed well and the enlarged business offers cross-selling opportunities between the Group's Far East and UK activities. The Board remains confident that these acquisitions, combined with strong organic growth, provide a platform for the business to continue to expand and increase value for shareholders.

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Financial results

Revenues for the year to 31 December 2009 rose by 128% to £14m (2008: £6.1m) and profit before tax grew by 35% to £1,074,038 (2008: £794,743). Post-tax profits increased 47.5% to £879,001 (2008: £595,756). Earnings per share were 2.5p (2008: 3.1p).

The cash flow from operating activities was £2.64m (2008: £1.65m). This improvement in cash flow reflects growth in revenues and includes a significant investment in infrastructure and products to accommodate future growth. During the year, AEC raised a total of £2,062,519 of new funds through the issue of 17,187,656 new ordinary shares and as at 31 December 2009, net cash stood at £3.2m (2008: £1.9m). In February 2010 AEC College Pte Ltd (formerly known as AEC Edu Group Pte Ltd), a subsidiary of AEC, agreed additional loan facilities with HSBC of up to SGD 2,000,000 (approximately £880,000) to support AEC's ongoing expansion plans.

The continued strong growth and cash generation has given the Board the confidence to recommend a dividend of 0.15p per ordinary share this year. Assuming the dividend is approved by shareholders at the upcoming annual general meeting, it will be paid in August to shareholders who are on the register on 25 June 2010 and will have an ex-dividend date of 23 June 2010.

Business Development

2009 was a year of investment for Educational Resources Ltd ("ER"), the Group's London Chamber of Commerce & Industry ("LCCI") examinations subsidiary, positioning the business for further growth. We significantly enhanced the Group's staff resources and relocated to new offices in Malaysia, Hong Kong, Sri Lanka and Guangzhou, China. Performance was again strong in ER's traditional markets primarily due to the continued popularity of Bookkeeping and Finance courses and the strengthening of the Group's infrastructure to support the plans to increase the range of markets the Group operates in and the products it offers.

Malvern House recorded strong growth in all areas of business during its first six months as part of the Group, showing a 63% increase in revenue over the previous six months. Its prestigious new facility at King's Cross, combined with its strong reputation for quality and a well regarded brand in English Language training, underpins the ongoing strategy for growing the business. Plans to expand the Malvern House brand's offering internationally have begun and it is expected that this, and the synergies with AEC's university provision in Singapore, will be a significant focus during 2010, contributing to the continuing pattern of growth.

Kasturi and IMS grew significantly above expectation. KK has created a strong market in North Africa and the Middle East for its Malaysia-based courses, English programmes, diploma programmes and university foundation programmes all of which outperformed targets. Now that both Kasturi and IMS are wholly-owned subsidiaries of the Group focus will be on growing market share in Malaysia and deriving benefit from synergies with AEC's operations in Singapore and with Malvern House.

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The AEC business in Singapore, AEC Edu Group Pte Ltd (“Edugroup”), which provides educational courses up to post-graduate level, continued to achieve steady growth. In particular, the degree and post-graduate programmes continued to see strong demand, underpinned by the introduction of new courses. Margins were reduced in the second half of the year due to increasing competition. However, the Singaporean Government’s new Private Education Act introduced in December 2009 should provide opportunities for AEC, with its strong reputation and ability to invest in the necessary infrastructure to meet the stringent controls introduced, to continue to grow and improve margins.

In March 2009, AEC acquired the remaining 5% of the share capital of BrainBox Limited (“Brainbox”) that it did not already own, which it paid for by the issue of new ordinary shares in AEC. BrainBox, which provides educational training courses in Vietnam, saw strong demand in the year, as Vietnam increasingly aims to become part of the global economy. In particular, the Group’s collaboration with local universities to offer English Language training leading to foreign qualifications is progressing well.

UK Border Agency (“UKBA”)

Malvern House is recognised as an established and reputable institution by the UKBA but immigration has been a prominent issue in the media and in this context student visas have recently come under political scrutiny. The UK Government ordered a review of student visas in November 2009 which led to the UKBA reviewing and changing its policy. Because of the resulting disruption during January and February 2010, enrolments of new students who require visas to study in the UK reduced considerably, impacting the Group’s business during the first quarter of the new financial year. However, the Board believes that, based on the number of registrations of new students in March and April, the Group will be able to largely mitigate this impact by the end of this financial year. Changes to the Group’s systems are being introduced to accommodate UKBA’s new guidelines.

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Board and Staff

In July 2009, following the acquisition of Malvern House, the Board was strengthened with the appointment of Naresh Malhotra, Managing Director of Malvern House, as an Executive Director. I would like to take this opportunity to acknowledge the significant contribution made by all my fellow Directors over the year and to thank them for their support and advice.

The Board recognises that the progress this year is a reflection of the hard work and commitment of the staff in all areas of the Group, integrating acquisitions quickly and successfully whilst continuing to grow the business and the Directors greatly appreciate their efforts.

Prospects

During 2009, the Board focused on the acquisitions and integration of Malvern House, IMS and Kasturi. The Group also strengthened its resources in Asia to support the drive for further growth in the region. As we move through 2010, the Board expects to see the positive effects of a full year's contribution from these acquisitions and from growing the Malvern Brand overseas, with these initiatives providing a continued improvement in performance. Demand for the Group's services remains strong and AEC aims to generate further demand for the Group's programmes as cross-selling across the Group's activities in Asia and the UK is optimised.

The Board's strategy of combining strong organic growth with synergistic and easily integrated acquisitions has produced significant growth during the last three years. At the same time, AEC has been able to build up cash reserves. With strong cash balances, supported by enhanced banking facilities, AEC is well placed for further strategic development across all of its activities and the Board remains confident that the Group will continue to show growth in revenues and profits in 2010 and beyond.

Liam Swords

Chairman

10 June 2010

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CHIEF EXECUTIVE'S STATEMENT

Overview

2009 saw the successful conclusion of a major acquisition by AEC, that of Malvern House Group Ltd ("Malvern House"), which has doubled the size of the Group. The Board took considerable time and effort to identify a strategic acquisition and the purchase of Malvern House in July 2009 completed the Board's strategic objective to link its established pan-Asian markets to Europe. The Group has over the last few years created a pan-Asian network which covers nearly all the major markets in Asia, in particular, Singapore, Malaysia, China and India. Malvern House provides the Group with the seamless link which facilitates Asian students completing their studies in the UK.

Against a backdrop of ongoing economic uncertainty, the education sector has held up well and the Board is pleased to announce that Group revenue in the year ended 31 December 2009 increased by 128% from £6.2m in 2008 to £14m in 2009. Profits before tax also increased from £794,473 in 2008 to £1,081,841 in 2009, an increase of 36.1%.

Business Operations

The Group's operations stretch across Asia and Europe. The pan-Asian network covers from China to India with significant operations in Singapore, Malaysia, Sri Lanka and Vietnam. The UK operations from our base in London covers Europe, including Turkey, and also South America.

The Group has three key product areas:

- the pathways programmes;
- the teaching of English; and
- the examinations operations.

The Pathways Programmes

The Group's pathway programmes provide Asian students the opportunity to acquire a UK degree across different countries. This means students can commence their studies in Asia and complete their studies in Malvern House, London.

In Singapore, the established pathway programmes continue to see a gradual uptrend. The Group's undergraduate courses from Universities of Wales and Teesside are gaining market share. There is continued modest growth in the Group's Hospitality programme as well as the ACCA courses. AEC is also in the final stages of launching a new Law degree to cater to regional as well as local demands. The MBA programme continues to hold ground despite a very competitive market in Singapore.

In Vietnam, the market for foreign degrees is bullish and the Group has expanded its infrastructure to meet this demand. The new school now has seven classrooms equipped with the latest technology. AEC continues to expand the Group's collaborations with local universities and is currently working with more than five universities to manage their English programmes leading to foreign qualifications.

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In London, Malvern House experienced substantial growth after launching the pathway programmes last year, with the bulk of the students coming from India, Sri Lanka and Nepal. Malvern House will continue to expand its infrastructure to meet the demands from Asian students for our pathway programmes.

Malaysia is an attractive academic destination for students from the Middle East and North Africa and the government is increasingly supportive of the acquisition of foreign students by learning institutions in the country. AEC's subsidiary, Kasturi, has established a foothold in the government sponsored undergraduate programmes through its collaboration with the University of Wales. A major expansion in the pathway programme in Malaysia is expected in the current financial year.

Teaching of English

This is currently the mainstay of Malvern House's operations. The business specialises in teaching of General English programmes as well as specific courses in English such as exam preparation, English for Business and Foundation courses. General English had an excellent year in 2009 with a good increase in both short-term, high margin bookings from Europe and long-term, lower margin bookings from our core overseas markets including India, Middle East and Korea.

Direct sales for Malvern House grew significantly with improved web sales and course extensions. South America saw particularly strong demand and Colombia became the top market achieving significant growth. Business from UK-based agencies also improved significantly, with some overseas representatives successfully opening up offices in the UK. In Europe, Spain increased dramatically and Germany posted its most successful year to date.

Similarly there was a continued increase in the demand for English language learning programmes in Malaysia.

The Group's centre in Vietnam offers General English, Business English and Specialised English (Accounting, Marketing, Hospitality) programmes which are increasing in popularity given the realisation by the Vietnamese of the need to become a part of the global enterprise where the "lingua franca" remains English.

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CHIEF EXECUTIVE'S STATEMENT

The Examinations Operations

The Group's examination operations are managed by Educational Resources ("ER") now fully based in Kuala Lumpur.

2009 was a transitional year for ER with a significant investment in human resources and the relocation to new and bigger offices in Malaysia, Hong Kong, Sri Lanka and Guangzhou, China. With strong performances in its mature markets, ER exceeded its examination entry and revenue targets for 2009, posting gross revenues of S\$7.7 million (approximately £3.4 million) compared to S\$4.4 million (approximately £1.7 million in 2008).

Over 80% of volume entries still come from Hong Kong, Malaysia, Myanmar & Singapore, primarily due to the continued popularity of Bookkeeping and Finance subjects. In this particular field, LCCI International Qualifications remain the international benchmark for practical competency, a statement justified by the fact that 145,000 individual LCCI exams were taken by students across Asia in 2009 at both Certificate and Diploma levels, compared to 121,000 in 2008.

ER is forging ahead to map our programmes with various national examination bodies. We have made significant inroads in Malaysia, China and Hong Kong and ER will continue to work with Asian governments to benchmark LCCI quality standards.

Growth Strategy

Teaching and Learning

With the acquisition of Malvern House, the Group is now developing products which can be delivered in any of its centres in the UK and Asia in a consistent manner so that students may continue their education in a seamless manner irrespective of location. The Group's locations in UK and across Asia make it more attractive for potential new partnerships with reputable UK Universities. It is the Board's belief that the combination of locations, flexibility of student movement and uniformity of product offerings across the Group will enable AEC to maximise its growth potential going forward, while providing a safety net in the event of sudden legislative or regulatory changes in any one country.

As part of our commitment to quality, the Singapore campus achieved the ISO9001:2008 status in January 2010. With the introduction of government regulation in the form of the Private Education Act in December 2009 and EduTrust Scheme in 2010, to replace the CaseTrust and Singapore Quality Class for Private Education Organization (SQC-PEO), the Board expects to see a consolidation of key partners in the Singapore market. This will offer further opportunities for growth and AEC's reputation for quality will stand the Group in good stead.

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In 2010 the core marketing effort will be focused on penetrating and expanding the Group's Indian and Chinese market shares. In Vietnam, AEC is working towards further exploiting the relationships that were built in the last few years, specifically within the corporate world, including with successful former students. AEC is also considering other markets in Asia where promising growth potential can be identified.

Examination Operations

ER anticipates steady growth over the next three years on the back of recent investments in manpower, greater geographical reach, promotion of new examinations and a more aggressive e-marketing strategy incorporating an alumni network, e-news and job matching for graduates.

In terms of potential for future growth, India is emerging as a major market for ER and resources are being put in place to increase the Group's presence in the country prior to the 2011 exams. China too retains strong potential and is beginning to show encouraging signs of growth, particularly in English Language subjects that provide students with a pathway into international companies.

Information Technology Support

The Group is working on major system and database developments aimed at speeding up student enrolment and administration processes. These will also allow for accurate monitoring and transfer of student data, facilitating compliance with government regulations across the countries the Group operates in, and simplifying capacity analysis and planning. These new tools will also enable staff to focus more on sales and customer care, allowing for personal relationships with agents and students.

Staff

I thank all our staff, especially those who joined the Group in 2009, for their effort and team spirit in supporting the Group to the next level of growth and expansion.

Outlook

With a solid working relationship established between the Group's various regional operations in Asia and the UK, the Board expects to see the Group's growth increasingly driven by all of its operations working together to create cross-selling opportunities. In addition, AEC continues to develop partnerships with internationally reputed universities, which, combined with the Group's range of resources and expertise across the regions, represents a highly profitable proposition for all parties.

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Despite the economic uncertainty affecting both regional and international businesses, the Board anticipates continuing growth based upon the alignment between the qualifications and courses which the Group offers and the appetite of employers for the skills required in a competitive workplace that values both competency and knowledge. The business once again achieved excellent growth during the course of 2009 and the Directors are confident that AEC will be able to continue to expand the business, building further on the opportunities to market the Group's courses to both new and existing students. I look forward to providing an update on further progress in due course.

David Ho Peng Cheong
Chief Executive Officer

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DIRECTORS' REPORT

The directors' present their report and the audited financial statements of AEC Education plc (the "Company") and its subsidiary companies for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of educational consultancy services. The principal activities of the subsidiary companies are set out in Note 13 to the financial statements. There have been no significant changes in the nature of these activities during the year.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The year 2009 began with great deal of economic uncertainties. While some companies were affected by the volatile economic conditions in the late 2008 and early 2009, AEC Education plc continued to grow strongly but the combination of revenue investment in that growth and stronger competition caused margins to be reduced.

The Group revenue in the year 2009 increased by 128 % from £6.2m in 2008 to £14m in 2009. Profits after tax also increased from £595,756 in 2008 to £888,967 in 2009, an increase of 49.2%.

The Company continued its acquisitive strategy and two major acquisitions were made during the year.

1. The acquisition of Malvern House – a well established UK incorporated company engaged mainly in the teaching of English Language through its three distinctive and modern facilities located in London.
2. The acquisition of the balance of 70% of Kasturi Management Consultancy Sdn Bhd and IMS Professional Training Services Sdn Bhd in Malaysia – providers of educational programmes at various levels.

The facilities and offices in Singapore, Malaysia, Hong Kong, Sri Lanka and Vietnam were further expanded and appropriately staffed to cater for the continuing growth.

These acquisitions and expansion of facilities means the group is well placed to optimize the opportunities that the Malvern brand brings to the English language market and to further strengthen its relations with Universities in key aspirational areas for study internationally.

Detailed reviews of the year's business and activities are covered in the Chairman's Statement and the CEO's Report.

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DIRECTORS' REPORT

INDEMNITY PROVISION

Directors and officers insurance is in place to indemnify the directors against liabilities arising from the discharge of their duties as directors of the Company.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

The Group operates in an increasingly challenging environment mainly in Singapore, Malaysia, United Kingdom and Hong Kong. Keen competition, changes in government policy on education, funding and accreditation are some of the factors that could affect the operations of the Group. Also the general economic and political environment and exchange rate fluctuations play an important part in determining the risk the Group is exposed to.

The Group manages these risks by monitoring the situation carefully and working closely with all the parties concerned to minimise the impact of any changes on the operations.

The risks faced by the Group, including financial risk, credit risk, liquidity risk and cash flow interest rate risk and the Group's management of these risks are detailed in note 33 of the accounts.

FINANCIAL INSTRUMENTS

Details of financial instruments are given in note 33 of the accounts.

KEY PERFORMANCE INDICATORS

	2009	2008
Revenue growth	128%	123.4%
Operating profit	£828,523	£743,724
Earnings per share	2.5 pence	3.1 pence
Staff turnover	41%	38%

CREDITOR PAYMENT POLICY AND PRACTICE

Group policy is to pay creditors in line with agreed credit terms and generally this policy is adhered to. On average, creditors were settled within 60 days of their due date except on disputed items. Trade creditor days of the Group for the year ended 31 December 2009 were 40 days (2008: 87 days), calculated in accordance with the requirements set down in the Companies Act 1985. This represents the ratio, expressed in days, between amounts invoiced to the Group by its suppliers in the year and in the amounts due at the year end to trade creditors within one year.

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DIRECTORS' REPORT

DIVIDENDS

The directors recommend the payment of a dividend of 0.15p for the year ended 31 December 2009 (2008: £NIL).

DIRECTORS

The names of the directors who held office during the year and to date were:

William Joseph Swords (Chairman)
Ramasamy Jayapal
Gopinath Pillai
Ho Peng Cheong
Naresh Kumar Malhotra (Appointed on 2 July 2009)

DIRECTORS' INTERESTS

The directors holding office at the end of the financial year and their interests in the share capital of the Company and its related corporations as recorded in the register of directors' shareholdings were as follows:

Name of company and director	At beginning of the year	At end of the year
	Shares of £0.10 each	Share of £0.10 each

AEC Education plc

William Joseph Swords (Chairman)	-	1,000,000
Ramasamy Jayapal	574,047	633,131
Gopinath Pillai	-	-
Ho Peng Cheong	24,000	24,000
Naresh Kumar Malhotra	-	2,625,750

Indirect Interest

William Joseph Swords (Chairman)	-	-
Ramasamy Jayapal	-	-
Gopinath Pillai	25,000	25,000
Ho Peng Cheong	5,316,048	11,035,037
Naresh Kumar Malhotra	-	1,308,000

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DIRECTORS' REPORT

DIRECTORS' INTERESTS *(continued)*

	Exercise Period	Number of shares under option				Exercise price	
		Granted during the financial year	Total granted	Total exercised	Total lapsed		Total not exercised
Share option in the Company							
Ho Peng Cheong	6.9.2009 to 6.3.2013	-	250,000	-	-	250,000	£0.10
	13.1.2011 to 13.7.2014	500,000	500,000	-	-	500,000	£0.172
Ramasamy Jayapal	13.1.2011 to 13.7.2014	350,000	350,000	-	-	350,000	£0.172
Gopinath Pillai	13.1.2011 to 13.7.2014	350,000	350,000	-	-	350,000	£0.172
William Joseph Swords	6.9.2009 to 6.3.2013	-	200,000	-	-	200,000	£0.10
	13.1.2011 to 13.7.2014	400,000	400,000	-	-	400,000	£0.172

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SUBSTANTIAL SHAREHOLDING

At 10 May 2010, notification had been received of the following holdings of more than 3% of the issued share capital of the Company. Apart from these, the directors are not aware of any individual interests or group of interests held by persons acting together, which exceeds 3% of the Company's issued share capital.

	Shares of £0.10 each	%
KSP Investments Pte Limited	11,035,037	24.97
Pershing Keen Nominees Limited Des: PERNY	3,656,894	8.27
Emerge Learning Services Pte Limited	3,400,000	7.69
Educational Development International plc	3,000,000	6.79
Naresh Kumar Malhotra	2,625,750	5.94
Ranch House Limited	2,000,000	4.53
Naboobalan s/o Ramansamy Naidu	1,708,301	3.87
Real Time Consultancy Limited	1,450,000	3.28

EVENTS SINCE THE BALANCE SHEET DATE

On 14 January 2010, the Group through its wholly owned subsidiary, AEC College Pte Ltd (formerly known as AEC. Edu Group Pte Ltd) ("AEC College"), has entered into an agreement with The Hong Kong and Shanghai Banking Corporation Limited ("HSBC") for the provision of a loan facility for up to SGD2,000,000 (approximately £880,000) (the "Loan Facility"). The Loan Facility provides additional working capital and importantly, will also assist AEC College with its business expansion programme. The facility is available for a period of four years from the date of the first draw down and interest will be charged at 5% per annum. AEC Education plc is acting as guarantor for the obligations of AEC College under the terms of the Loan Facility.

On 15 January 2010, the Company issued 950,000 new ordinary shares of 10p each as deferred consideration for the acquisition of the balance of shares in Educational Resources Pte Ltd.

There have been regulatory changes by the UK Border Agency on Student Visa entries but the directors are confident that the impact on the group financial as a whole is not expected to be significant.

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DIRECTORS' REPORT

CHARITABLE AND POLITICAL DONATIONS

During the year the Group made the following donations:

	2009	2008
Charitable donations-education	<u>5,000</u>	<u>—</u>

DISCLOSURE OF INFORMATION

At the date of making this report each of the persons who are directors at the time when this Report is approved confirms that:

- (a) so far as each director is aware, there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006 of which the Company's auditors are unaware; and
- (b) each director has taken all the steps that ought to have been taken as a director, in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

BY ORDER OF THE BOARD

William Swords

DIRECTOR
10 June 2010

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards and applicable law. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- a) select suitable accounting policies and then apply them consistently
- b) make judgements and estimates that are reasonable and prudent
- c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- d) prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company and Group will continue in business.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

Independent Auditors' Report to the Shareholders of AEC Education plc

We have audited the Group and parent Company financial statements of AEC Education plc for the period ended 31 December 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flow Statements and the related notes numbered 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibility Statement set out on page 16 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Group and the parent Company's affairs as at 31 December 2009 and of the Group's and the parent Company's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the Companies Act 2006.

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Independent Auditors' Report to the Shareholders of AEC Education plc *(continued)*

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all of the information and explanations we require for our audit.

Witold Sawin (Senior Statutory Auditor)
For and on behalf of Sawin & Edwards,
Statutory Auditors

15 Southampton Place
London
WC1A 2AJ

10 June 2010

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	<u>Note</u>	<u>2009</u> £	<u>2008</u> £
Revenue			
Sale of services	4	13,276,443	5,504,630
Other income	5	<u>737,510</u>	<u>645,433</u>
		<u>14,013,953</u>	<u>6,150,063</u>
Administrative expenses			
Cost of services sold		7,445,297	2,610,581
Salaries and employees' benefits	6	3,692,818	1,401,578
Amortisation of development costs	12	8,555	13,784
Amortisation of licence costs	15	3,587	-
Depreciation of plant and equipment	11	229,642	88,703
Finance costs	7	36,161	17,215
Other operating expenses		<u>1,769,370</u>	<u>1,274,478</u>
Total operating costs and expenses		<u>13,185,430</u>	<u>5,406,339</u>
Operating profit	8	<u>828,523</u>	<u>743,724</u>
Share of results of associated companies		253,318	50,749
Profit before income tax		<u>1,081,841</u>	<u>794,473</u>
Income tax	9	(192,874)	(198,717)
Profit for the year		<u>888,967</u>	<u>595,756</u>
Attributable to:			
Equity holders of the Company		831,209	562,606
Minority interest		<u>57,758</u>	<u>33,150</u>
		<u>888,967</u>	<u>595,756</u>
Earnings per share (in pence)	10		
Basic		<u>2.5</u>	<u>3.1</u>
Diluted		<u>2.2</u>	<u>2.8</u>

The Company has taken advantage of section 408 of the Companies Act 2006 not to publish its own income statement.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Profit for the year	888,967	595,756
Foreign currency translation movements	<u>(186,340)</u>	<u>786,279</u>
Other comprehensive (expense) / income for the year	<u>(186,340)</u>	<u>786,279</u>
Total comprehensive income for the year	<u>702,627</u>	<u>1,382,035</u>
Attributable to:		
Equity holders of the parent	630,804	1,341,060
Minority interest	<u>71,823</u>	<u>40,975</u>
Total comprehensive income for the year	<u>702,627</u>	<u>1,382,035</u>

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

		<u>Group</u>		<u>Company</u>	
	<u>Note</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
		<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Non-Current Assets					
Plant and equipment	11	1,299,556	359,339	-	-
Development expenditure	12	26,500	37,182	-	-
Investment in subsidiary companies	13	-	-	6,625,108	1,874,542
Investment in associated companies	14	23,548	47,349	-	-
Intangible assets	15	5,576,068	1,896,021	-	-
Goodwill	16	1,980,738	926,102	-	-
		<u>8,906,410</u>	<u>3,265,993</u>	<u>6,625,108</u>	<u>1,874,542</u>
Current Assets					
Inventories	17	93,709	54,270	-	-
Trade receivables	18	1,078,827	636,603	-	-
Other receivables	19	874,814	218,758	13,870	33,280
Prepaid education expenditure	20	140,038	260,718	-	-
Due from subsidiary companies	13	-	-	270,268	270,413
Due from associated companies	14	-	221,866	-	-
Due from related parties	21	31,062	79,929	-	135
Cash and cash equivalents	22	3,219,622	1,956,335	50,377	4,174
		<u>5,438,072</u>	<u>3,428,479</u>	<u>334,515</u>	<u>308,002</u>
Total Assets		<u>14,344,482</u>	<u>6,694,472</u>	<u>6,959,623</u>	<u>2,182,544</u>

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

	Share Capital	Share Premium	Other Reserves Share- Based Payment Reserve	Other Reserves Retained Earnings	Other Reserves Trans- lation Reserve	Other Reserves Capital Reserve	Total Of Other Reserves	Attribut- able To Equity Holders Of The Company	Minority Interests	Total
	£	£	£	£	£	£	£	£	£	£
Balance at 1 January 2008	1,541,499	247,508	-	(43,017)	119,057	170,560	246,600	2,035,607	53,421	2,089,028
Total comprehen- sive income for the year:										
Profit	-	-	-	562,606	-	-	562,606	562,606	33,150	595,756
Total other comprehen- sive income	-	-	-	-	778,454	-	778,454	778,454	7,825	786,279
Total comprehen- sive for the year	-	-	-	562,606	778,454	-	1,341,060	1,341,060	40,975	1,382,035
Issue of shares to acquire subsidiary Ordinary shares to be issued re acquisition	259,375	38,907	-	-	-	-	-	298,282	-	298,282
Share options granted	-	-	109,250	-	-	-	109,250	109,250	-	109,250
Total transactions with owners	259,375	38,907	154,220	-	-	-	154,220	452,502	-	452,502
Acquisition from minority Interests	-	-	-	-	-	-	-	-	(1,270)	(1,270)
Premium paid on acquisition of minority interests	-	-	-	(2,056)	-	-	(2,056)	(2,056)	-	(2,056)
Balance at 31 December 2008	1,800,874	286,415	154,220	517,533	897,511	170,560	1,739,824	3,827,113	93,126	3,920,239

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (*CONTINUED*)

FOR THE YEAR ENDED 31 DECEMBER 2009

	Share Capital	Share Premium	Other Reserves Share- Based Payment Reserve	Other Reserves Retained Earnings	Other Reserves Trans- lation Reserve	Other Reserves Capital Reserve	Total Of Other Reserves	Attribut- able To Equity Holders Of The Company	Minority Interests	Total
	£	£	£	£	£	£	£	£	£	£
Balance at 1 January 2009	1,800,874	286,415	154,220	517,533	897,511	170,560	1,739,824	3,827,113	93,126	3,920,239
Total comprehens ive income for the year:										
Profit	-	-	-	831,209	-	-	831,209	831,209	57,758	888,967
Total other comprehens ive income	-	-	-	-	(200,405)	-	(200,405)	(200,405)	14,065	(186,340)
Total comprehen sive for the year	-	-	-	831,209	(200,405)	-	630,804	630,804	71,823	702,627
Issue of shares in the year	2,524,004	433,762	-	-	-	-	-	2,957,766	-	2,957,766
Warrants granted	-	(26,839)	26,839	-	-	-	26,839	-	-	-
Share options granted	-	-	136,632	-	-	-	136,632	136,632	-	136,632
Total transaction s with owners	2,524,004	406,923	163,471	-	-	-	163,471	3,094,398	-	3,094,398
Premium paid on acquisition of minority interests	-	-	-	-	-	-	-	-	(853)	(853)
Dividend paid to minority interest	-	-	-	-	-	-	-	-	(21,022)	(21,022)
Balance at 31 December 2009	4,324,878	693,338	317,691	1,348,742	697,106	170,560	2,534,099	7,552,315	143,074	7,695,389

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009**

	<u>Note</u>	<u>2009</u>	<u>2008</u>
		<u>£</u>	<u>£</u>
Cash Flows from Operating Activities			
Profit before income tax		1,081,841	794,473
Adjustments for:			
Amortisation of deferred expenditure		8,555	13,784
Amortisation of intangibles		3,587	-
Depreciation of plant and equipment		229,642	88,703
Share-based payment charge		136,632	44,970
Loss on disposal of plant and equipment		5,520	18,065
Interest expense		36,161	17,215
Interest income		(15,862)	(4,979)
Share of results of associated companies		(253,318)	(50,749)
Operating cash flow before working capital changes		1,232,758	921,482
Changes in working capital:			
Receivables		322,042	(95,848)
Payables		788,965	1,038,343
Inventories		(1,724)	(44,607)
Related parties and associates		371,538	26,572
Net cash generated from operations		2,713,579	1,845,942
Taxation		(91,840)	(192,809)
Net cash generated from operating activities		2,621,739	1,653,133
Cash Flows from Investing Activities			
Interest income		15,862	4,979
Dividend income received from an associated company		111,600	29,912
Purchase of plant and equipment		(677,810)	(117,519)
Purchase of licence		(10,629)	(1,086,248)
Purchase of goodwill		-	(52,637)
Issue of shares		1,999,184	-
Acquisitions of associated companies		166,399	(136,190)
Acquisitions of subsidiaries net of cash acquired		(3,100,111)	1,030,177
Development expenditure		(500)	-
Net cash used in investing activities		(1,496,005)	(327,526)

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

	<u>Note</u>	<u>2009</u> £	<u>Group</u> <u>2008</u> £
Cash Flows from Financing Activities			
Interest paid		(36,161)	(17,215)
Repayment of term loan		(97,927)	(65,383)
Dividend paid to minority shareholders		(21,022)	-
New / (repayment) of finance lease creditor		315,924	(5,279)
Net cash generated / (used) in financing activities		<u>160,814</u>	<u>(87,877)</u>
Effect of foreign exchange rate changes on consolidation		<u>(12,279)</u>	<u>397,727</u>
Net increase in cash and cash equivalents		1,274,269	1,635,457
Cash and cash equivalents at beginning of the year		<u>1,945,353</u>	<u>309,896</u>
Cash and cash equivalents at end of the year		<u>3,219,622</u>	<u>1,945,353</u>

Cash and cash equivalents consist of the following:

	<u>2009</u> £	<u>2008</u> £
Cash and bank balances	3,215,149	1,643,617
Fixed deposits	4,473	312,718
Bank overdraft	-	(10,982)
	<u>3,219,622</u>	<u>1,945,353</u>

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	Share Capital £	Share Premium £	Other Reserves Share-based Payment Reserve £	Other Reserves Retained Earnings £	Total of other Reserves £	Total £
Balance at 1 January 2008	1,541,499	247,508	-	(414,241)	(414,241)	1,374,766
Total comprehensive income for the year Profit for the year	-	-	-	9,950	9,950	9,950
Total comprehensive income for the year	-	-	-	9,950	9,950	9,950
Issue of shares to acquire subsidiary Ordinary shares to be issued re acquisition Share options granted	259,375	38,907	-	-	-	298,282
	-	-	109,250	-	109,250	109,250
	-	-	44,970	-	44,970	44,970
Total transactions with owners	259,375	38,907	154,220	-	154,220	452,502
Balance at 31 December 2008	1,800,874	286,415	154,220	(404,291)	(250,071)	1,837,218

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	Share Capital £	Share Premium £	Other Reserves Share-based Payment Reserve £	Other Reserves Retained Earnings £	Total of other Reserves £	Total £
Balance at 1 January 2009	1,800,874	286,415	154,220	(404,291)	(250,071)	1,837,218
Total comprehensive income for the year Profit for the year	-	-	-	161,295	161,295	161,295
Total comprehensive income for the year	-	-	-	161,295	161,295	161,295
Transactions with owners:						
Issue of shares in the year	2,524,004	433,762	-	-	-	2,957,766
Warrants granted	-	(26,839)	26,839	-	26,839	-
Share options granted	-	-	136,632	-	136,632	136,632
Total transactions with owners	2,524,004	406,923	163,471	-	163,471	3,094,398
Balance at 31 December 2009	4,324,878	693,338	317,691	(242,996)	74,695	5,092,911

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Cash Outflows from Operating Activities		
Profit before income tax	163,475	8,822
Adjustments for:		
Interest income	(4,501)	(874)
Dividend income	(220,600)	-
Share-based payment charge	91,321	8,328
	<u>29,695</u>	<u>16,276</u>
Change in working capital		
Receivables	19,410	(22,948)
Payables	18,991	(1,165)
Related parties	1,559,951	3,599
Net cash generated / (used) in operations	<u>1,628,047</u>	<u>(4,238)</u>
Tax (paid) / refund	(4,572)	5,700
Net cash generated from operating activities	<u>1,623,475</u>	<u>1,462</u>
Cash Flows from Investing Activities		
Interest income	4,501	874
Dividend income	220,600	-
Issue of shares	1,999,184	-
Acquisition of a subsidiary	(3,801,557)	(4,259)
Net cash used in investing activities	<u>(1,577,272)</u>	<u>(3,385)</u>
Net increase / (decrease) in cash and cash equivalents	46,203	(1,923)
Cash and cash equivalents at beginning of the year	<u>4,174</u>	<u>6,097</u>
Cash and cash equivalents at end of the year	<u>50,377</u>	<u>4,174</u>

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

1 General

AEC Education plc (the “Company”) is a limited liability company incorporated in England and Wales on 8 July 2004. The Company was admitted to AIM on 10 December 2004. Its registered office is 1 Park Row, Leeds LS1 5AB and its principal place of business is in Singapore. The registration number of the Company is 5174452.

The principal activities of the Company are that of investment holding and provision of educational consultancy services. The principal activities of the subsidiary companies are set out in Note 13 to the financial statements. There have been no significant changes in the nature of these activities during the year.

The Board of Directors have authorised the issue of these financial statements on the date of the Statement by directors set out on page 15.

2 Significant Accounting Policies

(1) Basis of Preparation

The consolidated financial statements of the Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The financial statements have been prepared on the historical cost basis except that certain financial instruments are accounted for at fair values. The principal accounting policies are set out below.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

2 Significant Accounting Policies *(continued)*

Standards applied

The Group has adopted the following relevant standards which are effective for annual reporting periods beginning on or after 1 January 2009.

International Accounting Standards (IAS/IFRSs)

IFRS 2 (amended) Share-based payment vesting conditions and cancellations
IFRS 8 Operating segments
IAS 1 (revised and amended) Presentation of financial statements
IAS 16 (amended) Property, plant and equipment
IAS 19 (amended) Employee benefits
IAS 23 (revised and amended) Borrowing costs
IAS 27 (amended) Consolidated and separate financial statements
IAS 28 (amended) Investments in associates
IAS 32 (amended) Financial instruments – presentation
IAS 36 (amended) Impairment of assets
IAS 38 (amended) Intangible assets
IAS 39 (amended) Financial instruments–recognition and measurement

The adoption of these standards did not have a material impact on the Group and Company's financial position or performance.

The ISAB have issued the following relevant standards which are not yet effective and have not been early adopted for these financial statements:

	Effective date
IFRS 3 (revised) Business combinations	1 July 2009
IAS 27 (amended) Consolidated and separate financial statements	1 July 2009
IAS 28 (amended) Investment in associates	1 July 2009

The directors do not anticipate that adoption of these new standards will have a material impact on the Group and Company's financial position or performance.

(2) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

2 Significant Accounting Policies *(continued)*

(2) Basis of Consolidation *(continued)*

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

During the first accounting period of the Company the consolidated financial statements were prepared on the basis of the pooling of interest method as allowed at that time.

(3) Subsidiary Company

A subsidiary company is an entity in which the Group, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors or in which the Group has power to govern the financial and operating policies.

Investment in subsidiaries is stated in the financial statements of the Company at cost less any provision for impairment losses. The financial statements of subsidiaries acquired are consolidated in the financial statements of the Group from the date that control commences until the date control ceases, using the acquisition method of accounting.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

2 Significant Accounting Policies *(continued)*

(4) Associated Companies

Associates are those entities in which the Group has an interest of not less than 20% of the equity and in whose financial and operating policy decisions the Group exercise significant influence.

Significant influence is defined as the “power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies”.

The consolidated financial statements include the Group’s share of the total recognised gains and losses of associates on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases.

When the audited financial statements of associated companies are not co-terminous with those of the Group, the Group’s share of profits and losses is arrived at based on the last audited financial statements available and unaudited management accounts to the end of the accounting period.

In the Company’s balance sheet, investments in associates are stated at cost less any provision for impairment losses.

Dividend income from investments in associated companies is recognised when the shareholders’ rights to receive payment have been established.

(5) Functional and Presentational Currency

The consolidated financial statements have been presented with United Kingdom sterling as the presentational currency, as the Company is incorporated in England and Wales with Sterling denominated shares which are traded on AIM.

Items included in the financial statements of each subsidiary of the Group are measured using the currency of the primary economic environment in which the subsidiary operates (“the functional currency”). The primary functional currencies of Group companies are Singapore Dollars and UK Sterling.

(6) Foreign Currency Translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated using the exchange rate prevailing at the balance sheet date. Non-monetary assets and liabilities are measured using the exchange rates prevailing at the transaction dates, or in the case of the items carried at fair value, the exchange rates ruling when the values were determined. Foreign exchange gains and losses resulting from

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

2 Significant Accounting Policies *(continued)*

(6) Foreign Currency Translation *(continued)*

the settlement of foreign currency transactions and translation of foreign currency denominated assets and liabilities are recognised in the income statement.

Assets and liabilities of the entities having functional currency other than the presentational currency are translated into sterling equivalents at exchange rates ruling at the balance sheet date. Revenues and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of transactions. All resultant differences are taken directly to equity. On disposal of a foreign entity, accumulated exchange differences are recognised in the income statement as part of the gain or loss on disposal.

The following rates of exchange have been applied:

	2009	2008
1 British Pound to 1 Singapore Dollar		
Closing rate	2.23	2.09
Average rate	2.27	2.58
1 Malaysian Ringgit to 1 Singapore Dollar		
Closing rate	2.44	2.42
Average rate	2.43	2.37
1 US Dollar to 1 Singapore Dollar		
Closing rate	1.41	1.44
Average rate	1.45	1.41
1 Hong Kong Dollar to 1 Singapore Dollar		
Closing rate	0.181	0.186
Average rate	0.187	0.1813
1 Chinese Yuan to 1 Singapore Dollar		
Closing rate	0.2055	0.2104
Average rate	0.2124	0.1822
1 Vietnamese Dong to 10,000 Singapore Dollar		
Closing rate	0.7526	0.829
Average rate	0.802	0.902

(7) Revenue Recognition

Revenue is recognised on the following basis:

- (i) Course fees and examination fees are recognised as income based on classes or examinations conducted during the year.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

2 Significant Accounting Policies *(continued)*

(7) Revenue Recognition *(continued)*

- (ii) Publication sales are recognised upon sale of study guides.
- (iii) Registration fees are recognised upon approval of respective applications.
- (iv) Revenue from support services are recognised when services are rendered.
- (v) All other course fees in respect of courses offered with no obligation to impart lessons are recognised when the students register for the course and collect the study materials.
- (vi) Revenue from sub-letting of office space is recognised over the period of the lease.
- (vii) Consulting income is recognised on an accrual basis based on agreed amounts between parties.
- (viii) Commission income is recognised when services are rendered.
- (ix) Management fee income is recognised when services are rendered.
- (x) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(8) Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Depreciation policy, useful lives and residual values are reviewed at least annually, for all asset classes to ensure that the current method is the most appropriate.

Expenditure incurred after the plant and equipment have been put into operation, such as repairs and maintenance is charged to the income statement. Expenditure for additions, improvements and renewals is capitalised when it can be clearly demonstrated that the expenditure has resulted in an

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

2 Significant Accounting Policies *(continued)*

(8) Plant and Equipment *(continued)*

increase in the future economic benefits expected to be realised from the use of the items of plant and equipment beyond their originally assessed standard of performance.

Depreciation is calculated based on the straight-line method to write off the cost of plant and equipment less their estimated residual value over their estimated useful economic lives as follows:

Land and building leasehold	-	Over lease term
Furniture and fittings	-	3 - 10 years
Classroom and office equipment	-	3 - 10 years
Computers	-	1 - 5 years
Renovation of property	-	3 - 5 years
Motor vehicles	-	5 years
Library books	-	5 - 10 years

Plant and equipment held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets or, where shorter, the term of the relevant leases.

(9) Impairment of non-financial assets - excluding goodwill

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its fair value less costs to sell. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the income statement in the period in which it arises unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation increase.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

2 Significant Accounting Policies *(continued)*

(10) Intangible assets

(a) Goodwill on consolidation

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, 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 on the basis of the carrying amount of each asset in the unit. An impairment loss is recognised for goodwill is not reversed in subsequent periods.

(b) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable.

(c) Development Expenditure

Development expenditure represents direct expenditure and related costs incurred in developing new courses and is capitalised and deferred only when there is a clearly defined project and the outcome of the project has been assessed with reasonable certainty as to its technical feasibility and its ultimate commercial viability. These costs are amortised over the expected course duration of not more than five years, starting in the year when the course commences.

(d) Licence fees

Licence fees with an indefinite life are stated at cost less impairment. Licence fees with a definite life are amortised using a straight line method over a period of 2 to 5 years.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

2 Significant Accounting Policies *(continued)*

(11) Financial assets

Financial assets are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are initially recognised at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets have expired or have been transferred. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement.

All regular purchases and sales of financial assets are recognised and derecognised on trade date basis where the purchase or sale of assets are under a contract whose terms require delivery of the assets within the timeframe established by the market concerned.

The Group classifies its investments in financial assets as loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date, with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except those maturing more than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are presented as trade and other receivables (including amounts due from subsidiaries, associates, related companies and related parties), fixed deposits and cash and bank balances on the balance sheet.

At subsequent reporting dates, loan and receivables are measured at amortised cost using the effective interest rate method.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

2 Significant Accounting Policies *(continued)*

(12) Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired and recognise the impairment loss when such evidence exists.

Financial assets carried at amortised cost

An impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced through the use of an allowance account.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

(13) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and bank deposits with an initial maturity of less than three months. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(14) Trade and Other Receivables

Trade and other receivables, which generally have 30 to 90 days terms, are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method, less allowance for impairment. An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the original effective interest rate. The amount of the allowance is recognised in the income statement.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

2 Significant Accounting Policies *(continued)*

(15) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Allowance for impairment is made for obsolete, slow moving and defective stocks.

(16) Trade and Other Payables

Trade and other payables, which are normally settled on 30 to 90 days term, are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

(17) Deferred Income

Deferred income relates to course fees received in advance and is recognised in the income statement as the course is delivered.

(18) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax movements.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates and tax laws that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

2 Significant Accounting Policies (continued)

(18) Income Tax (*continued*)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(19) Leases

A finance lease which effectively transfers to the Group substantially all the risks and benefits to ownership of the leased item is capitalised at the lower of the fair value of the leased item and the present value of the minimum lease payments at the inception of the lease term and disclosed as plant and equipment. Lease payments are apportioned between the finance charges and reduction of the leased liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

A lease where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items is classified as an operating lease. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

Where an incentive to sign the lease has been taken the incentive is spread on a straight line basis over the lease term.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

2 Significant Accounting Policies *(continued)*

(20) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, 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. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditures expected to be required to settle the obligation.

(21) Employees' Benefits

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Share-based compensation (see also 27 below)

The Group operates an equity-settled, share-based payment plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the Income Statement with a corresponding increase in the share based payment reserve over the vesting period.

(22) Educational expenditure paid in advance

Educational expenditure paid in advance relates to course fees and related expenses paid in advance and is recognised in the income statement as the course is delivered.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

2 Significant Accounting Policies *(continued)*

(23) Minority Interests

Minority interests are that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the losses applicable to minority interest in a subsidiary exceed the minority interests in the equity of that subsidiary, in which case, the losses are absorbed by the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover its share of those losses.

(24) Intra-group Financial Guarantees

Financial guarantees are financial instruments issued by the Group that requires the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantees is transferred to the income statement.

(25) Equity instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share premium.

Where ordinary shares will be issued as part of deferred purchase consideration then:

- a) where the number of shares to be issued has been fixed then such deferred consideration will be classified as equity
- b) where the number of shares to be issued is dependent on certain performance criteria been met then such deferred consideration will be classified as liability until such time as the number of shares to be issued is determined.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

2 Significant Accounting Policies *(continued)*

(26) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(27) Share based payments (see also 21 above)

The Group has applied the requirements of IFRS 2 Share-based Payments.

The Group issues equity-settled based payments to directors and certain employees of the Group. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of a Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

(28) Borrowing Costs

Borrowing costs incurred to finance the development of plant and equipment are capitalised during the period of time that is required to complete and prepare the asset for its intended use. The capitalised costs are depreciated over the useful life of the plant and equipment.

Other borrowing costs including interest cost and foreign exchange differences, on short term borrowings are recognised on a time-apportioned basis in the income statement using the effective interest method.

(29) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies above, management necessarily make judgements and estimates that have a significant effect on the amounts recognised in the financial statements. Changes in the assumptions underlying the estimates could result in a significant impact to the financial statements. The most critical of these accounting judgement and estimation areas are as follows:

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

2 Significant Accounting Policies *(continued)*

(29) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

(a) Estimated Impairment of Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated above. The recoverable amount of goodwill is determined from value in use calculations. The key assumption for the value in use calculation are those regarding expected discounted future cash flows. In the opinion of the directors, as at 31 December 2009 there is no indication of impairment in the value of goodwill.

(b) Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowance, deductibility of certain expenses and taxability of certain income during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(c) Impairment of Assets other than Goodwill

The Group reviews the carrying amounts of assets as at each balance sheet date to determine whether there is any indication of impairment in accordance with the accounting policy stated above. If any such indication exists, the assets' recoverable amount or value in use is estimated. Determining the value in use of plant and equipment, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposal of the asset, requires the Company to make estimates and assumptions that can materially affect the financial statements. Any resulting impairment loss could have a material adverse impact on the Group's financial position and results of operations.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

3 Segmental Information

All revenue and profit before taxation arises from operations in the education sector. Reportable segments are based on the geographical area where operations are based.

Segmental analysis is as follows:

	UK	South East	
	£	Asia	Total
2009	£	£	£
Revenue from external customers	<u>5,474,392</u>	<u>8,539,561</u>	<u>14,013,953</u>
Depreciation and amortisation	<u>111,034</u>	<u>130,750</u>	<u>241,784</u>
Profit before taxation	<u>316,847</u>	<u>764,995</u>	<u>1,081,842</u>
Taxation	<u>114,904</u>	<u>77,970</u>	<u>192,874</u>
Segmental assets	<u>8,559,845</u>	<u>5,784,637</u>	<u>14,344,482</u>
Segmental liabilities	<u>5,792,893</u>	<u>856,200</u>	<u>6,649,093</u>
2008			
Revenue from external customers	<u>-</u>	<u>6,150,063</u>	<u>6,150,063</u>
Depreciation and amortisation	<u>-</u>	<u>102,487</u>	<u>102,487</u>
Profit before taxation	<u>-</u>	<u>794,473</u>	<u>794,473</u>
Taxation	<u>-</u>	<u>198,717</u>	<u>198,717</u>
Segmental assets	<u>-</u>	<u>6,694,472</u>	<u>6,694,472</u>
Segmental liabilities	<u>-</u>	<u>2,774,233</u>	<u>2,774,233</u>

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

4 Sale of services

	Group	
	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Course fees	8,335,972	3,045,863
Examination fee	3,186,737	1,520,465
Publication fee	197,405	154,101
Sales of systems and support services	-	447,577
Application fees and registration fees	309,220	230,265
Sale of course materials	186,203	23,183
Training income	67,347	83,176
Other - accommodation	993,559	-
	<u>13,276,443</u>	<u>5,504,630</u>

5 Other Income

	Group	
	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Exchange gain	-	51,275
Accounting fee	72,447	63,929
Interest income	15,862	4,979
Management fee	-	38,943
Rental and related income	190,257	167,776
Miscellaneous income	458,944	318,531
	<u>737,510</u>	<u>645,433</u>

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

6 Salaries and Employees' Benefits

	Group	
	<u>2009</u>	<u>2008</u>
	£	£
Staff salaries and related costs	3,072,036	1,123,330
Social security costs - staff	236,835	100,234
Director's fee	48,000	48,000
Consultancy fee paid to director	-	9,600
Directors' remuneration	144,903	66,297
Social security costs - directors	14,374	9,152
Share based payments- directors	86,281	18,736
Share based payments- staff	50,350	26,229
Others	40,039	-
	<u>3,692,818</u>	<u>1,401,578</u>
Average number of employees		
Lecturers	152	3
Marketing staff	54	32
Administration staff	145	57
	<u>351</u>	<u>92</u>

7 Finance Costs

	Group	
	<u>2009</u>	<u>2008</u>
	£	£
Interest on bank overdraft	901	2,313
Interest on term loan	9,791	13,935
Interest on finance lease	20,543	923
Other interest	4,926	44
	<u>36,161</u>	<u>17,215</u>

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

8 Operating profit

Net profit from operations is stated after charging / (crediting):

	Group	
	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Auditor's remuneration:		
- Fees payable to the Company's auditors for statutory audit	20,000	20,000
- Fees payable to the Company's auditors for statutory audit of subsidiaries	8,000	-
- Under provision of fees payable to the Company's auditors for statutory audit in prior year	7,500	-
- Fees payable to the Company's auditors for taxation services	8,000	367
- Fees payable to the Company's auditors for audit assurance/other services	-	15,817
- Fees payable to the other auditors for statutory audits	29,503	44,300
- Fees payable to the other auditors for taxation services	2,931	10,400
Bad debts written off	133,882	79,400
Exchange (gain) / loss	34,458	(128,280)
Deposits written off	-	10,047
Impairment for trade receivables	13,999	-
Plant and equipment written off	5,522	18,065
Office and equipment rental	530,223	520,080
Fees payable to the Company's auditors for due diligence work not disclosed above	44,325	-

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

9 Income Tax

Tax expense attributable to the results is made up of:

	Group	
	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Current income tax	190,678	113,917
Under provision in respect of previous years:		
Current income tax	6,452	63,961
Current year tax	<u>197,130</u>	<u>177,878</u>
Deferred taxation	<u>(4,256)</u>	<u>20,839</u>
	<u>192,874</u>	<u>198,717</u>

The reconciliation of the current year tax expense and the product of accounting profit multiplied by the Singapore statutory tax rate is as follows:

	Group			
	<u>2009</u>		<u>2008</u>	
	<u>£</u>	<u>%</u>	<u>£</u>	<u>%</u>
Profit before income tax	<u>1,081,841</u>		<u>794,473</u>	
Income tax at the statutory rate of 17% (2008:18%)	183,913	17	143,005	18.0
Effect of different tax rate in foreign jurisdictions	47,946	4.4	16,996	2.1
Non deductible expenses	64,145	5.9	2,358	0.3
Singapore statutory stepped income exemption	(60,472)	(5.5)	(35,124)	(4.2)
Underprovision of income tax in respect of prior years	6,452	0.6	63,961	8.0
Utilisation of previously unrecognised tax benefits	21,251	1.9	(3,747)	(0.4)
Income not subject to tax	(84,844)	(7.8)	-	-
Change in tax rate	(1,242)	(0.1)	-	-
Other effects not separately identified	19,981	1.8	(9,571)	(1.2)
	<u>197,130</u>	18.22	<u>177,878</u>	22.3

The Singapore tax rate changed from 18% in 2008 to 17% in 2009.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

9 Income tax (continued)

The Company is tax resident in Singapore. Group income tax liability is subject to agreement by the tax authorities of the respective countries in which the companies in the Group operate.

Temporary differences arising from investment in subsidiary and associated companies are considered to be insignificant to the Group.

	Group		Company	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Composition of deferred taxation:				
On the excess of the net book value over tax written down value of plant and equipment	29,609	27,492	-	-
Analysis of provision for deferred taxation:				
Balance at the beginning of the year	27,492	1,679	-	-
Deferred taxation for the year	(4,256)	20,839	-	-
Deferred taxation addition on acquisition of subsidiary	8,350	-	-	-
Currency realignment	(1,977)	4,974	-	-
Balance at the end of the year	<u>29,609</u>	<u>27,492</u>	<u>-</u>	<u>-</u>

The amount of temporary differences for which no deferred tax asset has been recognised in the balance sheets is as follows:

	Group		Company	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Tax over book depreciation	(25,013)	(24,535)	-	-
Unabsorbed capital allowances	7,951	15,939	-	-
Unutilised tax losses	1,827,202	1,844,399	-	-
Accrued unutilised leaves	(21,760)	11,779	-	-
	<u>1,788,380</u>	<u>1,847,582</u>	<u>-</u>	<u>-</u>

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

9 Income tax *(continued)*

Deferred tax assets have not been recognised in respect of tax losses as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised. There is no deferred tax asset recognised on other deductible temporary differences as the tax effect is immaterial to the Group and the Company. The utilisation of the deferred tax assets are subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies in the Group operate.

Included within the unutilised tax losses are unutilised tax losses of £79,789 (Singapore \$181,062) (2008: £507,858). The utilisation of these losses are subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation in Singapore as a result of substantial change in ultimate shareholders and significant change in shareholders in prior years. The Group is in the process of appealing to the tax authorities for the waiver of the “shareholders’ test”.

10 Earnings Per Share

The earnings per ordinary share are based on profit attributable to shareholders amounting to £ 831,209 (2008: £562,606) and the weighted average number of ordinary shares in issue at the year end of 33,223,897 (2008: 17,987,420) shares.

The diluted earnings per ordinary share are based on profit attributable to shareholders amounting to £ 831,209 (2008: £562,606) and the weighted average number of ordinary shares in issue at the year end diluted for the effect of share options and warrants in existence at the year end of 37,926,546 (2008: 20,017,420) shares.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

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11 Plant and Equipment

	Renovation of property	Computers	Furniture & fittings	Classroom and office equipment	Motor vehicle	Leasehold Land	Library books	Sign board	Total
	£	£	£	£	£	£	£		£
Group 2009 Cost									
As at 1 January 2009	354,592	230,002	93,321	70,523	545	-	2,808	-	751,791
Additions	56,067	21,923	44,764	469,881	32,370	51,492	1,313	-	677,810
Disposals	-	(7,236)	(20,030)	(9,482)	-	(16,284)	-	-	(53,032)
Additions on acquisition of subsidiary	71,731	305,944	205,310	632,969	-	382,045	7,333	591	1,605,923
Currency realignment	(23,165)	(12,114)	(4,729)	(3,659)	(40)	-	(94)	9	(43,792)
As at 31 December 2009	459,225	538,519	318,636	1,160,232	32,875	417,253	11,360	600	2,938,700
Accumulated depreciation									
As at 1 January 2009	97,989	184,073	60,376	46,662	545	-	2,807	-	392,452
Charge for the year	70,331	23,495	46,239	67,699	1,065	20,721	77	15	229,642
Accumulated depreciation on acquisition of subsidiary	23,915	295,803	77,563	396,106	-	284,413	6,952	467	1,085,219
Disposal	-	(7,220)	(14,658)	(9,350)	-	(16,284)	-	-	(47,512)
Currency realignment	(6,466)	(8,630)	(2,922)	(2,522)	(178)	-	54	7	(20,657)
As at 31 December 2009	185,769	487,521	166,598	498,595	1,432	288,850	9,890	489	1,639,144
Net book value At 31 December 2009	273,456	50,998	152,038	661,637	31,443	128,403	1,470	111	1,299,556

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

11 Plant and Equipment *(continued)*

Group	Renovation of property	Computers	Furniture & fittings	Classroom and office equipment	Motor vehicle	Library books	Total
2008	£	£	£	£	£	£	£
Cost							
As at 1 January							
2008	190,904	130,700	55,305	35,727	416	2,143	415,195
Additions	76,961	16,681	14,566	9,311	-	-	117,519
Disposals	(6,189)	(28,658)	(20,354)	(13,859)	-	-	(69,060)
Additions on acquisition of subsidiary	6,924	5,497	1,188	581	-	-	14,190
Currency realignment	85,992	105,782	42,616	38,763	129	665	273,947
As at 31 December 2008	354,592	230,002	93,321	70,523	545	2,808	751,791
Accumulated depreciation							
As at 1 January							
2008	23,950	94,453	27,393	17,530	416	2,142	165,884
Charge for the year	47,027	22,153	12,165	7,358	-	-	88,703
Disposal	(5,007)	(21,947)	(12,046)	(11,995)	-	-	(50,995)
Currency realignment	32,019	89,414	32,864	33,769	129	665	188,860
As at 31 December 2008	97,989	184,073	60,376	46,662	545	2,807	392,452
Net book value							
At 31 December 2008	256,603	45,929	32,945	23,861	-	1	359,339

At the balance sheet date, the Group's net book value of computers and motor vehicle under finance lease and hire purchase agreements arrangements amounted to £376,928 and £31,443 respectively (2008: computers: £22,418). The depreciation charge in the year amounted to £30,437 and £1,065 respectively (2008: computers: £7,441).

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

12 Development Expenditure

	Group	
	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Cost		
As at beginning of the year	113,859	98,353
Additions	500	-
Re-classification of costs	-	(20,532)
Currency realignment	(7,675)	36,038
As at end of the year	<u>106,684</u>	<u>113,859</u>
Amortisation		
As at beginning of the year	76,677	43,647
Charge for the year	8,555	13,784
Currency realignment	(5,048)	19,246
As at end of the year	<u>80,184</u>	<u>76,677</u>
Net Book Value		
As at end of the year	<u>26,500</u>	<u>37,182</u>

13 Investment in Subsidiary Companies

	Company	
	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Investment in subsidiaries		
Unquoted equity shares, at cost		
As at beginning of the year	1,874,542	1,390,243
Additions during the year	4,705,255	447,657
Intra-group guarantee	-	-
Share options granted to subsidiaries employees	45,311	36,642
As at end of the year	<u>6,625,108</u>	<u>1,874,542</u>
Due from subsidiary companies	<u>270,268</u>	<u>270,413</u>
Due to subsidiary companies	<u>1,657,149</u>	<u>199,659</u>

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

13 Investment in Subsidiary Companies *(continued)*

On 1 July 2009, the Company acquired a 100% interest in Malvern House Group Limited, a London-based educational courses provider (“Malvern House”). The total consideration for the acquisition was £4,701,557. This was settled by £3,539,169 payable in cash and the allotment of 7,500,000 ordinary shares of 10p each in the Company at 12p per share. In addition legal and professional expenses of £262,388 were incurred.

Analysis of the acquisition is as follows:

	£
Assets acquired at carrying value:	
Intangible assets - trade marks	6,959
Plant and equipment	318,248
Cash and cash equivalents	1,466,699
Trade and other receivables	1,136,054
Inventories	37,715
Trade and other payables	(2,410,120)
Deferred taxation	(8,350)
Total	<u>547,205</u>
Assets acquired at fair value:	
Malvern House brand	3,750,000
Total net assets acquired	<u>4,297,205</u>
Total purchase consideration	4,701,557
Goodwill arising on acquisition	<u>404,352</u>
Post acquisition revenue of Malvern House Group Limited	<u>5,474,392</u>
Post acquisition profit after tax of Malvern House Group Limited	<u>201,943</u>

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

13 Investment in Subsidiary Companies *(continued)*

On 13 October 2009, the Group acquired 3,900,100 ordinary shares of RM 1.00 each in the share capital of Smart Eduprocess Group Sdn Bhd representing 100% interest, for a total consideration of RM 2,400,000 (equivalent £433,516). In addition legal and professional fees of £3,229 were also incurred. Smart Eduprocess Group Sdn Bhd indirectly held 70% interest in IMS Professional Training Services Sdn Bhd and Kasturi Management Consultancy Sdn Bhd. As a result of this acquisition, the equity interest in IMS Professional Training Services Sdn Bhd and Kasturi Management Consultancy Sdn Bhd increased to 100% respectively and become subsidiaries of the Group.

Analysis of the acquisition is as follows:

	£
Assets acquired at carrying value:	
Intangible assets - licences	43,170
Intangible assets - goodwill	649,831
Plant and equipment	202,452
Cash and cash equivalents	58,694
Trade and other receivables	164,088
Trade and other payables	<u>(454,635)</u>
Total	663,600
Total purchase consideration	436,746
Negative goodwill arising on acquisition and charged to income statement	<u>226,854</u>
Post acquisition revenue of Smart Eduprocess Group Sdn Bhd	<u>488,285</u>
Post acquisition profit after tax of Smart Eduprocess Group Sdn Bhd	<u>74,641</u>

If acquisitions had taken place on 1 January 2009 then consolidated revenue and profit after tax would have been £18,945,785 and £1,027,132 respectively.

During the year, the Company issued the balance of 498,946 ordinary shares of 10p each at 11p per share as deferred consideration payable for acquisition of AEC Bilingual Pte Ltd upon achievement of a target profit of Singapore \$185,000 per year. The deferred consideration has been previously provided in the accounts.

During the year the company issued options over ordinary shares in the Company to certain employees of subsidiary undertakings. The fair value of these options has been valued at £45,311 (2008: £36,642).

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

13 Investment in Subsidiary Companies *(continued)*

On 30 March 2009, the Company issued 28,441 new ordinary shares of 10p each at 13p per share in the Company as consideration for the acquisition by the Company of the outstanding balance of 7,500 shares in Brainbox Limited (“Brainbox”), which represents 5% percent of Brainbox’s issued share capital, that are not already held by the Company and its wholly owned subsidiaries (“the Group”). Brainbox is now wholly owned by “the Group”.

AEC College Pte Ltd (formerly known as AEC.Edu Group Pte Ltd), Malvern House Group Limited, AEC Bilingual Pte Ltd and Educational Resources Pte Ltd are the Company’s immediate subsidiaries. The details of AEC College Pte Ltd, Malvern House Group Limited and Educational Resources Pte Ltd and the subsidiary companies they hold at 31 December 2009 are as follows:

Subsidiary companies and country of incorporation	Principal activities (Place of business)	Equity held by the Group	
		<u>2009</u> %	<u>2008</u> %
Malvern House Group Limited (United Kingdom)	Teaching of English as a foreign language	100	-
AEC College Pte Ltd (formerly known as AEC. Edu Group Pte Ltd) (Singapore)	Investment holding and provision of education consultancy services (Singapore)	100	100
Educational Resources Pte Ltd (Singapore)	Consultancy in the field of education, business training courses and related services (Singapore)	100	100
AEC Bilingual Pte Ltd (Singapore)	Technical, vocational and commercial education (Singapore)	51	51

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

13 Investment in Subsidiary Companies *(continued)*

Subsidiaries held by Malvern House Group Limited

Subsidiary companies and country of incorporation	Principal activities (Place of business)	Equity held by the Group	
		<u>2009</u>	<u>2008</u>
		%	%
Malvern House International Limited (United Kingdom)	Provider of further education (United Kingdom)	100	-
Malvern House Marketing Limited (United Kingdom)	Dormant (United Kingdom)	100	-
Learning Development Overseas Ltd (United Kingdom)	Dormant (United Kingdom)	100	-

Subsidiaries held by AEC College Pte Ltd (formerly known AEC. Edu Group Pte Ltd)

Subsidiary companies and country of incorporation	Principal activities (Place of business)	Equity held by the Group	
		<u>2009</u>	<u>2008</u>
		%	%
AEC Resource Development Pte Ltd (Singapore)	Education, training and human resource consultancy (Singapore)	100	100
AEC Accountancy & Business School Pte Ltd * (Singapore)	Dormant (Singapore)	100	100
The McGregorr Consultants Pte Ltd (Singapore)	Advisors and consultants for further learning and dealing in study kits and manuals (Singapore)	100	100

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

13 Investment in Subsidiary Companies *(continued)*

Subsidiaries held by AEC College Pte Ltd (formerly known AEC. Edu Group Pte Ltd)
(continued)

Subsidiary companies and country of incorporation	Principal activities (Place of business)	Equity held by the Group	
		<u>2009</u> %	<u>2008</u> %
Flexi Learning Systems Pte Ltd (Singapore)	Operator and agent of schools, colleges and professional assoc. in promoting training and educational programmes and courses (Singapore)	100	100
AEC Internet Education Technology Pte Ltd * (Singapore)	Dormant (Singapore)	100	100
Brighton Commercial Training Centre Pte Ltd (Singapore)	Technical, vocational and commercial education (Singapore)	100	100
AEC Business School Pte Ltd (Singapore)	Technical, vocational and commercial education (Singapore)	100	100
AEC Edutech Sdn Bhd (Malaysia)	Development, management, and provision of consultancy and market educational technology solutions related products (Malaysia)	100	100

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

13 Investment in Subsidiary Companies *(continued)*

Subsidiaries held by AEC College Pte Ltd (formerly known AEC. Edu Group Pte Ltd)
(continued)

Subsidiary companies and country of incorporation	Principal activities (Place of business)	Equity held by the Group	
		<u>2009</u>	<u>2008</u>
		%	%
Smartworks Learning Centre Pte Ltd (Singapore)	Commercial education and provide training in property investments, consultancy and maintenance (Singapore)	100	100
BrainBox Limited (British Virgin Islands)	Consulting & marketing In education, training and related services (Vietnam)	100	95
Smart Eduprocess Group Sdn Bhd (Malaysia)	Investment holding (Malaysia)	100	-

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

13 Investment in Subsidiary Companies *(continued)*

Subsidiaries held by AEC College Pte Ltd (formerly known AEC. Edu Group Pte Ltd)
(continued)

Subsidiary companies and country of incorporation	Principal activities (Place of business)	Equity held by the Group	
		<u>2009</u> %	<u>2008</u> %
<u>Held by AEC Edutech Sdn Bhd</u> ST Synergy (Malaysia) Sdn Bhd (Malaysia)	Dormant (Malaysia)	100	100
<u>Held by BrainBox Limited</u> BrainBox Foreign Language & Management Studies Training Center (Vietnam)	Training courses in foreign languages and business administration (Vietnam)	100	95
<u>Held by Smart Eduprocess Group Sdn Bhd</u> AEC Edugroup Malaysia Sdn Bhd (Malaysia)	Investment holding (Malaysia)	100	-
<u>Held by AEC Edugroup Malaysia Sdn Bhd</u> IMS Professional Training Services Sdn Bhd (Malaysia)	Education services (Malaysia)	100	30
Kasturi Management Consultancy Sdn Bhd (Malaysia)	Education services (Malaysia)	100	30
Subsidiaries held by Educational Resources Pte Ltd			
Educational Development Pte Ltd (Singapore)	Dormant (Singapore)	100	100

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

13 Investment in Subsidiary Companies *(continued)*

Subsidiaries held by Educational Resources Pte Ltd *(continued)*

Subsidiary companies and country of incorporation	Principal activities (Place of business)	Equity held by the Group	
		<u>2009</u> %	<u>2008</u> %
LCCIEB Training Consultancy Co (People's Republic of China)	Consultancy in education, business business training courses and related services (People 's Republic of China)	100	100
LCCI International Qualifications (M) Sdn Bhd (Malaysia)	Consultancy in education, business training courses and related services (Malaysia)	100	100
Educational Resources (HK) Limited (Hong Kong)	Consultancy in education, business training courses and related services (Hong Kong)	100	100

* These companies were struck off the register subsequent to the year end.

In the opinion of the directors, the recoverable amount of the investment in subsidiary companies is not less than the carrying amount of the investment on the basis that the present value of the estimated future cash flows expected to arise from the subsidiaries' operations over the next few years will exceed the carrying amount of the investment in these subsidiaries.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

14 Investment in Associated Companies

	Group	
	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Unquoted shares, at beginning of year, at cost	1,536,922	1,400,732
Additions	-	136,190
	<hr/>	<hr/>
Unquoted shares, at beginning of year, at cost	1,536,922	1,536,922
	<hr/>	<hr/>
Share of net post-acquisition reserves:		
Balance at beginning of year	(1,489,573)	22,219
Adjustment for Educational Resources Pte Ltd from associated company to subsidiary	-	(1,511,989)
Adjustment for Kasturi Management Consultancy Sdn Bhd and IMS Professional Training Services Sdn Bhd from associated companies to subsidiaries	(166,399)	-
Share in profits for the year	253,318	50,749
Dividends received	(111,600)	(29,912)
Currency alignment	880	(20,640)
	<hr/>	<hr/>
Balance at end of year	(1,513,374)	(1,489,573)
	<hr/>	<hr/>
	23,548	47,349
	<hr/>	<hr/>
Due from associated companies	-	221,866
	<hr/>	<hr/>

In the previous year, the amounts due from associated companies were trade in nature, unsecured, interest- free and payable within the next twelve months.

The carrying amount of the investment in associated companies includes goodwill of £NIL (2008: £99,582).

Movement in goodwill during the year is as follows:

	Group	
	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Cost		
Balance as at beginning of the year	99,582	1,001,446
Additions	-	99,582
Transfer to goodwill arising as associate becoming a subsidiary	(99,582)	(1,001,446)
	<hr/>	<hr/>
Balance as at end of the year	-	99,582
	<hr/>	<hr/>

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

14 Investment in Associated Companies (continued)

Summarised financial information in respect of the Group's associated companies is set out below:

	<u>2009</u>	<u>2008</u>
	£	£
Total assets	316,409	1,232,536
Total liabilities	(205,400)	(754,208)
Net assets	<u>111,009</u>	<u>478,328</u>
Revenue	<u>2,126,171</u>	<u>3,505,199</u>
Profit for the year	<u>207,110</u>	<u>196,415</u>

Details of associated companies are as follows:

Associated companies and country of incorporation	Principal activities (Place of business)	Equity held by the Group	
		<u>2009</u>	<u>2008</u>
		%	%
Held by AEC College Pte Ltd (formerly known as AEC.Edu Group Pte Ltd)			
Keris Murni Sdn Bhd (Malaysia)	Provision of education services and the operation of education tuition centres (Malaysia)	30	30
Pusat Tuisyen Kasturi Sdn Bhd (Malaysia)	Provision of education services and the operation of education tuition centres (Malaysia)	30	30
IMS Professional Training Services Sdn Bhd (Malaysia)	Provision of education services (Malaysia)	*-	30

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

14 Investment in Associated Companies (continued)

Held by AEC College Pte Ltd (formerly known as AEC.Edu Group Pte Ltd (continued))

Associated companies and country of incorporation	Principal activities (Place of business)	Equity held by the Group	
		<u>2009</u>	<u>2008</u>
		%	%
Kasturi Management Consultancy Sdn Bhd (Malaysia)	Provision of education services (Malaysia)	*-	30

* During the year IMS Professional Training Services Sdn Bhd and Kasturi Management Consultancy Sdn Bhd became a 100% owned subsidiaries of the Group (see note 13).

In the opinion of the directors, the recoverable amount of the investment in associated companies is not less than the carrying amount of the investment on the basis that the present value of the estimated future cash flows expected to arise from the associated companies' operations over the next few years will exceed the carrying amount of the investment in these associated companies.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

15 Intangible assets-Group

	Licences	
	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Cost		
At beginning of the year	1,896,021	-
Additions	9,922	1,678,876
Additions on acquisition of subsidiary	84,954	-
Currency alignment	<u>(126,473)</u>	<u>217,145</u>
At end of the year	<u>1,864,424</u>	<u>1,896,021</u>
Accumulated amortisation		
At beginning of the year	-	-
Charge	3,198	-
Accumulated amortisation at date of acquisition	41,784	-
Currency alignment	<u>651</u>	<u>-</u>
At end of the year	<u>45,633</u>	<u>-</u>
Net book value	<u>1,818,791</u>	<u>1,896,021</u>
Analysed as follows:		
Indefinite life	1,776,768	1,896,021
Definite life	<u>42,023</u>	<u>-</u>
	<u>1,818,791</u>	<u>1,896,021</u>
Brands		
	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Cost		
At beginning of the year	-	-
Acquisition of Malvern House Brand	<u>3,750,000</u>	<u>-</u>
At end of the year	<u>3,750,000</u>	<u>-</u>
Net book value	<u>3,750,000</u>	<u>-</u>
Analysed as follows:		
Indefinite life	<u>3,750,000</u>	<u>-</u>

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

15 Intangible assets-Group *(continued)*

	Trade Marks	
	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Cost		
At beginning of the year	-	-
Additions	707	-
Additions on acquisition of subsidiary	7,392	-
At end of the year	<u>8,099</u>	<u>-</u>
Accumulated amortisation		
At beginning of the year	-	-
Charge	389	-
Accumulated amortisation at date of acquisition	433	-
At end of the year	<u>822</u>	<u>-</u>
Net book value	<u>7,277</u>	<u>-</u>
Analysed as follows:		
Definite life	<u>7,277</u>	<u>-</u>
Total net book value	<u>5,576,068</u>	<u>1,896,021</u>

Intangible assets comprise licence fee, brands and trademarks.

During the year, the Company acquired 100% interest in Malvern House Group Limited and the purchase consideration included “Malvern Brand” which the directors estimated the value to be £3,750,000. The directors are of the opinion that AEC has acquired an indefinite right to use the brand name and accordingly, the brand name is not subject to amortisation and is shown at cost less any impairment.

On 8 January 2008, in connection with the disposal of the entire equity interest by Educational Development International plc (“EDI”) in Educational Resources Pte Ltd (“ER”), ER entered into a new agency agreement with EDI for the right to continue to act as agent to sell and market LCCI International Qualification. Under the new agreement, ER is required to pay an additional sum of £450,000 in return for right to use and market the LCCI International Qualification for an indefinite duration subject to certain termination clauses and conditions. In accordance with the terms of the new agreement with EDI, the directors are of the opinion that ER has acquired an indefinite right to use of the licence. Accordingly, the licence fee is shown at cost less any impairment.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

15 Intangible assets-Group *(continued)*

The licence fee of acquired subsidiary Smart Eduprocess Group Sdn Bhd during the year, are paid for professional and academic courses licensed to the Group for a period of 2 to 5 years.

Impairment of licence fee

Licence fee is allocated to the Group's cash generating unit ("CGU") relating to its education business. The recoverable amount of the CGU is determined based on value-in-use calculation. This calculation uses cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the external growth rates stated below. The growth rate does not exceed the long term average growth rate for the education business in which the CGU operates.

Key assumptions used for value-in-use calculations:

	Education Business	
	2009	2008
	%	%
Growth rate (1) 2 to 3 years	5	5
Discount rate (2)	7	7

- (1) Weighted average growth rate used to extrapolate cash flows beyond the budget period.
(2) Pre-tax discount rate applied to the cash flow projections.

Management determined budgeted gross margin based on past performance and its expectation of the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

16 Goodwill

	Group	
	<u>2009</u>	<u>2008</u>
	£	£
Cost		
Balance as at beginning of the year	926,102	168,397
Transfer of goodwill on associate becoming a subsidiary (see note 14)	99,582	1,001,446
(Negative goodwill)/ goodwill arising on acquisition of subsidiary (see note 13)	404,352	(780,674)
Existing goodwill in acquired subsidiary (see note 13)	649,831	32,003
Goodwill arising on deferred consideration payable	-	35,867
Currency alignment	<u>(99,129)</u>	<u>469,063</u>
Balance as at end of the year	<u>1,980,738</u>	<u>926,102</u>

Goodwill arose in the year as a result of acquisitions by the Group.

During the year, the Company acquired the entire issued of share capital of Malvern House Group Limited, a London-based educational courses provider which gave rise to goodwill on acquisition of £404,352.

During the year the Group acquired the entire issued share capital of Smart Eduprocess Group Sdn Bhd whose assets included goodwill of £649,831. Negative goodwill arose on the acquisition of Smart Eduprocess Group Sdn Bhd of £226,854 which has been written off to the income statement.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

16 Goodwill (continued)

Impairment of goodwill

Goodwill is allocated to the Group's cash generating unit ("CGU") identified according to business result and country of operation presented below:

	Group	
	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Education		
United Kingdom	404,352	-
Singapore	215,967	225,784
Malaysia	1,338,074	676,358
Vietnam	22,345	23,960
	1,980,738	926,102

The recoverable amount of the CGU is determined based on value-in-use calculation. This calculation uses cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the external growth rates stated below. The growth rate does not exceed the long term average growth rate for the education business in which the CGU operates.

Key assumptions used for value-in-use calculations:

	Group	
	<u>2009</u>	<u>2008</u>
	<u>%</u>	<u>%</u>
Growth rate (1) 2 to 3 years	5	5
Discount rate (2)	7	7

(1) Weighted average growth rate used to extrapolate cash flows beyond the budget period.

(2) Pre-tax discount rate applied to the cash flow projections.

Management determined budgeted gross margin based on past performance and its expectation of the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

17 Inventories

	Group	
	<u>2009</u>	<u>2008</u>
	£	£
Publications and books	93,709	54,270

18 Trade Receivables

	Group	
	<u>2009</u>	<u>2008</u>
	£	£
Trade receivables are stated after deducting the following allowance for impairment:	60,814	6,668

	Group	
	<u>2009</u>	<u>2008</u>
	£	£
Trade receivables are denominated in the following currencies:		
Singapore Dollars	518,825	583,382
Pound Sterling	291,235	11,931
Malaysian Ringgit	217,150	3,938
US Dollar	20,786	32,755
Chinese Yuan	30,737	4,597
Vietnamese Dong	94	-
	1,078,827	636,603

19 Other Receivables

	Group		Company	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	£	£	£	£
Deposits	146,499	50,076	-	-
Prepayments	418,401	35,494	-	12,563
Staff loan	447	240	-	-
Tax recoverable	-	28,568	-	20,717
Other receivables	309,467	104,380	13,870	-
	874,814	218,758	13,870	33,280

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

19 Other Receivables (continued)

Other receivables are denominated in the following currencies:

	Group		Company	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Singapore Dollars	120,170	91,978	-	-
Pound Sterling	69,696	20,717	13,870	20,717
Malaysian Ringgit	192,763	37,500	-	-
Chinese Yuan	4,358	4,112	-	-
Vietnamese Dong	59,802	22,566	-	-
Hong Kong dollar	9,624	6,391	-	-
	<u>456,413</u>	<u>183,264</u>	<u>13,870</u>	<u>20,717</u>

20 Prepaid educational expenditure

	Group	
	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Consultancy and course fees paid in advance	100,380	186,800
Agents commission paid in advance	39,658	73,918
	<u>140,038</u>	<u>260,718</u>

21 Due from / to Related Parties

Related parties are entities (except for subsidiary companies and associated companies) with common direct/indirect shareholders and directors. Parties are considered to be related (directly or indirectly) if one party has the ability to control or exercise significant influence over the other party in making financial and operating decisions by virtue of such common interests.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

21 Due from / to Related Parties (continued)

	Group		Company	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Due from related parties				
Non-trade	31,062	79,929	-	135
	<u>31,062</u>	<u>79,929</u>	<u>-</u>	<u>135</u>
Due to related parties				
Non-trade	112,512	11,707	102,182	-
	<u>112,512</u>	<u>11,707</u>	<u>102,182</u>	<u>-</u>
Total	<u>81,450</u>	<u>68,222</u>	<u>102,182</u>	<u>135</u>

Balances with related parties are denominated in the following currency:

Due from related parties				
Singapore Dollars	21,889	79,794	-	-
Malaysian Ringgit	9,173	-	-	-
Pound Sterling	-	135	-	135
	<u>31,062</u>	<u>79,929</u>	<u>-</u>	<u>135</u>
Due to related parties				
Singapore Dollars	9,911	11,707	-	-
Malaysian Ringgit	419	-	-	-
Pound Sterling	102,182	-	102,182	-
	<u>112,512</u>	<u>11,707</u>	<u>102,182</u>	<u>-</u>

Amounts due from / to related parties are unsecured, interest-free and due within the next twelve months.

	Group		Company	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Details of related party balances:				
Due to related parties				
OLOL Management Service Pte Ltd	26	1,724	-	-
Other parties	417	-	-	-
KSP Investment Pte Ltd	102,182	-	102,182	-
Savant Infocomm Pte Ltd	9,887	9,983	-	-
	<u>112,512</u>	<u>11,707</u>	<u>102,182</u>	<u>-</u>

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

21 Due from / to Related Parties (continued)

	Group		Company	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Details of related parties balances:				
Due from related parties				
Eastcom System Pte Ltd	50	27	-	-
Savant Infocomm Pte Ltd	293	-	-	-
OLOL Management Services Pte Ltd	114	123	-	-
Savant infotech Solution Pte Ltd	227	3,471	-	-
AEC Business School India	14,708	102	-	-
Windmill International Pte Ltd	10,089	70,025	-	-
Melewar Academia Holdings Pte Ltd	617	662	-	-
Playware Studios Asia Pte Ltd	-	5,384	-	-
AEC Property Management Pte Ltd	4,964	-	-	-
KSP Investments Pte Ltd	-	135	-	135
	<u>31,062</u>	<u>79,929</u>	<u>-</u>	<u>135</u>

22 Cash and Cash Equivalents

	Group		Company	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Cash at bank and in hand	3,215,149	1,643,617	50,377	4,174
Fixed deposits with bank	4,473	312,718	-	-
Cash and cash equivalents	<u>3,219,622</u>	<u>1,956,335</u>	<u>50,377</u>	<u>4,174</u>

Cash and cash equivalents are denominated in the following currencies:

Singapore Dollars	1,166,045	1,266,209	-	-
Vietnamese Dong	9,251	43,671	-	-
Pound Sterling	1,514,906	22,551	50,377	4,174
Hong Kong	305,140	336,986	-	-
Chinese Yuan	13,717	15,904	-	-
United States Dollars	121,598	176,456	-	-
Malaysian Ringgit	74,423	94,558	-	-
Euro	14,453	-	-	-
Sri Lanka Rupee	89	-	-	-
	<u>3,219,622</u>	<u>1,956,335</u>	<u>50,377</u>	<u>4,174</u>

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

23 Trade Payables

	<u>2009</u>	<u>2008</u>
	£	£
Group		
Trade payables balances are denominated in the following currencies:		
Singapore Dollars	252,018	211,322
Pound Sterling	270,707	189,341
Malaysian Ringgit	110,303	93,143
Chinese Yuan	28,946	22,939
Vietnamese Dong	-	6,350
Hong Kong dollar	100,609	38,357
US Dollar	47,827	58,700
	810,410	620,152

24 Deferred Income

Deferred income relates to course fees received in advance and recognised in the income statement based on classes and examinations conducted

	<u>2009</u>	<u>2008</u>
	£	£
Group		
Deferred income is denominated in the following currency:		
Non-current liabilities		
Pound Sterling	102,627	-
Current liabilities		
Singapore dollars	1,146,585	1,125,885
Pound Sterling	2,860,638	-
	4,007,223	1,125,885

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

25 Other Payables

	Group		Company	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Other creditors	413,396	417,941	34,718	43,559
Accrued expenses	645,848	290,172	52,033	93,536
	<u>1,059,244</u>	<u>708,113</u>	<u>86,751</u>	<u>137,095</u>

	Group		Company	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Other payables are denominated in the following currencies:				
Singapore Dollars	525,589	468,999	-	-
Pound Sterling	323,117	137,095	86,751	137,095
Malaysian Ringgit	148,734	20,173	-	-
Chinese Yuan	7,389	48,686	-	-
Vietnamese Dong	54,415	18,963	-	-
Hong Kong Dollar	-	14,048	-	-
US dollar	-	149	-	-
	<u>1,059,244</u>	<u>708,113</u>	<u>86,751</u>	<u>137,095</u>

26 Financial Liabilities

	Group		Company	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Non-current liabilities				
Finance lease obligations	197,238	2,711	-	-
Term loan	-	79,864	-	-
Intra-group financial guarantee	-	-	-	2,100
	<u>197,238</u>	<u>82,575</u>	<u>-</u>	<u>2,100</u>
Current liabilities				
Bank overdraft	-	10,982	-	-
Finance lease obligations	131,367	9,970	-	-
Term loan	74,480	95,842	-	-
Intra-group financial guarantee	-	-	4,000	1,900
	<u>205,847</u>	<u>116,794</u>	<u>4,000</u>	<u>1,900</u>
	<u>403,085</u>	<u>199,369</u>	<u>4,000</u>	<u>4,000</u>

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

26 Financial Liabilities *(continued)*

In the previous year, the bank overdraft facility of the Group was secured by a personal guarantee by a director and incurred interest of prime rate plus 2% per annum (2008: 2%). The bank overdraft facility was terminated subsequent to the end of the financial year.

Finance Lease Obligations

At 31 December 2009, the Group and the Company has obligations under finance leases that are payable as follows:

	Group		Group	
	<u>Minimum</u>		<u>Present value</u>	
	<u>lease payments</u>		<u>of minimum</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Within one year	135,861	11,286	156,017	12,681
Due after one year	219,747	2,822	172,588	-
	<u>355,608</u>	<u>14,108</u>	<u>328,605</u>	<u>12,681</u>
Less: Future finance charges	<u>(27,003)</u>	<u>(1,427)</u>	-	-
Present value of lease obligations	<u>328,605</u>	<u>12,681</u>	<u>328,605</u>	<u>12,681</u>
Effective rate of interest per annum for finance leases			<u>3.65%</u>	<u>2.03%</u>

Finance lease creditors are denominated in the following currencies:

Singapore Dollars	2,632	12,681
Malaysian Ringgit	27,551	-
Pound Sterling	<u>298,422</u>	<u>-</u>
	<u>328,605</u>	<u>12,681</u>

The fair value of finance lease obligation is calculated based on present value of future principal and interest cash flows, discounted at the market rate at the reporting date. The carrying amount approximates fair value.

Term Loan

	Group	
	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Principal to be repaid:		
- Due within one year	74,480	95,842
- Due after one year	-	79,864
	<u>74,480</u>	<u>175,706</u>

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

26 Financial Liabilities (continued)

The term loan is used specifically for renovation works of the new office at Block 167, Jalan Bukit Merah, Connection 1 Tower 4 #02-13 Singapore 150167.

The term loan is secured by the corporate guarantee of the holding company, AEC Education plc and a first fixed and floating charge over all the assets of the subsidiary company, AEC College Pte Ltd (formerly known as AEC. Edu Group Pte Ltd).

The term loan shall be repaid by 30 monthly instalments, together with the interest charged at 2% per annum over the prevailing average lending rate or lender's S\$ base rate, whichever is higher.

Interest ranges from 7.38 % to 8.52 % per annum (2008: 7.33% to 8.21%).

The fair value of term loan is calculated based on present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The carrying amount approximates fair value.

Intra-group guarantee

Intra-group financial guarantee relates to the corporate guarantee granted by the holding company in respect of the term loan facility granted to a subsidiary. The fair value of the guarantee amounts to £ 4,000 (2008: £4,000). The periods in which the financial guarantee expires are as follows:

	Company	
	<u>2009</u>	<u>2008</u>
	£	£
Less than 1 year	4,000	1,900
Between 1 and 5 years	-	2,100
	<u>4,000</u>	<u>4,000</u>

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

27 Share Capital

	Group and Company	
	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Authorised		
50,000,000 ordinary shares of 10p each	<u>5,000,000</u>	<u>5,000,000</u>
Allotted, called up and fully paid		
At beginning of the year		
- 18,008,738 (2008: 15,414,988) ordinary shares of 10p each	1,800,874	1,541,499
Issued during the year		
- 2,593,750 ordinary shares of 10p each issued at 11p each for the acquisition of 65.04% share capital of Educational Resources Pte Ltd (shown in note 13)	-	259,375
- 28,441 ordinary shares of 10p each issued at 13p each for the acquisition of the outstanding balance of 5% share capital of Brainbox Ltd	2,844	-
- 17,187,656 ordinary shares of 10p each issued at 12p each	1,718,765	-
- 7,500,000 ordinary shares of 10p each issued at 12p each for the acquisition of 100% share capital of Malvern House Group Ltd (shown in note 13)	750,000	-
- 25,000 ordinary shares of 10p each issued at par on exercise of share options	2,500	-
- 498,946 ordinary shares of 10p each issued at 11p each for the acquisition of 51% share capital of AEC Bilingual Pte Ltd (shown in note 13)	49,895	-
At end of the year		
- 43,248,781 (2008: 18,008,738) ordinary shares of 10p each	<u>4,324,878</u>	<u>1,800,874</u>

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

28 Share based payments reserve

	Group	
	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Balance as at beginning of year	154,220	-
Fair value of options issued and charged to the income statement	136,632	44,970
Fair value of warrants issued and charged to the share premium account	26,839	-
Ordinary shares to be issued re deferred consideration on acquisition of subsidiary	-	109,250
Balance as at year end	<u>317,691</u>	<u>154,220</u>

	Company	
	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Balance as at beginning of year	154,220	-
Fair value of options issued and charged to the income statement	91,321	8,328
Fair value of options issued as addition to investment in subsidiary	45,311	36,642
Fair value of warrants issued and charged to the share premium account	26,839	-
Ordinary shares to be issued re deferred consideration on acquisition of subsidiary	-	109,250
Balance as at year end	<u>317,691</u>	<u>154,220</u>

An Unapproved Executive Share Option Scheme (the “ESOS”) was adopted by the Directors on 21 February 2008.

The ESOS is a share incentive scheme to give recognition to employees whose contributions have been essential to the well-being and prosperity of the Group.

On 3 March 2008, a total of 1,220,000 non-transferable options to subscribe for ordinary shares of £0.10 each in the Company were granted to Executive Directors, Managerial Staff and Specially Selected Employees. Options are granted for a term of 5 years to purchase AEC Education plc ordinary shares.

On 14 July 2009, 1,900,000 non-transferable options to subscribe for ordinary shares of £0.10 each in the Company were granted to Executive Directors and Managerial Staff. Options are granted for a term of 5 years to purchase AEC Education plc ordinary shares.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

28 Share based payments reserve (continued)

On 9 September 2009, 535,000 non-transferable options to subscribe for ordinary shares of £0.10 each in the Company were granted to Managerial Staff and Specially Selected Employees. Options are granted for a term of 5 years to purchase AEC Education plc ordinary shares.

The exercise price was fixed at market value less 20% discount or par value per share whichever is higher. All options have an 18-month vesting period.

As part of the share placement 262,649 share warrants were granted to the Nominated Advisors WH Ireland on 17 March 2009. The exercise period is 3 years from the placement date and the warrants are exercisable at 12p per share.

	<u>2009</u>	<u>2008</u>
	<u>No of options</u>	<u>No of options</u>
Options at beginning of year	1,080,000	-
Options granted in year	2,435,000	1,220,000
Options lapsed in year	-	(140,000)
Options exercised in year	<u>(25,000)</u>	<u>-</u>
Options at year end	<u>3,490,000</u>	<u>1,080,000</u>
Options exercisable at year end	<u>1,055,000</u>	<u>-</u>
Weighted average exercisable prices were as follows:		
At beginning of year	10p	-
Options granted	17.2p	10p
Options lapsed	-	10p
Options exercised	10p	-
Options at year end	15p	10p
Options exercisable at year end	10p	-
Weighted average share price at date of exercise for options exercised during the year	21.5p	-
	<u>2009</u>	<u>2008</u>
Weighted average remaining contracted life of options outstanding at year end	<u>4.15 years</u>	<u>4.18 years</u>

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

28 Share based payments reserve (continued)

	<u>2009</u>	<u>2008</u>
Exercise prices of options outstanding at year end:	<u>No of</u>	<u>No of</u>
- Exercise price per share	<u>options</u>	<u>options</u>
10p	1,055,000	1,080,000
17.2p	2,435,000	-
Weighted average fair value of options granted in year	15p	8p

The option pricing model used in calculating the fair value of options granted was the Black Scholes model.

Inputs in the model for share options granted during the year were as follows:

	<u>2009</u>	<u>2008</u>
Weighted average share price	21.5p	12p
Weighted average exercise price	17.2p	10p
Average expected volatility	77%	77%
Average option life	5 years	5 years
Average risk free rate	4.75%	4.75%
Expected dividends	Nil	Nil

The warrant pricing model used in calculating the fair value of warrants granted was the Black Scholes model.

Inputs in the model for warrants granted during the year were as follows:

Weighted average share price	18.5p	-
Weighted average exercise price	12.0p	-
Average expected volatility	72%	-
Average warrant life	3 years	-
Average risk free rate	4.75%	-
Expected dividends	Nil	-

Expected volatility was determined by calculating the actual volatility of the Company's share price over the period from December 2004 up to the grant date of the options.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

29 Related Party Transactions

In addition to the related party information disclosed in note 21, there were the following significant transactions with related parties on terms agreed between the parties:

	Group		Company	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	£	£	£	£
With Subsidiary				
<u>Educational Resources Pte Ltd</u>				
- Consultancy fee charged	-	-	86,023	268,864
<hr/>				
<u>Malvern House Group Ltd</u>				
- Consultancy fee charged	-	-	211,165	-
<hr/>				
<u>AEC College Pte Ltd (formerly known as AEC .Edu Group Pte Ltd</u>				
- Accounting fees	-	-	(12,691)	(12,028)
<hr/>				
With a related party with common directors				
<u>OLOL Management Service Pte Ltd</u>				
-Rental fees	-	(17,640)	-	-
- Commission paid and payable	(925,562)	(828,837)	-	-
<hr/>				
<u>Windmill International Pte Ltd</u>				
- Accounting fees	72,459	63,930	-	-
- Rental fees	108,536	119,206	-	-
<hr/>				
<u>Open Learning Agensi Malaysia Sdn Bhd – revenue</u>				
- Management and consultancy fees	-	20,340	-	-
<hr/>				
With associated companies and companies related to them				
<u>Genting Mutiara Sdn Bhd – revenue</u>				
- Royalty and Licensing	-	7,519	-	-
- Computer software and hardware	-	10,334	-	-
- Implementation, training and testing	-	18,733	-	-
- Management and consultancy fees	-	960	-	-
<hr/>				

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

29 Related Party Transactions (continued)

	Group		Company	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
<u>Indopelangi Sdn Bhd – revenue</u>				
- Royalty and Licensing	-	5,880	-	-
- Computer software and hardware	-	8,081	-	-
- Implementation, training and testing	-	14,650	-	-
- Management and consultancy fees	-	751	-	-
<hr/>				
With associated companies and companies related to them				
<u>Jaguh Suria Sdn Bhd – revenue</u>				
- Royalty and Licensing	-	8,672	-	-
- Computer software and hardware	-	11,918	-	-
- Implementation, training and testing	-	21,605	-	-
- Management and consultancy fees	-	1,107	-	-
<hr/>				
<u>Keris Murni Sdn Bhd – revenue</u>				
- Royalty and Licensing	-	22,792	-	-
- Computer software and hardware	-	31,325	-	-
- Implementation, training and testing	-	56,788	-	-
- Management and consultancy fees	-	2,910	-	-
<hr/>				
<u>Pusat Tiusyen Kasturi Sdn Bhd – revenue</u>				
- Royalty and Licensing	-	18,695	-	-
- Computer software and hardware	-	25,694	-	-
- Implementation, training and testing	-	46,579	-	-
- Management and consultancy fees	-	2,387	-	-
<hr/>				
<u>Pelangi Tegas Sdn Bhd – revenue</u>				
- Royalty and Licensing	-	6,299	-	-
- Computer software and hardware	-	8,657	-	-
- Implementation, training and testing	-	15,694	-	-
- Management and consultancy fees	-	804	-	-
<hr/>				
Huan Yu Training Expert Pte Limited				
-Management fees received	-	18,609	-	-
<hr/>				

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

29 Related Party Transactions *(continued)*

	2009	Group	2008
	<u>£</u>		<u>£</u>
Key management personnel			
Directors' remuneration:			
- Salaries and bonuses	144,903		66,297
- Social security costs	14,374		9,152
- Directors' fees	48,000		48,000
- Consultancy fee paid to director	-		9,600
- Share based compensation	86,281		18,736
Other key management personnel:			
- Salaries and bonuses	300,862		172,795
- Social security costs	28,727		15,613
- Share based compensation	41,734		19,776
	<u>664,881</u>		<u>359,969</u>

30 Operating Lease Commitments

The Group has various operating lease agreements for equipment, offices and other facilities. Most leases contain renewable options. The Group also has operating leases for some premises for periods of up to 15 years and are renewable under such terms and conditions as may be agreed upon with the lessor.

At the balance sheet date, the future minimum rentals payable under these non-cancellable operating leases are as follows:-

	2009	Group	2008
	<u>£</u>		<u>£</u>
Payable:			
Within one year	1,293,201		585,532
Between two to five years	2,932,350		359,262
Over five years	3,181,313		-
	<u>7,406,864</u>		<u>944,794</u>

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

31 Subsequent events

On 14 January 2010, the Group through its wholly owned subsidiary, AEC College Pte Ltd (formerly known as AEC. Edu Group Pte Ltd (“AEC College”), has entered into an agreement with The Hong Kong and Shanghai Banking Corporation Limited (“HSBC”) for the provision of a loan facility for up to SGD2,000,000 (approximately £880,000) (the “Loan Facility”). The Loan Facility provides additional working capital and importantly, will also assist AEC College with its business expansion programme. The facility is available for a period of four years from the date of the first draw down and interest will be charged at 5% per annum. AEC Education plc is acting as guarantor for the obligations of AEC College under the terms of the Loan Facility.

On 15 January 2010, the Company issued 950,000 new ordinary shares of 10p each as deferred consideration for the acquisition of the balance of shares in Educational Resources Pte Ltd.

There have been regulatory changes by the UK Border Agency on Student Visa entries but the directors are confident that the impact on the group financial as a whole is not expected to be significant.

32 Dividends

After the balance sheet date, the directors of the Company proposed a one-tier tax-exempt final dividend of 0.15p per share totalling £66,298 based on issued shares as at 23 June 2010. The dividends have not been provided for and are subject to shareholders’ approval at the forthcoming Annual General Meeting of the Company.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

33 Financial Instruments

(a) Financial Risk Management Objectives and Policies

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

(i) Credit risk

Exposure to the credit risks are monitored on an ongoing basis. The Group does not require collateral in respect of financial assets.

The carrying amount of trade and other receivables, subsidiary companies and related party balances and cash represent the Group's maximum exposure to credit risk.

Cash and cash balances are placed with reputable financial institutions. Therefore credit risk arises mainly from the inability of customers to make payments when due.

58% of the Group's accounts receivables are made up of individual students, 24% relates to two large funding organisations and the balance of 18% to other organisations.

All trading activity is concentrated in South East Asia and for the second half of the year includes United Kingdom.

The age analysis of trade receivables is as follows:

	Group	
	<u>2009</u>	<u>2008</u>
	£	£
Not past due and not impaired	504,262	192,075
Past due but not impaired		
- Past due 0 to 3 months	197,963	188,222
- Past due 3 to 6 months	207,519	58,468
- Past due over 6 months	169,083	197,838
	574,565	444,528
Impaired trade receivables	60,814	6,668
Less: Allowances for impairment loss	(60,814)	(6,668)
	-	-
Total	1,078,827	636,603

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

33 Financial Instruments *(continued)*

(ii) Liquidity risk

The Group adopts prudent liquidity risk management by maintaining sufficient cash and having adequate amounts of credit facilities. Due to the nature of the Group's operations, the Group aims at maintaining flexibility in funding by keeping committed credit facilities available.

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay.

**Group
2009**

	On demand or within one year £	Within 2 to 5 years £
Trade payables	810,410	-
Other payables and accruals	1,059,244	-
Due to related parties	112,512	-
Term loan	74,480	-
Finance lease obligations	131,367	197,238
	<u>2,188,013</u>	<u>197,238</u>

**Group
2008**

	On demand or within one year £	Within 2 to 5 years £
Trade payables	620,152	-
Other payables and accruals	708,113	-
Due to related parties	11,707	-
Term loan	95,842	79,864
Finance lease obligations	9,970	2,711
	<u>1,445,784</u>	<u>82,575</u>

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

33 Financial Instruments *(continued)*

(ii) Liquidity risk *(continued)*

**Company
2009**

	On demand or within one year £	Within 2 to 5 years £
Other payables and accruals	86,751	-
Due to related parties	102,182	-
Amount due to subsidiaries	1,657,149	-
Intra-group guarantee	4,000	-
	1,850,082	-

**Company
2008**

	On demand or within one year £	Within 2 to 5 years £
Other payables and accruals	137,095	-
Amount due to subsidiaries	199,659	-
Intra-group guarantee	1,900	2,100
	338,654	2,100

(iii) Foreign currency risk

The Group's investments in overseas subsidiaries and associates which are held for long-term investment purposes are exposed to currency translation risk. The differences arising from such translation are recorded under the foreign currency translation reserve.

The Group does not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions as the directors believe that the risks arising from fluctuations in foreign currency exchange rates are not significant.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

33 Financial Instruments *(continued)*

(iii) Foreign currency risk *(continued)*

The Group's exposures to foreign currencies are as follows:

	Euro	Singapore Dollar	Malaysian Ringgit	Vietnamese Dong	US Dollar	HK Dollar	Chinese Yuan
	£	£	£	£	£	£	£
At 31.12.2009							
Financial assets							
Trade and other							
Receivables	-	660,885	419,085	59,897	20,786	9,623	35,095
Cash and bank							
Balance	14,453	1,161,572	74,512	9,251	121,598	305,140	13,717
Fixed deposits	-	4,473	-	-	-	-	-
	<u>14,453</u>	<u>1,826,930</u>	<u>493,597</u>	<u>69,148</u>	<u>142,384</u>	<u>314,763</u>	<u>48,812</u>
Financial liabilities							
Borrowings	-	77,112	27,551	-	-	-	-
Trade and other							
Payables	-	889,699	259,457	54,415	47,827	100,609	36,335
	<u>-</u>	<u>966,811</u>	<u>287,008</u>	<u>54,415</u>	<u>47,827</u>	<u>100,609</u>	<u>36,335</u>
Net amount	<u>14,453</u>	<u>860,119</u>	<u>206,589</u>	<u>14,733</u>	<u>94,557</u>	<u>214,154</u>	<u>12,477</u>

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

33 Financial Instruments *(continued)*

(iii) Foreign currency risk *(continued)*

	<u>Singapore</u> <u>Dollar</u>	<u>Malaysian</u> <u>Ringgit</u>	<u>Vietnames</u> <u>Dong</u>	<u>US</u> <u>Dollar</u>	<u>HK</u> <u>Dollar</u>	<u>Chinese</u> <u>RMB</u>
	£	£	£	£	£	£
At 31.12.2008						
Financial assets						
Trade and other						
Receivables	761,545	263,304	22,566	32,755	-	8,709
Cash and bank						
Balance	1,074,082	14,084	43,671	176,456	296,869	15,904
Fixed deposits	192,126	80,474	-	-	40,118	-
	<u>2,027,753</u>	<u>357,862</u>	<u>66,237</u>	<u>209,211</u>	<u>336,987</u>	<u>24,613</u>
Financial liabilities						
Borrowings	199,369	-	-	-	-	-
Trade and other						
payables	692,027	113,316	25,313	58,849	52,405	71,625
	<u>891,396</u>	<u>113,316</u>	<u>25,313</u>	<u>58,849</u>	<u>52,405</u>	<u>71,625</u>
Net amount	<u>1,136,357</u>	<u>244,546</u>	<u>40,924</u>	<u>150,362</u>	<u>284,582</u>	<u>(47,012)</u>

Sensitivity analysis for foreign exchange risk

The following analyses illustrate the effect that specific changes could have had on our income and equity for exchange movements. This analysis is for illustrative purposes only, as in practice market rates rarely change in isolation. Actual results in the future may differ materially from these results due to developments in the global financial markets which may cause fluctuations in interest and exchange rates to vary from the hypothetical amounts disclosed in the following table, which therefore should not be considered a projection of likely future events and losses.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

33 Financial Instruments *(continued)*

Sensitivity analysis for foreign exchange risk *(continued)*

	Group		Group	
	10% weakening of GBP		10% strengthening of GBP	
	<u>Impact on</u> <u>Equity</u> £	<u>Impact on</u> <u>Income</u> <u>/Reserves</u> £	<u>Impact on</u> <u>Equity</u> £	<u>Impact on</u> <u>Income</u> <u>/Reserves</u> £
At 31.12.2009				
Singapore Dollar	(86,012)	(86,012)	86,012	86,012
US Dollar	(9,456)	(9,456)	9,456	9,456
Malaysia Ringgit	(20,659)	(20,659)	20,659	20,659
Vietnamese Dong	(1,473)	(1,473)	1,473	1,473
Hong Kong Dollar	(21,415)	(21,415)	21,415	21,415
Chinese Yuan	(1,3248)	(1,248)	1,248	1,248
Euro	(1,445)	(1,445)	1,445	1,445
	Group		Group	
	10% weakening of GBP		10% strengthening of GBP	
	<u>Impact on</u> <u>Equity</u> £	<u>Impact on</u> <u>Income</u> <u>/Reserves</u> £	<u>Impact on</u> <u>Equity</u> £	<u>Impact on</u> <u>Income</u> <u>/Reserves</u> £
At 31.12.2008				
Singapore Dollar	(113,635)	(113,635)	113,635	113,635
US Dollar	(15,036)	(15,036)	15,036	15,036
Hong Kong Dollar	(28,458)	(28,458)	28,458	28,458

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

33 Financial Instruments *(continued)*

(iv) Interest rate risk

The Group's exposure to market risk for changes in interest rates relate primarily to the Group's bank overdraft facility and term loan. A change in interest rate at the reporting date would not materially affect income or reserves.

The tables below set out the Group's exposure to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Fixed rates		
	Less than 12 months	Non-interest Bearing	Total
	<u>£</u>	<u>£</u>	<u>£</u>
At 31.12.2009			
Assets			
Trade and other receivables	-	1,552,433	1,552,433
Cash and bank balances	-	3,215,149	3,215,149
Fixed deposit	4,473	-	4,473
Non-financial assets	-	9,572,427	9,572,427
Total assets	4,473	14,340,009	14,344,482
 Liabilities			
	Floating rates	Non-interest Bearing	Total
	<u>£</u>	<u>£</u>	<u>£</u>
Liabilities			
Trade and other payables	-	2,106,549	2,106,549
Borrowings	403,085	-	403,085
Non-financial liabilities	-	4,139,459	4,139,459
Total Liabilities	403,085	6,080,408	6,649,093

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

33 Financial Instruments *(continued)*

(iv) Interest rate risk *(continued)*

	Fixed rates		
	Less than 12 months	Non-interest Bearing	Total
	£	£	£
At 31.12.2008			
Assets			
Trade and other receivables	-	1,121,663	1,121,663
Cash and bank balances	-	1,643,617	1,643,617
Fixed deposit	312,718	-	312,718
Non-financial assets	-	3,616,474	3,616,474
Total assets	312,718	6,381,754	6,694,472

Liabilities

	Floating Rates	Non-interest Bearing	Total
	£	£	£
Trade and other payables	-	1,421,487	1,421,487
Borrowings	199,369	-	199,369
Non-financial liabilities	-	1,153,377	1,153,377
Total Liabilities	199,369	2,574,864	2,774,233

(v) Fair Values of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, and short term borrowings approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other financial assets and liabilities are as disclosed in the respective notes.

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

33 Financial Instruments *(continued)*

(vi) Capital risk management policies and objectives

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, cash and bank balances and equity attributable to holders of the parent comprising issued capital, other reserves and retained earnings as disclosed in the financial statements.

The Board of Directors reviews the capital structure on an annual basis.