

AIM:AEC
11 June 2010

AEC EDUCATION PLC
(“AEC” or “the Company” and together with its subsidiaries “the Group”)

Final Results
for the year ended 31 December 2009

AEC provides educational courses up to post-graduate degree level in the UK and Asia as well as London Chamber of Commerce and Industry (“LCCI”) examinations/qualifications in Asia.

Highlights

- Strong growth both organically and via acquisition:
 - major acquisition of UK-based English Language training provider, Malvern House, in July 2009
 - acquisition of remaining 70% shares not already owned by the Group in two Malaysia-based educational institutes in October 2009
- Revenues more than doubled to £14.0m (2008: £6.1m)
 - reflecting partial contribution from acquisitions
- Profit before tax increased 36% to £1.08m (2008: £0.79m)
- Profit after tax up nearly 49% to £0.89m (2008: £0.60m)
- Earnings per share of 2.5p (2008: 3.1p)
- Cash flow from operations improved to £2.62m (2008: £1.65m)
 - includes significant investment in infrastructure and products
- Net cash at 31 December 2009 increased by 65% to £3.2m (2008: £1.9m)
 - share placings during the year raised total of £2.1m
- Maiden dividend of 0.15p
- Board remains confident about future growth

Liam Swords, Chairman of AEC, commented,

“The results for the year ended 31 December 2009 show that it was another very successful year for AEC. 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.

With strong cash balances, 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.”

Enquires:

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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 Universiti 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.

Financial results

Revenues for the year to 31 December 2009 rose by 128% to £14.0m (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.

The AEC business in Singapore, AEC College Pte Ltd (formerly known as AEC Edu Group Pte Ltd), 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.

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

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 £14.0m 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 cover 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.

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 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.

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.

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.

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
Chief Executive Officer

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009**

	2009	2008
	£	£
Revenue		
Sale of services	13,276,443	5,504,630
Other income	737,510	645,433
	<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	3,692,818	1,401,578
Amortisation of development costs	8,555	13,784
Amortisation of licence costs	3,587	-
Depreciation of plant and equipment	229,642	88,703
Finance costs	36,161	17,215
Other operating expenses	1,769,370	1,274,478
Total operating costs and expenses	<u>13,185,430</u>	<u>5,406,339</u>
 Operating profit	<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	(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	57,758	33,150
	<u>888,967</u>	<u>595,756</u>
 Earnings per share (in pence)		
Basic	<u>2.5</u>	<u>3.1</u>
 Diluted	<u>2.2</u>	<u>2.8</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009**

	2009	2008
	£	£
Profit for the year	<u>888,967</u>	<u>595,756</u>
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	<u>630,804</u>	<u>1,341,060</u>
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>

**STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009**

	2009	2008
	£	£
Non-Current Assets		
Plant and equipment	1,299,556	359,339
Development expenditure	26,500	37,182
Investment in subsidiary companies	-	-
Investment in associated companies	23,548	47,349
Intangible assets	5,576,068	1,896,021
Goodwill	1,980,738	926,102
	<u>8,906,410</u>	<u>3,265,993</u>
Current Assets		
Inventories	93,709	54,270
Trade receivables	1,078,827	636,603
Other receivables	874,814	218,758
Prepaid education expenditure	140,038	260,718
Due from subsidiary companies	-	-
Due from associated companies	-	221,866
Due from related parties	31,062	79,929
Cash and cash equivalents	3,219,622	1,956,335
	<u>5,438,072</u>	<u>3,428,479</u>
Total Assets	<u>14,344,482</u>	<u>6,694,472</u>
EQUITY AND LIABILITIES		
Non-Current Liabilities		
Deferred income	102,627	-
Financial liabilities	197,238	82,575
Deferred taxation	29,609	27,492
	<u>329,474</u>	<u>110,067</u>
Current Liabilities		
Trade payables	810,410	620,152
Deferred income	4,007,223	1,125,885
Other payables and accruals	1,059,244	708,113
Due to subsidiary companies	-	-
Due to related parties	112,512	11,707
Financial liabilities	205,847	116,794
Provision for income tax	124,383	81,515
	<u>6,319,619</u>	<u>2,664,166</u>

**STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009**

	2009	2008
	£	£
Equity attributable to equity holders of the Company		
Share capital	4,324,878	1,800,874
Share premium	693,338	286,415
Reserves	<u>2,534,099</u>	<u>1,739,824</u>
	7,552,315	3,827,113
Minority interest in equity	<u>143,074</u>	<u>93,126</u>
Total equity	<u>7,695,389</u>	<u>3,920,239</u>
Total Equity and Liabilities	<u>14,344,482</u>	<u>6,694,472</u>

The financial statements were approved by the Board of Directors on 10 June 2010 and were signed on its behalf by:

William Swords

Chairman

**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 comprehensive income for the year:										
Profit	-	-	-	62,606	-	-	562,606	562,606	33,150	595,756
Total other comprehensive income	-	-	-	-	778,454	-	778,454	778,454	7,825	786,279
Total comprehensive for the year	-	-	-	562,606	778,454	-	1,341,060	1,341,060	40,975	1,382,035
Issue of shares to acquire subsidiary	259,375	38,907	-	-	-	-	-	298,282	-	298,282
Ordinary shares to be issued re acquisition	-	-	109,250	-	-	-	109,250	109,250	-	109,250
Share options granted	-	-	44,970	-	-	-	44,970	44,970	-	44,970
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

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 comprehensive income for the year:										
Profit	-	-	-	831,209	-	-	831,209	831,209	57,758	888,967
Total other comprehensive income	-	-	-	-	(200,405)	-	(200,405)	(200,405)	14,065	(186,340)
Total comprehensive 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 transactions 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

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

	2009	2008
	£	£
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	<u>1,232,758</u>	<u>921,482</u>
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	<u>2,713,579</u>	<u>1,845,942</u>
Taxation	(91,840)	(192,809)
Net cash generated from operating activities	<u>2,621,739</u>	<u>1,653,133</u>
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	<u>(1,496,005)</u>	<u>(327,526)</u>

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008
	£	£
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	160,814	(87,877)
Effect of foreign exchange rate changes on consolidation	(12,279)	397,727
	1,274,269	1,635,457
Net increase in cash and cash equivalents	1,274,269	1,635,457
Cash and cash equivalents at beginning of the year	1,945,353	309,896
Cash and cash equivalents at end of the year	3,219,622	1,945,353

Cash and cash equivalents consist of the following:

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

1 General

AEC Education plc 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. 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 above.

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 in the Annual Report of the Company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)**

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

4 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)**

5 Investment in Subsidiary Companies

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	547,205
Assets acquired at fair value:	
Malvern House brand	3,750,000
Total net assets acquired	4,297,205
Total purchase consideration	4,701,557
Goodwill arising on acquisition	404,352
Post acquisition revenue of Malvern House Group Limited	5,474,392
Post acquisition profit after tax of Malvern House Group Limited	201,943

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 a 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)**

5 Investment in Subsidiary Companies (continued)

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).

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)**

6 Intangible assets

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

	Brands	
	2009	2008
	£	£
Cost		
At beginning of the year	-	-
Acquisition of Malvern House brand	3,750,000	-
At end of the year	3,750,000	-
Net book value	3,750,000	-
Analysed as follows:		
Indefinite life	3,750,000	-
	3,750,000	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)**

6 Intangible assets (continued)

	Trade Marks	
	2009	2008
	£	£
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 House" 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 the 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)**

7 Goodwill

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

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)**

8 Share Capital

	Group and Company	
	2009	2008
	£	£
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	-	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	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	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>

9 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (Continued)**

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 financials as a whole is not expected to be significant.

10 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.

11 Annual Report

The Annual Report will be sent to shareholders by close of business on 11 June 2010. Additional copies will be available to the public, free of charge, from the Company's website www.aeducationplc.co.uk