MOORE STEPHENS

AEC Education plc
Company No. 05174452

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

AEC EDUCATION PLC AND ITS SUBSIDIARY COMPANIES

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FOR THE YEAR ENDED 31 DECEMBER 2005

AEC Education plc
Registration No: 05174452

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Company Secretary and Registered Office
Pinsent Masons Secretarial Limited
1 Park Row
Leeds, LS1 5AB

Auditors
Moore Stephens LLP
St. Paul's House
Warwick Lane
London EC4M 7BP

Bankers
Bank of Scotland plc
St. James' Gate
14-16 Cockspur Street
London SW1Y 5BL

Nominated Adviser
Nabarro Wells & Co. Limited
Saddlers House
Gutter Lane
London EC2V 6HS

Solicitors
Pinsent Masons
30 Aylesbury Street
London EC1R 0ER

Registrars
Neville Registrars Limited
18 Laurel Lane
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CHAIRMAN'S STATEMENT - DECEMBER 2005

Introduction

I have pleasure in announcing the Company's results for the year to 31 December 2005. The Asian educational markets, where AEC operates, continued to be very competitive during the second half of the year. Despite this, overall revenues increased by 2.1% to £1,542,684. During the period the Company also made significant investment in marketing and product development staff in order to review non - profitable lines and develop new products and partnerships for launch during 2006. This investment increased operating costs significantly, with the result that post tax earnings for the year fell to £202,346 (2004 - £547,628).

Review of 2005 Operations

2005 was a year of many challenges. Competition was keen. Government rules and regulations in our main markets of Malaysia and Singapore were changing and the demand pattern continued to move towards degree courses.

The Company viewed these changes as an opportunity and devoted its efforts both, in terms of manpower and finance, to identify niche programmes to meet the changing demand in the Asian environment. At the same time it also took immediate steps to run down those programmes that were no longer viable.

A major portion of the investment focused on the development of proprietary educational courses. These included a Hospitality programme leading to the award of an Advanced Diploma, a Diploma and Advanced Diploma in Travel & Tourism and other Business Management Programmes to meet the changing requirements in the region.

Early childhood education is a strongly growing market and the Company is now positioned to avail itself of this opportunity by the introduction of an Early Childhood Education Programme.

In addition to the above, greater collaboration with various universities was developed. A Diploma and Advanced Diploma in Business Administration were successfully introduced in collaboration with the UK's James Watt College. This programme is recognized by Scotland's Napier's University. These programmes are being promoted internationally and are currently being offered in China, Malaysia, Myanmar, India, Sri Lanka and Vietnam.

The Company was also able to secure the rights to conduct doctoral programmes in education provided by the University of Leicester.

ACCA accounting courses and the London Chamber of Commerce (LCCI) Graduate Access Programme have also been introduced.

Future Plans

Education continues to grow both in the region and internationally.

AEC is well placed to face the challenges that this growth will bring. Considerable effort has been put in, in 2005, to strengthen the management and structure of the Company. The recent appointment of David Ho as Managing Director of the Asian operations brings a wealth of experience in international education and commercial development to the Company.

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CHAIRMAN'S STATEMENT (CONTINUED) - DECEMBER 2005

Apart from organic growth, the Company is continuously looking at acquisitions that have niche education programmes in both the UK and overseas.

Recently, the Company announced the acquisition of 64.8% of the equity of BrainBox Limited. This company operates in Vietnam, in a prestigious centre in Ho Chi Min City, providing a range of foreign languages and management studies. The Directors believe that this acquisition puts AEC in a strong position to be able to penetrate the lucrative education market in Vietnam and also use the company to recruit students for its operations in Singapore and Malaysia.

Outlook

Over the last year the Group has gone through a period of review and is now ready to push forward with the initiatives it started in 2005. The operations in Singapore and Malaysia will remain stable and are the shop window for a range of high quality programmes that can be delivered around the world. The Company will continue with its strategy of continuous product development and collaboration with relevant Universities and partners around the globe. It will continue to seek suitable acquisitions of schools and through this strategy steadily grow its student base and profitability.

The Board expect the Company's plans to grow the revenue and profitability, to provide shareholders with steady growth from the current position. At the same time the Board are seeking acquisition opportunities that will add to steady underlying growth during the coming years.

The Board would like to express its appreciation of the loyal support and dedication of the staff during what was a challenging year.

William Swords
Chairman

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DIRECTOR'S REPORT - DECEMBER 2005

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 2005.

PRINCIPAL ACTIVITY

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 14 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 markets that the company operate in were challenging in 2005. Nonetheless, revenue increased by 2.1%. Investment in staff for product development and marketing combined with the slow growth in the market caused earnings to fall to £202,346 (2004: £547,628). The Board expect the new products for launch during 2006 to provide steady growth in revenue and earnings while it continues so seek suitable niche acquisitions. The financial risks for the Group are set out in note 31.

RESULTS AND DIVIDENDS

The consolidated profit and loss account for the year is set out on page 8. The consolidated profit for the year on ordinary activities after taxation amounted to £202,346 (2004: £547,628). An interim dividend of 1.6p per share was paid in July 2005. The directors do not recommend the payment of a final dividend (2004: £Nil).

DIRECTORS

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

William Joseph Swords (Chairman)	(Appointed 21 July 2004)
Tunku Iskandar Bin Tunku Abdullah	(Appointed 21 July 2004)
Ramasamy Jayapal	(Appointed 21 July 2004)
Gopinath Pillai	(Appointed 21 July 2004)
Ravi Manchanda	(Appointed 21 July 2004; Resigned 1 August 2005)

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DIRECTORS' REPORT (CONTINUED) - DECEMBER 2005

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 directors and company in which interests are held	At the beginning of the year Shares of £0.10 each	At the end of the year Shares of £0.10 each
William Joseph Swords	-	-
Tunku Iskandar Bin Tunku Abdullah	-	-
Ramasamy Jayapal	574,047	574,047
Gopinath Pillai	-	-
Indirect Interest		
William Joseph Swords	-	-
Tunku Iskandar Bin Tunku Abdullah	399,000	399,000
Ramasamy Jayapal	-	-
Gopinath Pillai	25,000	25,000

SUBSTANTIAL SHAREHOLDINGS

At 23rd June 2005, notification had been received of the following holdings of more than 3% of the issued 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 issued share capital.

	Shares of £0.10 each	%
Asian Excellence Conglomerate Pte Limited	2,174,127	14.58
KSP Investments Pte Limited	5,526,048	37.05
Ravi Manchanda	654,318	4.39
Naboobalan s/o Ramasamy Naidu	874,968	5.87
Ramasamy Jayapal	574,047	3.85

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 2005 were 52 days, calculated in accordance with the requirements set down in the Companies Act 1985. This represents the ratio, expressed in days, between the

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DIRECTORS' REPORT (CONTINUED) - DECEMBER 2005

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.

AUDITORS

On 3 October 2005 Moore Stephens, the Company's auditor transferred its entire business to Moore Stephens LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The directors have consented to treating the appointment of Moore Stephens as extending to Moore Stephens LLP with effect from 3 October 2005.

A resolution to reappoint Moore Stephens LLP as the Company's auditors will be proposed at the annual general meeting.

BY ORDER OF THE BOARD

William Swords

DIRECTOR
30 June 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit and loss of the Group for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which 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 International Financial Reporting Standards and with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with laws and regulations.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AEC EDUCATION PLC

We have audited the group and parent company financial statements ("the "financial statements") of AEC Education plc (the "Company") for the period from 8th July 2004 (date of incorporation) to 31st December 2005 which comprise the Group and Company Income Statement, Balance sheets, Changes in Shareholder Equity and the Group and Company Cash Flow Statements and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it. The other information accompanying the financial statements comprises the Chairman's Statement and the Directors' Report. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group and the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AEC EDUCATION PLC (CONTINUED)

Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's and the parent company's affairs as at 31 December 2005 and of its result for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

Moore Stephens LLP

MOORE STEPHENS LLP

Registered Auditors
Chartered Accountants

St. Paul's House
London, EC4M 7BP
England
30 June 2006

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CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 £	2004 £
Revenue			
Sale of services	(4)	1,402,518	1,417,049
Other income	(5)	140,166	93,903
		1,542,684	1,510,952
Administrative expenses			
Cost of services sold		635,763	473,841
Salaries and employees' benefits	(6)	334,426	236,976
Amortisation of deferred expenditure		9,135	8,624
Depreciation of plant and equipment		32,055	22,962
Finance costs	(7)	2,939	2,321
Other operating expenses		393,307	222,617
Total operating costs and expenses		1,407,625	967,341
Operating profit	(8)	135,059	543,611
Other income	(9)	-	6,685
Share of results of associated companies		67,620	10,566
Profit before income tax		202,679	560,862
Income tax	(10)	(333)	(13,234)
Profit for the year		202,346	547,628
Earnings per share (in pence)			
Basic	(11)	1.4	4.4
Diluted	(11)	1.4	4.4

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BALANCE SHEETS

AS AT 31 DECEMBER 2005

	Note	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Non-Current Assets					
Plant and equipment	(12)	128,815	50,809	-	-
Development expenditure	(13)	28,414	34,501	-	-
Investment in a subsidiary company	(14)	-	-	1,308,639	1,308,639
Investment in associated companies	(15)	1,393,934	1,248,509	-	-
		1,551,163	1,333,819	1,308,639	1,308,639
Current Assets					
Inventories	(16)	86,370	88,112	-	-
Trade receivables	(17)	252,288	140,353	-	-
Other receivables	(18)	55,260	139,763	52,140	125,050
Deferred expenditure	(19)	31,054	12,747	-	-
Due from subsidiary company	(14)	-	-	343,000	-
Due from associated companies	(15)	67,106	154,190	-	-
Due from related parties	(20)	484,210	344,652	-	-
Cash and bank balances	(21)	89,679	421,172	4,280	408,246
		1,065,967	1,300,989	399,420	533,296
Total Assets		2,617,130	2,634,808	1,708,059	1,841,935
EQUITY AND LIABILITIES					
Non Current Liabilities					
Deferred taxation	(10)	480	12,877	-	-
Current Liabilities					
Trade payables	(22)	90,283	205,613	-	-
Deferred income	(23)	156,478	42,446	-	-
Other payables and accruals	(24)	111,174	290,465	23,598	130,596
Bank overdraft	(25)	120,549	31	-	-
Due to related parties	(20)	50,639	12,522	-	-
Finance lease obligations	(26)	1,755	-	-	-
Loans payable	(27)	-	105,828	-	-
Provision for income tax		35,511	28,459	-	-
		566,389	685,364	23,598	130,596
Share Capital and Reserves					
Share capital	(28)	1,491,604	1,491,604	1,491,604	1,491,604
Share premium		242,519	238,094	242,519	238,094
Reserves		316,138	206,869	(49,662)	(18,359)
		2,050,261	1,936,567	1,684,461	1,711,339
Total Equity and Liabilities		2,617,130	2,634,808	1,708,059	1,841,935

The financial statements were approved by the Board of Directors on 30 June 2006 and were signed on its behalf by:

William Swords Chairman

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	Share Capital £	*Share* Premium £	*Retained* Earnings £	*Translation* Reserves £	*Capital* Reserves £	Total £
Group						
At 1 January 2004	-	-	*789,961*	*(101,633)*	*170,560*	*858,888*
Issue of shares on incorporation	2	-	-	-	-	2
Issue of shares in consideration for the acquisition of the entire share capital of AEC.Edu Group Pte Ltd	1,308,639	-	-	-	-	1,308,639
Issue of shares for cash on Admission to AIM	182,963	567,185	-	-	-	750,148
Cost of issue of shares	-	(329,091)	-	-	-	(329,091)
Profit for the year	-	-	547,628	-		547,628
Dividends paid (a)	-	-	(1,271,456)	-	-	(1,271,456)
Gains not recognised in the profit and loss account - Currency translation difference	-	-	-	71,809	-	71,809
Balance at 31 December 2004	1,491,604	238,094	66,133	(29,824)	170,560	1,936,567
Balance at 1 January 2005	1,491,604	238,094	66,133	(29,824)	170,560	1,936,567
Profit for the year	-	-	202,346	-	-	202,346
Dividends paid (b)	-	-	(238,657)	-	-	(238,657)
Cost of share issue - prior year overstated	-	4,425	-	-	-	4,425
Gains not recognised in the profit and loss account - *Currency translation difference*	-	-	-	*145,580*	-	*145,580*
Balance at 31 December 2005	1,491,604	242,519	29,822	115,756	170,560	2,050,261

(a) In 2004, a special dividend of £1,271,456 was paid by AEC.Edu Group Pte Ltd and its subsidiary companies prior to the acquisition of the entire share capital by the Company.

(b) During the year, the Company paid an interim dividend of 1.6p per share amounting to £238,657.

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CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	Group	
	2005	2004
	£	£
Cash Flows from Operating Activities		
Profit before income tax	202,679	560,862
Adjustments for:		
Amortisation of deferred expenditure	9,135	8,624
Depreciation of plant and equipment	32,055	22,962
Interest expense	2,939	2,321
Gain on disposal of subsidiaries	-	(6,686)
Share of results of associated companies	(67,620)	(10,566)
Operating cash flow before working capital changes	179,188	577,517
Changes in working capital:		
Receivables	(145,770)	(7,330)
Payables	(49,990)	(344,918)
Inventories	1,742	(88,112)
Related parties	(6,746)	1,228,498
Net cash generated (used in)/from operations	(21,576)	1,365,655
Interest paid	(2,939)	(2,321)
Tax paid	(5,678)	(2,000)
Net cash generated (used in)/from operating activities	(30,193)	1,361,334
Cash Flows from Investing Activities		
Purchase of plant and equipment	(103,130)	(4,218)
Payments to a related party for acquisition of an associate	-	(1,271,456)
Investment in associates	-	(14,940)
Net cash flow on disposal of interests in subsidiary companies (A)	-	1,413
Net cash used in investing activities	(103,130)	(1,289,201)
Cash Flows from Financing Activities		
Proceeds from issue of shares	100,031	625,097
Costs of issue of shares	(126,174)	(198,492)
Dividend paid	(238,657)	-
Loan advances from third parties	-	105,828
Repayment of loan from third parties	(105,828)	(79,698)
Repayment of finance lease creditor	(2,671)	-
Repayment of amount due to a director	(7,611)	(118,322)
Net cash generated (used in)/from financing activities	(380,910)	334,413

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CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	Group	
	2005	2004
	£	£
Balance brought forward	(514,233)	406,546
Effect of foreign exchange rate changes on consolidation	62,222	(5,673)
Net decrease in cash and cash equivalents	(452,011)	400,873
Cash and cash equivalents at beginning of the year	421,141	20,268
Cash and cash equivalents at end of the year	(30,870)	421,141

Cash and cash equivalents comprise the following:

	2005	2004
	£	£
Cash and bank balances	89,679	421,172
Amount due to banker	(120,549)	(31)
	(30,870)	421,141

(A) Summary of the Effect of the Disposal of Subsidiary Companies

The effect on the individual assets and liabilities is set out below:

	2005	2004
	£	£
Cash and cash equivalent	-	704
Other payable	-	(1,429)
Amount due to related parties	-	(3,844)
Net liabilities disposed of	-	(4,569)
Gain on disposal of subsidiaries	-	6,686
	-	2,117
Less: Cash and cash equivalents of disposed subsidiaries (net)	-	(704)
	-	1,413

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COMPANY PROFIT AND LOSS ACCOUNT

FOR THE PERIOD FROM INCORPORATION ON 8TH JULY 2004 TO 31ST DECEMBER 2005

	Note	Period from Incorporation On 8th July 2004 to 31st December 2005 £
Administrative expenses		
Other operating expenses		(136,801)
Operating loss	(8)	(136,801)
Other operating income		3,799
Interest receivable		
Dividends received		321,997
Loss before taxation		188,995
Income tax expense	(10)	-
Dividends paid		(238,657)
Loss for the year		(49,662)

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM INCORPORATION ON 8TH JULY 2004 TO 31ST DECEMBER 2005

	Share Capital £	Share Premium £	Retained Earnings £	Translation Reserves £	Capital Reserves £	Total £
Issue of shares on incorporation	2	-	-	-	-	2
Issue of shares in consideration for the acquisition of the entire share capital of AEC.Edu Group Pte Ltd	1,308,639	-	-	-	-	1,308,639
Issue of shares for cash on Admission to AIM	182,963	567,185	-	-	-	750,148
Cost of share issue	-	(324,666)	-	-	-	(324,666)
Profit for the period	-	-	188,995	-		188,995
Dividends paid	-	-	*(238,657)*			*(238,657)*
Balance at 31 December 2005	1,491,604	242,519	(49,662)	-	-	1,684,461

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COMPANY CASH FLOW STATEMENT

FOR THE PERIOD FROM INCORPORATION ON 8TH JULY 2004 TO 31ST DECEMBER 2005

	Period from incorporation on 8th July 2004 to 31st December 2005 £
Cash Outflows from Operating Activities	
Loss from operations	(133,002)
	(133,002)
Changes in working capital	
Receivables	(27,120)
Payables	23,598
Related parties	(343,000)
Net cash generated used in operating activities	(479,524)
Cash Flows from Financing Activities	
Proceeds from issue of shares	725,130
Costs of issue of shares	(324,666)
Dividends received	321,997
Dividends paid	(238,657)
Net cash generated used in financing activities	483,804
Net decrease in cash and cash equivalents	4,280
Cash and cash equivalents at start of period	-
Cash and cash equivalents at end of the period	4,280

AEC EDUCATION PLC

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005

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 principal activities of the Company are that of investment holding and provision of educational consultancy services. On 19th November 2004, the Company acquired the whole of the issued share capital of AEC Edu Group Pte Limited, a company incorporated in Singapore. The principal activities of the subsidiary companies are set out in Note 14 to the financial statements. There have been no significant changes in the nature of these activities during the year.

The directors of the Company are considered to be key management.

The Board of Directors have authorised the issue of these financial statements on the date of the Statement by directors set out on page 9.

2 Significant Accounting Policies

(a) Basis of Preparation

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards ("IFRS") as adopted by the EU. The Group has not adopted early IFRS 7, *Financial Instruments: Disclosures*, which was published in August 2005 and is effective for accounting periods beginning 1 January 2007. The impact on the accounts had this standard been adopted early is disclosed in note 31.

(b) Basis of Consolidation

The Company acquired AEC Edu Group Pte Limited by way of a share for share exchange. The consolidated financial statements have been prepared on the basis of the pooling of interest method to reflect the effective Group re-structure by way of a share for share exchange with common shareholders. On this basis, the Company has been treated as the holding company of its subsidiary company for the financial years presented rather than from the date of its acquisition. Accordingly, the consolidated results of the Group for the financial year ended 31 December 2005 include the results of the Company and its subsidiary with effect from 1 January 2005. The comparative combined balance sheet and profit and loss account for the financial year ended 31 December 2004 has been prepared on the basis that the existing Group had been in place at 1 January 2004.

All significant intercompany transactions and balances within the Group are eliminated in the preparation of the consolidated financial statements.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) - 31 DECEMBER 2005

2 Significant Accounting Policies (continued)

(c) 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 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 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.

(d) 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 exercises significant influence.

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

(e) Functional and Presentation Currency

The consolidated financial statements have been presented with United Kingdom sterling as the presentation 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"). In the opinion of the directors, Singapore dollars is the most appropriate functional currency.

(f) Foreign Currency Translations

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 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 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 presentation 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

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2 Significant Accounting Policies (continued)

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:

	2005	2004
1£ to 1 Singapore Dollar		
Closing rate	2.87	3.15
Average rate	2.97	3.15
1Malaysian Ringgit to 1 Singapore Dollar		
Closing rate	2.25	2.31
Average rate	2.27	2.23

(g) Revenue Recognition

Revenue is recognised on the following basis:

(i) 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.

All other course fees are recognised as income based on classes conducted during the year.

(ii) Revenue from sub-letting of office space is recognised over the period of the lease.

(iii) Consulting income is recognised on an accruals basis.

(iv) Commission income is recognised when services are rendered.

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

(vi) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(h) 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 profit and loss account using the effective interest method.

2 Significant Accounting Policies (continued)

(i) 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 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 over their estimated useful lives as follows:

Furniture and fittings	-	5 - 10 years
Classroom and office equipment	-	4 - 10 years
Computers	-	4 - 5 years
Renovation	-	5 years
Motor vehicles	-	5 years
Library books	-	5 - 10 years

(j) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and bank deposits. 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 statement of cash flows.

(k) 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.

(l) 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.

2 Significant Accounting Policies (continued)

(m) Deferred Income

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

(n) Deferred Income Tax

Current tax is the expected tax payable on the taxable income for the year based on the tax rate enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years.

Deferred tax is provided, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiary companies and associated companies, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(o) Development Expenditure

Development expenditure represents direct expenditure and related costs incurred in developing new courses and are 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.

(p) Impairment of Assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of an 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 net selling price.

2 Significant Accounting Policies (continued)

(p) Impairment of Assets (continued)

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(q) Leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as rental expenses in the income statement in equal annual amounts over the lease terms.

(r) 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.

(s) Employees' Benefits

Defined contribution plans

As required by Singapore law, the Group makes contributions to the Singapore state pension scheme, the Central Provident Fund ("CPF"). CPF contributions are recognised as compensation expense in the same year as the employment that gives rise to the contribution.

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.

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2 Significant Accounting Policies (continued)

(t) Fair Value Estimation

The carrying amount of current receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instrument.

(u) Goodwill

Goodwill arising on a business combination represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired subsidiary/associated company at the date of acquisition. All business combinations are accounted for using the purchase method. Goodwill is recognised as an asset and is tested annually for impairment and carried at cost less any impairment losses. Any impairment is recognised immediately as a charge to the income statement and is not subsequently reversed.

(v) Deferred Expenditure

Deferred expenditure relates to course fees and related expenses paid in advance and is recognised in the income statement based on classes conducted.

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 noted.

(i) Estimated Impairment of Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(u). The recoverable amount of goodwill of £907,680 stated in Note 15 is determined from value in use calculation. The key assumption for the value in use calculation are those regarding expected discounted future cash flows of the associated company. In the opinion of the directors, as at 31 December 2005 there is no indication of impairment in the value of goodwill.

(ii) 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.

(iii) Allowance for receivables

The directors exercises their judgement in making allowances for receivables. A special provision allowance for receivables is made if the receivables are not collectible. There is no policy on general provision for receivables.

(iv) 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. 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 disposition of such 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 condition and results of operations.

3 Segmental Information

All revenue and profit before taxation arises from operations in the education sector, and in South East Asia.

4 Sale of Services

	Group	
	2005	2004
	£	£
Course fees	926,503	916,392
Sales of systems and support services	476,015	500,657
	1,402,518	1,417,049

In 2004, included in course fees is an amount of £97,902 pertaining to revenue earned arising from an exchange of goods (Note 16).

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5 Other Income

	Group	
	2005	2005
	£	£
Application fees and registration fees	37,306	9,680
Commission income	344	49,545
Consultancy fees	40,404	-
Training and support income	-	4,523
Rental and related income	20,816	-
Sale of material and textbooks	2,698	2,482
Summer camp income	22,980	26,996
Miscellaneous income	15,618	677
	140,166	93,903

6 Salaries and Employees' Benefits

	Group	
	2005	2004
	£	£
Staff salaries and related costs	246,978	184,852
Director's fee	22,500	38,273
Directors' remuneration	64,948	13,851
	334,426	236,976

7 *Finance Costs*

	Group	
	2005	2004
	£	£
Interest on bank overdraft	1,303	-
Interest on loan from third party	1,536	2,321
Interest on hire purchase	100	-
	2,939	2,321

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8 Operating profit/loss

Operating profit /loss is stated after charging the following:

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Auditor's remuneration:				
In respect of audit services	12,000	-	12,000	-
In respect of other services*	7,375	57,000	7,375	57,000
Amortisation of pre-operating expenses	16,748	-	-	-
Bad debts written off	48,452	7,448	-	-
Exchange (gain)/loss	(22,752)	11,650	-	-
Office and equipment rental	39,916	25,824	-	-
Write back of allowance for Impairment of trade receivables	(1,703)	(6,101)	-	-

* Other services include acting on the Admission of the Company to AIM in 2004.

9 Other Income

	Group	
	2005	2004
	£	£
Gain on disposal of investment in subsidiary companies	-	6,685
	-	6,685

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) - 31 DECEMBER 2005

10 Income Tax

Tax expense attributable to the results is made up of:

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Current income tax	-	16,514	-	-
Deferred tax	-	(5,146)	-	-
	-	11,368	-	-
Underprovision in respect of prior years:				
Current income tax	13,464	1,593	-	-
Deferred tax	(13,131)	273	-	-
Office and equipment rental	333	13,234	-	-

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			
	2005	2005	2004	2004
	£	%	£	%
Profit before income tax	202,679		560,862	
Income tax at the statutory rate of 30%	60,804	30.0	168,259	30.0
Difference arising from foreign tax rate	17,734	8.7	(24,592)	(4.4)
Non allowable items	23,375	11.5	9,461	1.7
Tax exempted income	(95,296)	(47.0)	(121,778)	(21.7)
Singapore statutory stepped income exemption	(2,040)	(1.0)	(8,020)	(1.4)
Future tax benefits not recognised	(4,577)	(2.2)	1,082	0.1
Under/(over) provision of income tax in respect of prior years	13,464	6.6	(5,147)	(0.9)
(Over)/under provision of deferred tax in prior years	(13,131)	(6.5)	273	-
Utilisation of previously unrecognised tax benefits	-	-	(6,304)	(1.1)
	333	(0.1)	13,234	2.3

At the balance sheet date, the Group had unabsorbed tax losses amounting to £16,727 (2004: £16,727) from pre-pioneer status year carried forward available for off-setting against future taxable profits for its subsidiary company in Malaysia. The utilisation of these tax losses is subject to the agreement with the tax authorities and compliance with certain provisions of the tax legislation. The

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10 Income Tax (continued)

deferred tax benefit arising from the unutilised tax losses has not been recognised in accordance with the accounting policy in Note 2(n) to the financial statements.

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

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Composition of deferred taxation:				
On the excess of the net book value over tax written down value of plant and equipment	480	12,877	-	-
Analysis of provision for deferred taxation:				
Balance at the beginning of the year	12,877	12,877		
Overprovision of deferred taxation	(12,397)	-	-	-
Balance at the end of the year	480	12,877	-	-

11 Earnings Per Share

The earnings per ordinary share is based on profit attributable to shareholders amounting to £202,346 (2004: £547,628) and the weighted average number of ordinary shares in issue of 14,916,042 (2004: 12,548,883) shares.

There is no dilution as the Group did not have any potential ordinary shares outstanding as at 31st December 2005 and 2004.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) - 31 DECEMBER 2005

12 Plant and Equipment

Group	Renovation	Computers	Furniture & fittings	Classroom and office equipment	Motor vehicle	Library books	Total
	£	£	£	£	£	£	£
2005							
Cost							
As at 1 January 2005	15,658	34,888	3,522	73,346	392	1,993	129,799
Additions	71,199	12,716	21,776	1,865	-	-	107,556
Currency realignment	1,244	3,418	396	5,271	30	233	10,592
As at 31 December 2005	88,101	51,022	25,694	80,482	422	2,226	247,947
Accumulated depreciation							
As at 1 January 2005	6,929	27,295	2,194	41,366	196	1,010	78,990
Charge for the year	10,692	4,798	2,147	13,916	82	420	32,055
Currency realignment	1,068	2,849	293	3,765	18	94	8,087
As at 31 December 2005	18,689	34,942	4,634	59,047	296	1,524	119,132
Net book value							
At 31 December 2005	69,412	16,080	21,060	21,435	126	702	128,815

Group	Renovation	Computers	Furniture & fittings	Classroom and office equipment	Motor vehicle	Library books	Total
	£	£	£	£	£	£	£
2004							
Cost							
As at 1 January 2004	13,454	34,510	3,250	73,587	401	2,064	127,266
Additions	2,465	751	272	730	-	-	4,218
Disposal	-	-	-	(216)	-	-	(216)
Currency realignment	(261)	(373)	-	(755)	(9)	(71)	(1,469)
As at 31 December 2004	15,658	34,888	3,522	73,346	392	1,993	129,799
Accumulated depreciation							
As at 1 January 2004	4,036	23,937	1,734	26,822	120	619	57,268
Charge for the year	2,979	3,358	460	15,682	79	404	22,962
Disposal	-	-	-	(216)	-	-	(216)
Currency realignment	(86)	-	-	(922)	(3)	(13)	(1,024)
As at 31 December 2004	6,929	27,295	2,194	41,366	196	1,010	78,990
Net book value							
At 31 December 2004	8,729	7,593	1,328	31,980	196	983	50,809

At the balance sheet date, the Group's net book value of computers under finance lease arrangements amounted to £3,615 (2004: £Nil).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) - 31 DECEMBER 2005

13 Development Expenditure

	Group	
	2005	2004
	£	£
Cost		
At 1st January 2005	43,125	43,125
Addition	-	-
Currency alignment	4,226	-
At 31st December 2005	47,351	43,125
Amortisation		
At 1st January 2005	8,624	-
Charge for the year	9,135	8,624
Currency alignment	1,178	
At 31st December 2005	18,937	8,624
Net Book Value		
At 31st December 2005	28,414	34,501

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) - 31 DECEMBER 2005

14 Investment in Subsidiary Company

	Company	
	2005	2004
	£	£
Investment in a subsidiary - AEC.Edu Group Pte Ltd		
Unquoted equity shares, at cost	1,308,639	1,308,639
Due from subsidiary company	343,000	-

AEC Edu Group Pte Ltd is the Company's immediate subsidiary. The details of AEC Edu Group Pte Ltd and the subsidiaries and associates it held at 31 December 2005 are as follows:

Subsidiary companies and country of incorporation	Principal activities (Place of business)	Equity held by the Company 2005 %	Equity held by the Company 2004 %
AEC.Edu Group Pte Ltd (Singapore)	Investment holding and provision of education consultancy services (Singapore)	100	100
Subsidiaries held by AEC Edu.Group Pte Ltd			
AEC Resource Development Pte Ltd (Singapore)	Education, training and human resource consultancy (Singapore)	100	100
AEC Accountancy & Business School Pte Ltd (formerly known as Melewar Business School Pte Ltd) (Singapore)	Education, training and human resource consultancy (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
Flexi Learning Systems Pte Ltd (Singapore)	Operator and agent of schools, colleges, institutions, and professional associations in promoting training and Educational programmes and courses (Singapore)	100	100
AEC Internet Education Technology Pte Ltd (Singapore)	E-learning applications service provider to develop, distribute and implement dynamic Educational content and innovative learning processes and software tools (Singapore)	100	100

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14 Investment in Subsidiary Company (continued)

The details of the subsidiary company as at 31 December 2005 are as follows:

Subsidiary companies and country of Incorporation	Principal activities (Place of business)	Equity held by the Company 2005 %	Equity held by the Company 2004 %
Subsidiaries held by AEC Edu.Group Pte Ltd			
AEC Edutech Sdn Bhd (Malaysia) *	Development, management, and provision of consultancy and market educational technology solutions related products (Malaysia)	100	100
Brighton Commercial Training Centre Pte Ltd (Singapore)	Technical, vocational and commercial education (Singapore)	100	-
AEC Business School Pte Ltd (Singapore)	Technical, vocational and commercial education (Singapore)	100	-

In 2005, the subsidiary company, AEC.Edu Group Pte Ltd converted 2 sole-proprietors, Brighton Commercial Training Centre and AEC Business School to limited liability companies with a paid up capital of S$1 equivalent to 0.3367 pence each respectively.

15 Investment in Associated Companies

	Group 2005 £	Group 2004 £
Unquoted shares, at cost	1,386,694	1,386,694
Goodwill transferred to capital reserves	14,038	14,038
Share of net post acquisition reserves		
Balance at beginning of year	(152,223)	(162,789)
Share in profits for the year	99,283	28,640
Share of taxes	(31,663)	(18,074)
Dividends received	(45,263)	-
Currency alignment	123,068	
Balance at end of year	(6,798)	(152,223)
	1,393,934	1,248,509
Due from associated company	67,106	154,190

15 Investment in Associated Companies (continued)

The carrying amount of the investment in associated companies includes goodwill of £907,680 (2004: £907,680).The amounts due from associated companies are trade in nature, unsecured, interest-free and payable within the next twelve months.

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

	2005 £	2004 £
Total assets	2,558,434	2,562,990
Total liabilities	(984,883)	(1,152,224)
Net assets	1,573,551	1,410,766
Revenue	2,952,900	2,435,418
Profit for the year	220,462	98,133

Details of associated companies are as follows:

Associated companies and country of Incorporation	Principal activities (Place of business)	Equity held by the Group 2005 %	Equity held by the Group 2004 %
Held by AEC.Edu Group Pte Ltd			
Keris Murni Sdn Bhd (Malaysia)	Provides education services and the operation of education tuition centres (Malaysia)	30	30
Pusat Tiusyen Kasturi Sdn Bhd (Malaysia)	Provides education services and the operation of education tuition centre (Malaysia)	30	30
Educational Resources Pte Ltd (Singapore)	Provides consultancy services in education related services and business training	34.96	34.96

In the prior year, the a subsidiary company, AEC.Edu Group Pte Ltd acquired a 34.96% interest in Educational Resources Pte Ltd for a consideration of S$4 million (£1,271,459) from a related party (common directors/shareholders). The consideration was settled by a novation of related party balances, amounting to S$3,953,000 (£1,256,516) with the balance paid in cash.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005

15 Investment in Associated Companies (continued)

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.

16 Inventories

Inventories pertains to the net realisable value of goods received in exchange for the rendering of training services in the previous financial year.

17 Trade Receivables

	Group 2005 £	Group 2004 £
Trade receivables are stated after deducting allowance for impairment of	37,529	17,298

	Group 2005 £	Group 2004 £
Trade receivables are denominated in the following currencies:		
Singapore dollars	250,728	135,863
Pound sterling	-	-
Malaysian ringgit	1,560	4,490
	252,288	140,353

18 Other Receivables

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Deposits	1,795	1,179	-	-
Prepayments	227	459	-	-
Other debtors	53,238	138,125	52,140	125,050
	55,260	139,763	52,140	125,050

Other receivables are denominated in the following currencies:

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Singapore dollars	2,145	8,873	-	-
Pound sterling	52,140	125,050	52,140	125,050
Malaysian ringgit	975	5,840	-	-
	55,260	139,763	52,140	125,050

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005

19 Deferred Expenditure

Deferred expenditure relates to consultancy and course fees paid in advance.

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Deferred expenditure is denominated in the following currencies:				
Singapore dollars	31,054	12,747	-	-

20 Due from/(to) Related Parties

Related parties are entities (except for holding company and associated company) 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 decision.

The related parties are companies with common shareholders or directors.

	Group	
	2005	2004
	£	£
Due from related parties		
Trade	223,537	66,270
Non-trade	260,673	278,382
	484,210	344,652
Due to related parties		
Trade	(27,407)	-
Non-trade	(23,232)	(12,522)
	(50,639)	(12,522)
Total	433,571	332,130

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2005

20 Due from/(to) Related Parties (continued)

	Group	
	2005	2004
	£	£
Balances with related parties are denominated in the following currencies:		
Singapore dollar	186,920	226,530
Pound sterling		
Malaysian ringgit	246,651	105,600
	433,571	332,130

The amount due from/(to) related parties are unsecured, interest-free and due within the next twelve months

21 Cash and Bank Balances

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Cash and bank balances are denominated in the following currencies:				
Singapore dollars	65,764	10,916	-	-
Pound sterling	4,280	408,246	4,280	408,246
Malaysian ringgit	19,635	2,010	-	-
	89,679	421,172	4,280	408,246

22 Trade Payables

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Trade payables balances are denominated in the following currencies:				
Singapore dollars	90,283	205,613	-	-

23 Deferred Income

Deferred income relates to course fees received in advance.

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Deferred income is denominated in the following currencies:				
Singapore dollars	156,478	42,446	-	-

24 Other Payables

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Advance from staff	-	497	-	-
Other creditors	61,480	206,962	23,598	130,596
Accrued expenses	49,694	83,006	-	-
	111,174	290,465	23,598	130,596

Other payables are denominated in the following currencies:

Singapore dollars	84,329	149,334	-	-
Pound sterling	23,598	141,131	23,598	130,596
Malaysian ringgit	3,247	-	-	-
	111,174	290,465	23,598	130,596

25 Bank Overdraft

The bank overdraft facility of the Group is secured by a personal guarantee by a director and incurs interest of prime rate plus 2% per annum. The bank overdraft is payable within 12 months from the balance sheet date.

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26 Finance Lease Obligations

	Group Minimum lease payments		Group Present value of minimum lease payments	
	2005	2004	2005	2004
	£	£	£	£
Within one year	1,806	-	1,755	-
Less: Future finance charges	(51)	-	-	-
Present value of lease obligations	1,755	-	1,755	-
Effective rate of interest per annum for finance leases			4.5%	Nil

Finance lease creditors are denominated in the following currency:

	2005	2004
Singapore dollars	1,755	-
	1,755	-

27 Loans Payable

	Group 2005	Group 2004
	£	£
Secured	-	71,415
Unsecured	-	34,413
	-	105,828

Loan Payables are denominated in the following currency:

Singapore dollars	-	105,828

In the prior year, the secured loan represented the amount extended to a director of the Group by The 1 Group Plc (on behalf of Yourway Limited), a company incorporated in the United Kingdom, amounting to £75,000 to be used as a temporary advance to the Group for amounts owing to its creditors. The loan was repayable monthly at £3,500 commencing February 2005 and the balance (including unpaid interest fees and other sums payable) by 15 May 2005. The loan carried interest at 18% per annum.

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27 Loans Payable (continued)

The 1 Group Plc is a related party by virtue of a common director with the Group's ultimate holding company. This loan is secured by:-

(a) a personal guarantee by a director;
(b) shares of the ultimate holding company, AEC Edu Group PLC, amounting to £85,000

This secured loan was fully paid subsequent to year end by the ultimate holding company on behalf of the Group.

The unsecured loans were from third parties, interest-free, and were fully repaid during the year.

28 Share Capital

	Group and Company	
	2005	2004
	£	£
Authorised		
50,000,000 ordinary shares of 10p each	5,000,000	5,000,000
Allotted, called up		
14,916,042 ordinary shares of 10p each	1,491,604	1,491,604

The Company was incorporated on 8 July 2004 with the name Spurlynx public limited company, and changed its name to AEC Education plc on 11 November 2004. On incorporation, the Company had an authorised share capital of £100,000 divided into 100,000 shares of £1 each, of which 2 ordinary shares of £1 each were issued at par for cash.

On 10 November 2004 the authorised share capital of the Company was increased by £1,300,000 by the creation of an additional 1,300,000 ordinary shares of £1 each, and subsequently each authorised and issued ordinary share of £1 was sub-divided into 10 Ordinary shares of 10p.

On 17 November 2004 the authorised share capital of the Company was increased by £3,600,000 by the creation of an additional 36,000,000 Ordinary Shares of 10p each.

On 19 November 2004, the Company was granted a certificate to trade under section 117 Companies Act 1985.

On 19 November 2004, the Company acquired the whole of the issued share capital of AEC Edu Group Pte Ltd, a company incorporated in the Republic of Singapore, in consideration for the issue of 13,086,394 Ordinary Shares of 10p each in the Company at par.

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29 Related Party Transactions

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the Group had significant transactions with related parties on terms agreed between the parties as follows:

	Group	
	2005	2004
	£	£
With a related party with common directors		
OLOL Management Service Pte Ltd		
- Commission paid and payable	(343,748)	(171,322)
Savant Infocomm Pte Ltd		
- Consultancy fees income	(41,880)	-
AEC Property Management Pte Ltd		
- Office rental expenses	(904)	(22,359)
- Air-conditioning and electricity charges expenses	-	(10,436)
Integrative Organisational Learning Sdn Bhd - revenue		
- Royalty and Licensing	1,563	1,228
- Computer software and hardware	2,863	2,352
- Implementation, training and testing	2,978	2,238
- Management and consultancy fees	391	307
Open Learning Agensi Malaysia Sdn Bhd - revenue		
- Royalty and Licensing	16,877	15,665
- Computer software and hardware	30,920	30,006
- Implementation, training and testing	32,159	28,541
- Management and consultancy fees	4,219	3,916
QLA Learning Agency Malaysia Sdn Bhd -revenue		
- Royalty and Licensing	199	413
- Computer software and hardware	365	790
- Implementation, training and testing	379	752
- Management and consultancy fees	50	236
Intellectual Challenge Sdn Bhd -revenue		
- Royalty and Licensing	3,128	5,699
- Computer software and hardware	5,731	10,916
- Implementation, training and testing	5,961	10,383
- Management and consultancy fees	782	1,425

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29 Related Party Transactions (continued)

	Group	
	2005	2004
	£	£
With related parties with associated companies		
Genting Mutiara Sdn Bhd -revenue		
- Royalty and Licensing	10,238	8,316
- Computer software and hardware	18,756	15,929
- Implementation, training and testing	19,507	15,359
- Management and consultancy fees	2,559	2,079
Indo Pelangi Tegas Sdn Bhd - revenue		
- Royalty and Licensing	5,417	4,311
- Computer software and hardware	9,924	8,257
- Implementation, training and testing	10,321	7,854
- Management and consultancy fees	1,354	1,078
Jaguh Suria Sdn Bhd - revenue		
- Royalty and Licensing	3,608	3,533
- Computer software and hardware	6,609	6,768
- Implementation, training and testing	6,874	6,437
- Management and consultancy fees	902	883
Keris Murni Sdn Bhd -revenue		
- Royalty and Licensing	28,688	23,008
- Computer software and hardware	52,557	44,072
- Implementation, training and testing	54,663	41,921
- Management and consultancy fees	7,172	5,752
Pusat Tuiysen Sdn Bhd -revenue		
- Royalty and Licensing	19,422	19,925
- Computer software and hardware	35,582	38,166
- Implementation, training and testing	37,008	36,095
- Management and consultancy fees	4,856	4,848
Pelangi Tegas Sdn Bhd - revenue		
- Royalty and Licensing	6,376	5,594
- Computer software and hardware	11,681	10,715
- Implementation, training and testing	12,149	10,192
- Management and consultancy fees	1,594	1,398

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29 **Related Party Transactions** (continued)

	Group 2005 £	Group 2004 £
Key management personnel		
- Short term benefits	87,420	52,124
- post employment benefit	1,102	-
	88,522	52,124

30 **Operating Lease Commitments**

The Group leases its office premises for a period of 2 years, renewable for such period and under such terms and conditions as may be agreed upon with the lessor. There are no restrictions placed upon the Group in entering into these lease arrangements. At the balance sheet date, the future minimum rental payable under these non-cancellable operating leases are as follows:-

	Group 2005 £	Group 2004 £
Payable:		
Within one year	119,472	17,546
Between two to five years	99,560	4,387
	219,032	21,933

31 **Financial Instruments**

IFRS 7 *Financial Instruments: Disclosure* was issued in August 2005, but comes into force for accounting periods beginning on or after 1 January 2007. The Company is not intending to adopt the standard early. IFRS 7 will have no impact on the net assets of the Company or Group, but will require increased disclosure in respect of the credit, liquidity and market risks faced by the Company and Group.

At the same time as IFRS 7 comes into force, IAS 1 is also amended to require additional disclosure in respect of capital. The impact of the revision of IAS 1 on the Company and Group will be limited, as neither the Company nor the Group is subject to externally imposed capital requirements.

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31 Financial Instruments (continued)

(a) Financial Risk Management Objectives and Policies

The Group does not have written risk management policies and guidelines. Generally, the Group adopts conservative strategies in its risk management. The directors believe that the Group's exposure associated with these risks is minimal.

(i) Credit risk

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

The Group has no significant concentration of credit risk.

(ii) Liquidity risk

The Group adopts prudent liquidity risk management by maintaining sufficient cash and having adequate amount 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.

(iii) Foreign exchange risk

The Group incurs foreign currency risk on commission payable to universities, the sale of system and support services, and loan advanced from a third party are primarily denominated in currencies other than Singapore dollars. The currencies giving rise to this risk are Australian dollar, Singapore dollar and Malaysian ringgit.

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.

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31 **Financial Instruments (continued)**

(iv) Interest risk

The Group's exposure to market risk for changes in interest rates relate primarily to the Group's bank overdraft facility.

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 re-pricing or maturity dates.

	Fixed rates		
	Less than 6 months	Non-interest Bearing	Total
	£	£	£
At 31.12.2005			
Assets			
Trade and other receivables	-	858,864	858,864
Cash and bank balances	-	89,679	89,679
Non-financial assets	-	117,424	117,424
Total assets	-	1,065,967	1,065,967
At 31.12.2005			
Liabilities			
Trade and other payables	-	252,096	252,096
Borrowings	122,304	-	122,304
Non-financial liabilities	-	191,989	191,989
Total Liabilities	122,304	444,085	566,389

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31 Financial Instruments (continued)

(iv) Interest risk

	Fixed rates		
	Less than 6 months	Non-interest Bearing	Total
	£	£	£
At 31.12.2004			
Assets			
Trade and other receivables	-	778,958	778,958
Cash and bank balances	-	421,172	421,172
Non-financial assets	-	100,859	100,859
Total assets	-	1,300,989	1,300,989
Liabilities			
Trade and other payables	-	508,600	508,600
Borrowings	105,859	-	105,859
Non-financial liabilities	-	70,905	70,905
Total Liabilities	105,859	579,505	685,364

(b) Fair Values

The fair value of financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments.

32. Post Balance Sheet Events

On 27 April 2006, AEC Edu Group Pte Ltd, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with a third party for the acquisition of 64.8% of the issued share capital of Brainbox Limited, a company incorporated in the British Virgin Islands, for a total purchase consideration of S$50,000 in cash. Pursuant to this agreement, the subsidiary has agreed to provide a loan of US$11,160 to Brainbox Limited for its business operation purposes.