AEC EDUCATION PLC

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

Company No 05174452

AEC EDUCATION PLC

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YEAR ENDED 31 DECEMBER 2014

CHAIRMAN'S STATEMENT

Overview

The year under review continued to show mixed fortunes. Trading in London showed another downturn but by judicious cost reduction London returned a small operating loss. Cyprus was also affected by a slowing down in revenue from Russia, its largest summer school market and, whilst showing a reasonable operating result, the increased marketing costs to maintain revenue resulted in a small operating loss on our share of the joint venture. Oman declined further during the year to the point where the Board decided to transfer the operation to a local company for a price that will recover about one quarter of our original investment and advance. The residual impact from the loss of EduTrust meant that Singapore suffered a large operating loss but during the year made ground towards restructuring a new business targeting the local market. Ireland again grew substantially and showed an operating profit. Malaysia continued to recover the ground lost following the Middle East crisis and was again profitable before Malvern brand amortisation.

The market in the UK continued to be severely impacted by attitudes towards immigration and the withdrawal of the students' ability to support their costs by temporary work. However, the strategy to invest in Ireland to offset this has proven to be very successful. Additionally the positive signs in Malaysia continued during the year with strong gains in new markets and Singapore began to see some traction in the local market.

Financial results

Group revenues on continuing activities for the year to 31 December 2014 reduced by 20% to £9.0m (2013: £11.3m). The reduction was mainly due to the difficult trading conditions in London and the substantially reduced capacity in Singapore. Singapore's revenue decreased by 68% to £1.2m (2013: £3.8m) and London's revenue reduced by 11% to £3.3m (2013 £3.7m). The Group achieved significant reductions in operating costs during the year by implementing effective cost control strategies in all units. Because of this the Group's loss before tax from continuing operations was reduced to £1.10m (2013: £1.66m).

The London operation recorded an operating loss of £245k after brand impairment and amortisation of £395k which, after finance charges, resulted in a loss of £414k before tax. Ireland recorded turnover of £2.34m in 2014 (2013 - £1.41m), an operating profit of £49k. In Asia, the Singapore College recorded an operating loss of £420k and Malaysia returned an a profit of £23k before brand amortisation and an operating loss of £2k after brand amortisation. Additionally our share of the profit from our joint venture in Cyprus was £54k, which after central charges, was breakeven. Oman showed a loss of £81k (AEC's share £28k) until 31st July 2014, when the Group decided to exit the operations in Oman by selling the shares to an interested party. We expect that the initiatives we have taken in Singapore to reduce costs and to focus on the local market should return it to profit in 2015. Steps are also being taken to further reduce costs and to generate revenue from non-traditional sources to improve the results in London.

CHAIRMAN'S STATEMENT (CONTINUED)

Financial results *(continued)*

The loss per share was 1.40p (2013: Loss of 6.19p).

The net cash outflow from operating activities was £1.13m (2013: outflow of £1.51m). Net cash at the end of the year stood at £0.36m (2013: £1.48m).

Dividend

The Board does not propose the payment of a final dividend for the year ended 31 December 2014 (2013: 0.00p per share).

Business Review

In Asia, our operations in Singapore continued to be impacted by the withdrawal of EduTrust status. The revenue declined by 68% to £1.2m (2013: £3.8m) and a loss of £0.3m before tax. They have registered courses for diplomas / advanced diplomas in civil engineering / electrical engineering / mechanical engineering, higher diplomas in accounting and finance and Singapore Workforce Development Agency related safety short courses that are tailored and repositioned for the local market in 2015 and we expect will help to return it to profitability.

In Malaysia, revenue was lower than the previous year by 10% largely due to the fact that the contract with the University of Wales to recruit students expired in September 2014. Because of this decrease in revenue to £2.15m (2013: £2.40m), a small operating loss of £2k was returned (2013: loss £1k). However, a new contract with Leeds Beckett University will allow us to resume the recruitment of students for both undergraduate and post graduate programmes in the latter part of 2015. The introduction of new programmes ranging from post graduate to vocational studies combined with the focus on new markets should open up opportunities for growth next year.

As we have previously reported, our English language teaching operations in the UK have felt the significant effects of the changing legislation and regulations regarding visas and work permits for overseas students and the negative perception of this overseas continued during 2014. This has caused the market in the UK to drop significantly during the year with the result that revenue in our Kings Cross school was down year on year by 11% to £3.3m (2013: £3.7m). This and the consequent additional brand impairment charge of £350k resulted in an operating loss of £245k (2013: profit £45k). Steps have been taken to find new sources of revenue both from new products and areas of distribution which should stabilise London during 2015.

CHAIRMAN'S STATEMENT (CONTINUED)

Business Review *(continued)*

Ireland achieved revenue of £2.3m, a 66% increase on 2013 in its second full year of trading and produced an operating profit of £49k (2013: loss £48k). The strength of the summer school market combined with continuing strong growth in the core EFL business in Ireland leaves it with potential to show significantly improved results in 2015.

Our joint venture in Cyprus showed a reduction in revenue in the summer school mainly from Russia, its largest market. Operating profits were affected such that our share of the joint venture recorded a profit before tax of £54k and was breakeven before brand amortisation. The market in Russia continues to be depressed because of its political stance in Europe and the reduced value of the Rouble and we expect these conditions to remain during 2015.

Oman declined further during the year and impacted the Group results with a loss of £81k (AEC's share £28k). Due to earlier losses including the loss until 31 July 2014, we see no future for our investment in Oman. Consequently, the Board has decided to exit the operation and sold the investment to a local company for £41k which recovers approximately one quarter of our investment and advance given.

Staff

On behalf of the Board I would like to thank all staff for their hard work and efforts during what has been a very difficult period. Their support as we continue to implement the necessary changes to ensure the Group returns to sustainable profit is very much appreciated by the Board.

Prospects

2014 was another very difficult year in Singapore and the market in the UK remains constrained by visa restrictions and the negative perception by overseas students of UK Government policy. Our success in Ireland has demonstrated that the Malvern brand is still a major strength in international markets and we continue to pursue options to support further expansion overseas under the Malvern brand. The restructuring of the operations in Singapore and London is now almost complete and this combined with the return to profit in Malaysia and the withdrawal from Oman creates a platform from which AEC can begin to rebuild group profitability.

Liam Swords
Chairman
24 June 2015

AEC EDUCATION PLC

YEAR ENDED 31 DECEMBER 2014

STRATEGIC REPORT

PRINCIPAL ACTIVITIES

The principal activities of the Company are those of investment holding and the provision of educational consultancy services. The principal activities of the subsidiary companies are set out in Note 12 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

Trading during the year ended 31 December 2014 was another challenging year for the Group.

Operations in Singapore which had been adversely affected by the suspension of EduTrust in August 2013 were significantly scaled back when a re-application was rejected.

Malaysian operations showed a very limited improvement over 2013.

After reporting an operating profit in 2013 the Malvern House operation in London was loss making. The business in Dublin reported an increased operating profit. The Group's share of the operation in Cyprus broke even after its own costs.

The Board is confident that, after the action taken over the last two years, the Group is still well placed to continue its development.

A fuller explanation of trading in the year under review and future developments is contained in the Chairman's Statement.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

There are three main types of risks faced by the Group:

1) Regulatory risks such as changes in government policy on education, work through visa and immigration restrictions, funding changes and continued accreditation;
2) Financial exposures such as credit risk, liquidity risk, unfavourable exchange rate fluctuations and operational cost increases; and
3) Changes to consumer demand and competition.

The following are examples of ways that any of the risks below may become exacerbated:

- Government policy can restrict foreign students' access to learning in a particular territory directly through changes to visa and immigration rules – or indirectly by amendments to working regulations so reducing students' ability to fund their stay.

- Accreditation to provide courses is terminated.

- Financial risks impacting on the Group's profitability could arise if the Group had insufficient liquid resources to meet its liabilities or if material elements of its cost base rose at a greater rate than its prices.

- Consumer demand for educational courses in the sectors in which the Group operates in reduces significantly.

- Costs of operations increase at abnormal levels.

The Board meets regularly to assess these risks, determine the likelihood of material exposures and formulate strategy to protect the future trading prospects of the Group. A summary of the Board findings on risk is set out below.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP *(continued)*

The Group is subject to regulatory and other changes which might impact on its ability to operate profitably in certain territories.

Over the last three years, the Group has witnessed regulatory changes which have impacted on students' abilities to study in the same manner as historically undertaken in some territories in which it operates. These have included the withdrawal of the ability to work whilst studying and higher standards of basic English for admission and have predominantly affected the UK market. The Board is ever mindful of the impact of regulatory changes and regularly assesses the exposures in each territory in which it operates.

Accordingly, the Board has reviewed business cases for the expansion of its operations into other territories unaffected by such tight restrictions on working and standards and approved the opening of a school in Ireland in late 2011.

With regard to accreditation, the Board is mindful that its partners can potentially withdraw accreditation and ensures that the Group regularly reviews the standards required for each accreditation and maintains professional relationships with the various accrediting bodies. The Board also reviews its options for potential replacements in the event that accreditation is withdrawn by any partner.

The major licences to operate in key territories are perpetual and therefore the risks of loss of accreditation are much lower.

Commercial and particularly governmental funding of students can be liable to changes and the Board remains vigilant to these being announced. However, the vast majority of students are funded privately and therefore the risks of a material adverse impact are small.

It was in response to the Board's assessment of the implications on the English language market for foreign students in the United Kingdom that it determined to expand with both a new centre in Dublin and the Group's UK offering to include commercial and funded training. Although the acquisition of Malvern House Training Solutions Limited did not prove successful it remains the Board's plan to widen the UK business beyond English language and in 2014 an agreement was concluded to accredit the operation in London to provide further education courses.

The Group faces financial risks which might impact on its future profitability

The Group's future operations could potentially be impacted by a number of financial risks. These are reviewed regularly by the Board.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP *(continued)*

The impact of liquidity and credit risks are monitored but the Group has significant cash balances and these are considered to be sufficient to protect it from the difficulties other businesses have faced in recent years as the banking sector has restricted lending. The same cash balances have provided the Group with liquidity to meet liabilities as they fall due.

The Board does monitor options available to the Group to access borrowing facilities. These might be attractive in certain circumstances such as to underpin expansion plans or provide hedges for specific currency risks.

As it is listed on the Alternative Investment Market the company reports in UK Sterling. In 2014, only the operations of Malvern House International Limited are located in the UK and critically had the majority of their income and expenses denominated in Sterling. In the results for the financial period under review, this covers about 39% of the Group's turnover.

For the majority of the territories that the Group operates in, costs are generally defrayed in the same currency as income and hence there is a natural hedge in the income statement. The Board has considered the net asset exposures arising on conversion at each year end and determined at this time not to hedge these.

The Board remains vigilant regarding exchange rate movements and published information on trends. If the Board concluded that forward buying or selling of a currency or other financial instruments would protect its trading results, then it would sanction hedging but to date has concluded that there is no cost effective financial protection that it can execute and that the risks arising from fluctuations in foreign currency exchange rates are unlikely to be significant and expects its main businesses in Asia to continue to benefit from local currency strengths when converted in to Sterling.

The Board critically reviews the trading performance of each operation to ensure that costs are not increasing abnormally. This is particularly important since the course prices are generally determined around 3 months in advance of the accounting period commencing and whilst these can be reviewed and increased during the ensuing year, there will be resistance due to the issuance of annually published marketing materials and commitments given to business partners. Generally, however, it has proved possible to pass on cost increases in consumer pricing so the risks of margin attrition can be monitored and addressed by price increases.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP *(continued)*

The main element of the direct costs of sales is the provision of teachers and student accommodation as well as exam fees. Teaching and related operational staff costs comprised 13% of all operating costs (excluding non-monetary charges such as depreciation) during the last financial year (2013: 16%). Experience shows that any upward cost pressure in this area can be predicted and managed. The Group supplies student accommodation to students by directly contracting with the local providers and recharging to students. Student accommodation comprised 17% of all operating costs during the last financial year (2013: 11%). Whilst student accommodation prices are generally published annually in advance this could be increased during the following year if there was any price pressure.

The main elements of fixed costs are staff costs and the hire of classroom facilities, the bulk of the classroom facilities are contracted for a number of years in advance and allows the Board to plan its fee structures to reflect any expected increases. Classroom and related facilities comprised 9% of all operating costs during the last financial year (2013: 9%). Staff comprised 22% of all operating costs during the last financial year (2013: 23%). As with the cost of teachers noted above, inflationary pressures can be predicted and managed by the Group.

The above review covers 61% (2013: 59%) of all monetary operating charges. Thus for all material elements of its cost base, the Board believes that it can protect the Group from attrition of margins due to cost increases exceeding price reviews.

The Group faces competition or commercial changes that may impact on its market share

Given the size of the worldwide market for educational courses and the key centres in which the Group operates, it is not perceived by the Board that there is any abnormal risk from the dominance of competitors.

Due to the percentage of the Group's revenue derived from English language and professional qualifications which are consistently demanded for employment in international businesses, there is less volatility than for courses which are subject to issues of taste.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP *(continued)*

The Board regularly assesses the portfolio of products available in each territory and its exposure to changes in consumer demands. To date the results of the Board's assessment is that the vast majority of its courses offered globally are not subject to any volatility in consumer tastes and that this stability allows for gradual transition in the event of any changes in consumer requirements.

Also the Group could potentially diversify into new areas of education without any large capital outlay in the event that it finds that demand for any aspect of its current portfolio is being impacted by competition or consumer tastes.

Summary

Further commentary on the commercial impacts experienced during 2014 from the above risks is provided within the Chairman's Statement.

The Board considers the above to be a summary of the principal risks and uncertainties facing the Group and the conditions that allow the Board to quickly respond to these risks.

If any of these risks occur, then the Group's business, financial condition and results of operations could suffer and the trading price and liquidity of the Group's shares might decline.

CAPITAL MANAGEMENT

The Company's capital consists wholly of ordinary shares. There are no other categories of shares in issue and the Company does not use any other financial instruments as capital substitutes and quasi capital.

The Company manages its issued share capital by considering future capital requirements which are largely dictated by its plans to acquire new companies or assist is subsidiaries in financing expansions of their own businesses.

The Board manages the capital by considering the need to raise further capital, the availability of such capital and the likely cost in terms of dilution of existing shareholders interest and underwriting costs. The Board compares this to the cost and availability of other sources of funding such loans and other debt instruments and forms a conclusion about the relative merits.

There have been no changes in the qualitative approach described above from the previous period.

CAPITAL MANAGEMENT *(continued)*

There are no externally imposed capital requirements on the Company.

KEY PERFORMANCE INDICATORS

	2014	2013 (Restated)	2012
Revenue decrease growth	(21%)	(25%)	(21%)
Operating loss	(£1,113,977)	(£1,606,608)	(£3,520,751)
Loss/profit before Taxation	(£1,101,349)	(£1,656,803)	(£3,576,157)
(Loss)/earnings per share	(1.85 pence)	(4.01 pence)	(7.18 pence)
Staff turnover	81%	61%	51%

Approval
The Strategic Report was approved by the Board on 24 June 2015

W J Swords
Director

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of AEC Education plc (the "Company") for the year ended 31 December 2014.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 24 Martin Lane, London, EC4R 0DR on Tuesday 30 June 2015 at 09.00.

DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 December 2014 (2013: £nil).

DIRECTORS

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

William Joseph Swords (Chairman)
Ramasamy Jayapal
Gopinath Pillai
Ho Peng Cheong
Sithawalla Haider Mohamedally
Sabin Joshi (appointed 11 March 2014)
Munish Rao (appointed 11 March 2014 – resigned 1 December 2014)

DIRECTORS' INTERESTS

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

Name of company and director	At beginning of the year/ At date of appointment	At end of the year
	Shares of £0.05 each	Share of £0.05 each
AEC Education plc		
Direct interests:		
William Joseph Swords (Chairman)	1,000,000	1,000,000
Ramasamy Jayapal	633,131	633,131
Gopinath Pillai	-	-
Ho Peng Cheong	24,000	24,000
Sithawalla Haider Mohamedally	-	-
Sabin Joshi	-	-
Munish Rao	-	n/a

DIRECTORS' REPORT
(CONTINUED)

Name of company and director	At beginning of the year/ At date of appointment	At end of the year
	Shares of £0.05 each	Share of £0.05 each
Indirect Interests:		
William Joseph Swords (Chairman)	-	-
Ramasamy Jayapal	-	-
Gopinath Pillai	25,000	25,000
Ho Peng Cheong	11,035,037	11,035,037
Sithawalla Haider Mohamedally	19,000	19,000
Sabin Joshi	-	-
Munish Rao	-	n/a

Sabin Joshi and Munish Rao were appointed following the investment by Cinnovation Corporation as its representatives on the Board.

The following share options have been granted to Directors of the Company.

Number of shares under option

	Exercise Period	Granted during the financial year	Total granted	Total exercised	Total lapsed	Total not exercised	Exercise price
Ho Peng Cheong	13.1.2011 to 13.7.2014	-	500,000	-	500,000	-	£0.172
Ramasamy Jayapal	13.1.2011 to 13.7.2014	-	350,000	-	350,000	-	£0.172
Gopinath Pillai	13.1.2011 to 13.7.2014	-	350,000	-	350,000	-	£0.172
William Joseph Swords	13.1.2011 to 13.7.2014	-	400,000	-	400,000	-	£0.172
Sithawalla Haider Mohamedally	13.1.2011 to 13.7.2014	-	300,000	-	300,000	-	£0.172

DIRECTORS' REPORT
(CONTINUED)

INDEMNITY PROVISION

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

SUBSTANTIAL SHAREHOLDINGS

At 15 June 2015 notification had been received of the following holdings of more than 3% of the issued share capital of the Company. Apart from these, the Directors are not aware of any individual interests or group of interests held by persons acting together, which exceeds 3% of the Company's issued share capital.

	Shares of £0.05 each	% (note)
Cinnovation Inc	18,852,262	29.90
KSP Investments Pte Limited	11,035,037	17.50
Vidacos Nominees Limited Des:FGN	6,350,000	10.07
Emerge Learning Services Pte Limited	3,400,000	5.39
Lynchwood Nominees Limited Des:2006420	3,077,294	4.88
TD Direct Investing Nominees (Europe) Ltd Des: SMKTNOMS	2,515,635	3.99
Pershing Nominees Limited Des: WRCLT	2,240,000	3.55

Note: As a percentage of the issued share capital of the Company, comprising 63,051,043 shares.

CONTROLLING PARTY

There is no controlling party for this Company.

CORPORATE GOVERNANCE

As AEC Education plc is not a fully listed company, it is not required to comply with Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance ("the UK Corporate Governance Code"). However, the Directors do place a high degree of importance on ensuring that high standards of corporate governance are maintained. As a result, many of the relevant principles set out in the UK Corporate Governance Code have been adopted during the year.

DIRECTORS

The Company supports the concept of an effective Board leading and controlling the Company. The Board is responsible for approving the Company's policies and strategies. On a timely basis, the Board receives and reviews financial and operating information appropriate to being able to discharge its duties. Directors are free to seek any further information they consider necessary. All directors submit themselves for re-election every three years by rotation in accordance with the Articles of Association. Given the size of the Company, it is not considered appropriate that there should be a separate nominations committee. It is the view of the Board that the appointments of new directors should be a matter of consideration by the Board as a whole. All appointments to the Board are subject to confirmation by shareholders at the following Annual General Meeting.

AUDIT COMMITTEE

The Company has established an audit committee comprised of the Chairman and the two non-executive directors. It is responsible for making recommendations to the Board on the appointment of auditors and the audit fee, is responsible for ensuring that the financial performance of the Company is properly monitored and reported on and receives and reviews reports from management and the auditors relating to the interim statement, the annual report and accounts and the internal control systems of the Company.

REMUNERATION COMMITTEE

The Company has established a remuneration committee comprised of the Chairman and the two non-executive directors. It is responsible for the review and recommendation of the scale and structure of remuneration for key management personnel, including any bonus arrangements or the award of share options. Details of the Directors' emoluments are set out in the financial statements. It is the Company's policy that the remuneration of directors should be commensurate with the services provided by them to the Company, their experience and should be competitive to attract appropriate individuals.

DIRECTORS' REPORT
(CONTINUED)

RELATIONS WITH SHAREHOLDERS

The Company values the views of its shareholders and recognises their interest in the Company's and Group's strategy and performance. The Board is available to discuss current events with its institutional and private shareholders and positively encourages attendance at general meetings.

INTERNAL FINANCIAL CONTROL AND RISK MANAGEMENT

The Directors are responsible for the Company's system of internal financial control and for identifying the major business risks faced by the Company. The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss. In fulfilling these responsibilities, the Board has reviewed the effectiveness of the system of internal financial control. The Directors have established procedures for planning, budgeting and for monitoring, on a regular basis, the performance of the Company and for determining the appropriate course of action to manage any major business risks. The Board has considered the need for an internal audit function but has decided the size of the Company does not justify it at present. This decision will be reviewed annually.

A review of the principal risks and uncertainties facing the Group is set out in the section entitled Business and Financial Information contained in the Strategic Report.

AUDITORS

The Auditors, Sawin & Edwards, have indicated their willingness to continue in office and a resolution for its re-appointment as auditor of the Company will be submitted to the Annual General Meeting.

BUSINESS REVIEW

The review of the business of the Company and its subsidiaries, their principal activities and the description of the principal risks and uncertainties facing the Company and its subsidiaries are set out in the section entitled Strategic Report.

SUBSEQUENT EVENTS

Details of material events subsequent to the 31 December 2014 are given in note 31 to the Financial Statements.

DIRECTORS' REPORT
(CONTINUED)

FUTURE DEVELOPMENTS

Details of future developments are given in the Chairman's Statement and also in the Strategic Report in a section entitled Business Review and Future Developments.

FINANCIAL INSTRUMENTS

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

ON BEHALF OF THE BOARD

William Swords

DIRECTOR
24 June 2015

AEC EDUCATION PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare consolidated and parent Company financial statements for each financial year. Under that law the Directors have elected to prepare the Group and parent Company financial statements in accordance with International Financial Reporting Standards (as adopted by the EU) and applicable law. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

a) select suitable accounting policies and then apply them consistently

b) make judgements and accounting estimates that are reasonable and prudent

c) state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent Company financial statements

d) prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and parent Company will continue in business

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

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

The Directors confirm that so far as they are aware there is no relevant audit information (as defined by section 418(3) of the Companies Act 2006) of which the Company's auditor is unaware. They have taken all the steps that they ought to have been taken as directors, in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AEC EDUCATION PLC

Independent Auditors' Report to the Shareholders of AEC Education plc

We have audited the financial statements of AEC Education plc for the period ended 31 December 2014 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, the Consolidated and parent Company Statements of Financial Position, the Consolidated and parent Company Statements of Cash Flows, the Consolidate and parent Company Statements of Changes in Equity and the related notes numbered 1 to 37. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 18 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2014 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Emphasis of matter

We draw attention to the Consolidated Statement of Financial Position which shows that the Group had current assets of £1.59m and current liabilities of £3.18m as at 31 December 2014 and also the consolidated statement of cash flows for the year ended 31 December 2014 which shows that the Group had negative cash flows of £1.13m from its operating activities.

Note 1 "Basis of preparation" states that "The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis for preparing these financial statements."

Our opinion is not qualified in respect of this matter.

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

Matters on which we are required to report by exception

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

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

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

Vernon House
23 Sicilian Avenue
London
WC1A 2QS

24 June 2015

AEC EDUCATION PLC

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014	2013 (Restated)
		£	£
Revenue			
Sale of services	4	8,520,196	10,989,755
Other income	5	457,972	314,123
		8,978,168	11,303,878
Cost of services sold		5,136,220	6,906,791
Salaries and employees' benefits	6	2,059,555	2,770,010
Amortisation of brand, licences and trademarks	15	166,050	144,957
Depreciation of plant and equipment	11	203,710	437,778
Impairment or write-down of property, plant and equipment	11	-	287,390
Other operating expenses		2,176,610	2,213,560
Brand impairment	15	350,000	150,000
Total operating costs and expenses		10,092,145	12,910,486
Operating loss		(1,113,977)	(1,606,608)
Share of results of associated companies and joint ventures	13, 14	53,829	(4,320)
Finance costs	7	(41,201)	(45,875)
Loss before income tax		(1,101,349)	(1,656,803)
Income tax charge	9	(28,986)	(235,459)
Loss for the year from continuing activities		(1,130,335)	(1,892,262)
Profit/(loss) for the year from discontinued activities		282,419	(998,323)
Loss for the year		(847,916)	(2,890,585)
Attributable to:			
Equity holders of the Company		(881,956)	(2,832,688)
Non-controlling interest		34,040	(57,897)
		(847,916)	(2,890,585)

AEC EDUCATION PLC

CONSOLIDATED INCOME STATEMENT
(continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

		2014	2013 (Restated)
Loss per share on continuing activities (in pence)	10		
Basic		(1.85)	(4.01)
Diluted		(1.85)	(4.01)
Profit /(loss) per share on discontinued activities (in pence)	10		
Basic		0.45	(2.18)
Diluted		0.45	(2.18)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 £	2013 (Restated) £
Loss for the year	(847,916)	(2,890,585)
Foreign currency translation movements	182,880	(19,465)
Other comprehensive (expense)/income for the year	182,880	(19,465)
Total comprehensive income for the year	(665,036)	(2,910,050)
Attributable to:		
Equity holders of the parent	(708,899)	(2,845,515)
Non-controlling interest	43,863	(64,535)
Total comprehensive income for the year	(665,036)	(2,910,050)

AEC EDUCATION PLC

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	Group 2014	Group 2013 (Restated)	Company 2014	Company 2013
TOTAL ASSETS		£	£	£	£
Non-Current Assets					
Property, plant and equipment	11	450,042	763,033	-	-
Investment in subsidiary companies	12	-	-	5,260,107	5,760,107
Investment in associated companies	13	-	16,668	-	-
Investment in joint ventures	14	97,799	26,074	-	122,039
Intangible assets	15	3,101,851	3,603,250	-	-
Goodwill	16	422,520	420,324	-	-
Deferred tax asset	9	-	-	-	-
		4,072,212	4,829,349	5,260,107	5,882,146
Current Assets					
Inventories	17	6,718	9,229	-	-
Trade receivables	18	677,573	908,710	-	-
Other receivables and prepayments	19	445,670	990,959	5,218	131,010
Tax recoverable		51,844	9,806	51,844	-
Due from subsidiary companies		-	-	692,752	442,304
Due from joint ventures	14	46,684	95,897	41,000	94,427
Due from related parties	20	456	3,798	-	-
Cash and cash equivalents	21	360,746	1,475,351	14,816	1,153,035
		1,589,691	3,493,750	805,630	1,820,776
Total Assets		5,661,903	8,323,099	6,065,737	7,702,922

AEC EDUCATION PLC

STATEMENTS OF FINANCIAL POSITION
(CONTINUED)

AS AT 31 DECEMBER 2014

	Note	Group 2014	Group 2013 (Restated)	Company 2014	Company 2013
		£	£	£	£
EQUITY AND LIABILITIES					
Non-Current Liabilities					
Financial liabilities	26	38,185	63,048	23,000	23,000
Deferred taxation liability	9	12,674	22,275	-	-
		50,859	85,323	23,000	23,000
Current Liabilities					
Trade payables	22	514,951	263,303	35,934	-
Deferred income	23	620,389	2,160,688	-	-
Other payables and accruals	24	1,140,218	1,938,962	31,638	88,009
Due to subsidiary companies		-	-	1,243,545	2,090,328
Due to joint ventures	14	38,673	-	-	-
Due to related parties	25	801,358	660,810	368,079	23,323
Financial liabilities	26	39,654	112,107	14,000	14,000
Provision for income tax		26,667	7,736	-	-
		3,181,910	5,143,606	1,693,196	2,215,660
Total liabilities		3,232,769	5,228,929	1,716,196	2,238,660
Equity attributable to equity holders of the Company					
Share capital	27	5,362,491	5,362,491	5,362,491	5,362,491
Share premium		896,111	896,111	896,111	896,11
Reserves		(3,699,184)	(2,990,285)	(1,909,061)	(794,34(
		2,559,418	3,268,317	4,349,541	5,464,26
Non-controlling interests		(130,284)	(174,147)	-	
Total equity		2,429,134	3,094,170	4,349,541	5,464,26
Total Equity and Liabilities		5,661,903	8,323,099	6,065,737	7,702,92

The financial statements were approved by the Board of Directors on 24 June 2015 and were signed on its behalf by:

William Swords Chairman

Company registration number: 05174452

AEC EDUCATION PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Share Capital	Share Prem-ium	Other Reserves Share-Based Payment Reserve	Other Reserves Retained Earnings	Other Reserves Trans-lation Reserve	Other Reserves Capital Reserve	Total Of Other Reserves	Attributable To Equity Holders Of The Company	Non-controlling Interests	Total
	£	£	£	£	£	£	£	£	£	£
Balance at 1 January 2013 as previously reported	4,419,878	707,588	328,744	(2,018,789)	1,137,715	170,560	(381,770)	4,745,696	(43,415)	4,702,28
Prior year adjustment	-	-	-	237,000	-	-	237,000	237,000	-	237,00
Balance at 1 January 2013 as restated	4,419,878	707,588	328,744	(1,781,789)	1,137,715	170,560	(144,700)	4,982,696	(43,415)	4,939,28
Loss for the year	-	-	-	(2,832,688)	-	-	(2,832,688)	(2,832,688)	(57,897)	(2,890,58
Total other comprehensive income	-	-	-	-	(12,827)	-	(12,827)	(12,827)	(6,638)	(19,46
Total comprehensive income for the year	-	-	-	(2,832,688)	(12,827)	-	(2,845,515)	(2,845,515)	(64,535)	(2,910,05
Issue of new shares	942,613	188,523	-	-	-	-	-	1,131,136	-	1,131,13
Share based compensation *transfer*	-	-	(89,700)	89,700	-	-	-	-	-	
Total transactions with owners	942,613	188,523	(89,700)	89,700	-	-	-	1,131,136	-	1,131,13
Non-controlling interest acquired	-	-	-	-	-	-	-	-	(125,489)	(125,48
Impairment of carrying value	-	-	-	-	-	-	-	-	59,292	59,29
Balance at 31 December 2013 as restated	5,362,491	896,111	239,044	(4,524,777)	1,124,888	170,560	(2,990,285)	3,268,317	(174,147)	3,094,17

AEC EDUCATION PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Share Capital	Share Prem-ium	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	Non-controlling Interests	Total
	£	£	£	£	£	£	£	£	£	£
Balance at 1 January 2014 as restated	5,362,491	896,111	239,044	(4,524,777)	1,124,888	170,560	(2,990,285)	3,268,317	(174,147)	3,094,170
Loss for the year	-	-	-	(881,956)	-	-	(881,956)	(881,956)	34,040	(847,916)
Total other comprehensive income	-	-	-	-	173,057	-	173,057	173,057	9,823	182,880
Total comprehensive income for the year	-	-	-	(881,956)	173,057	-	(708,899)	(708,899)	43,863	(665,036)
Share based compensation transfer	-	-	(239,044)	239,044	-	-	-	-	-	-
Total transactions with owners	-	-	(239,044)	239,044	-	-	-	-	-	-
Balance at 31 December 2014	5,362,491	896,111	-	(5,167,689)	1,297,945	170,560	(3,699,184)	2,559,418	(130,284)	2,429,134

AEC EDUCATION PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 £	2013 £ (Restated)
Cash Flows from Operating Activities		
Loss before income tax from continuing activities	(1,101,349)	(1,656,803)
Profit/(loss) before income tax from discontinued activities	282,419	(998,323)
Adjustments for:		
Amortisation of intangible assets	166,050	169,957
Depreciation of property, plant and equipment	203,710	437,778
Impairment and write down of property plant and equipment	-	299,099
Impairment of intangible assets	350,000	600,000
Loss on disposal of plant and equipment	170,481	88,909
Profit on disposal of subsidiary	-	(215,308)
Non-cash elements of profit on discontinued activities	(52,104)	-
Interest expense	41,201	45,875
Interest income	(244)	(375)
Impairment of goodwill and minority interest	-	59,292
Share of results of associated and joint venture companies	(53,829)	4,320
	6,335	(1,165,579)
Changes in working capital:		
Receivables	724,582	1,567,976
Payables	(2,087,395)	(2,551,785)
Inventories	2,511	12,629
Related parties and associated companies	231,777	668,427
	(1,122,190)	(1,468,332)
Taxation	(4,741)	(39,638)
Net cash used from operating activities	(1,126,931)	(1,507,970)
Cash Flows from Investing Activities		
Interest received	244	375
Profit distribution received from associated and joint venture companies	40,303	-
Purchases of property, plant and equipment	(68,254)	(528,009)
Purchase of trademarks and licences	(14,685)	(16,099)
Disposal of subsidiary	-	(11,606)
Acquisition of subsidiary	-	(99,541)
Net cash used in investing activities	(42,392)	(654,880)

AEC EDUCATION PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
(CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

	Group	
	2014	2013 (Restated)
	£	£
Cash Flows from Financing Activities		
Share issue	-	1,131,136
Interest paid	(41,201)	(45,875)
Repayment of term loan	(62,378)	(267,376)
Finance leases	(34,939)	63,577
Net cash generated by/(used in) financing activities	(138,518)	881,462
Effect of foreign exchange rate changes on consolidation	193,236	50,048
Net decrease in cash and cash equivalents	(1,114,605)	(1,231,340)
Cash and cash equivalents at the beginning of the Year	1,475,351	2,706,691
Cash and cash equivalents at the end of the year	360,746	1,475,351

Cash and cash equivalents consist of the following:

	2014	2013
	£	£
Cash and bank balances	193,216	1,475,351
Fixed deposits	167,530	-
	360,746	1,475,351

AEC EDUCATION PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Share Capital	Share Premium	Other Reserves Share-based Payment Reserve	Other Reserves Retained Earnings	Total of other Reserves	Total
	£	£	£	£	£	£
Balance at 1 January 2013	4,419,878	707,588	328,744	(314,337)	14,407	5,141,87
Loss for the year	-	-	-	(808,747)	(808,747)	(808,747
Total comprehensive income for the year	-	-	-	(808,747)	(808,747)	(808,747
Transactions with owners:						
Issue of new shares	942,613	188,523	-	-	-	1,131,13
Share based compensation transfer	-	-	(89,700)	89,700	-	
Total transactions with owners	942,613	188,523	(89,700)	89,700	-	1,131,13
Balance at 31 December 2013	5,362,491	896,111	239,044	(1,033,384)	(794,340)	5,464,26

AEC EDUCATION PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Share Capital	Share Premium	Other Reserves Share-based Payment Reserve	Other Reserves Retained Earnings	Total of other Reserves	Total
	£	£	£	£	£	£
Balance at 1 January 2014	5,362,491	896,111	239,044	(1,033,384)	(794,340)	5,464,262
Loss for the year	-	-	-	(1,114,721)	(1,114,721)	(1,114,721)
Total comprehensive income for the year	-	-	-	(1,114,721)	(1,114,721)	(1,114,721)
Transactions with owners: Share based compensation transfer	-	-	(239,044)	239,044	-	-
Total transactions with owners	-	-	(239,044)	239,044	-	-
Balance at 31 December 2014	5,362,491	896,111	-	(1,909,061)	(1,909,061)	4,349,541

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

AEC EDUCATION PLC

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 £	2013 £
Cash Outflows from Operating Activities		
Loss before income tax	(1,114,721)	(808,747)
Adjustments for:		
Interest expense	200	11,790
Interest income	(165)	(1,109)
Impairment of investment in subsidiary	500,000	600,000
Impairment of investment in joint venture	122,039	-
	(492,647)	(198,066)
Change in working capital		
Receivables	73,948	160,131
Payables	(20,437)	34,509
Related parties	(699,048)	(180,190)
Net cash generated used in operations	(1,138,184)	(183,616)
Net cash used in operating activities	(1,138,184)	(183,616)
Cash Flows from Financing Activities		
Share issue	-	1,131,136
Net cash used in financing activities	-	1,131,136
Cash Flows from Investing Activities		
Interest expense	(200)	(11,790)
Interest income	165	1,109
Acquisition of non-controlling interest	-	(99,541)
Net cash generated from investing activities	(35)	(110,222)
Net increase in cash and cash equivalents	(1,138,219)	837,298
Cash and cash equivalents at the beginning of the year	1,153,035	315,737
Cash and cash equivalents at the end of the year	14,816	1,153,035

AEC EDUCATION PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1 General

AEC Education plc (the "Company") is a public 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 Witan Gate House, 500-600 Witan Gate West, Milton Keynes MK9 1SH and its principal place of business is in Singapore. The registration number of the Company is 05174452.

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 12 to the financial statements. There have been no significant changes in the nature of these activities during the year.

The Board of Directors has authorised the issue of these financial statements on 24 June 2015.

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) as endorsed and adopted for use in the European Union (EU).

The financial statements have been prepared on a going concern basis under the historical cost convention, except that certain financial instruments are accounted for at fair values. The Directors have made an assessment of the group's ability to continue as a going concern and that assessment included full consideration of the principal uncertainties and risks referred to in the Strategic Report on pages 5 to 11. The assessment also included the ability of the group to raise additional funding from shareholders and other external sources. The conclusion of this assessment was that the company and group can continue to adopt the going concern basis for preparing these financial statements.

The principal accounting policies are set out below.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Information on the principal risk factors that the Group faces is contained in the Strategic Report. The financial position of the Group, its cash flows, borrowing facilities and commitments are disclosed in notes 22, 24, 25, 26 and 30 to the financial statements.

2 **Significant Accounting Policies** *(continued)*

(1) Basis of Preparation *(continued)*

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis for preparing these financial statements.

Standards applied

During the year, the Group has adopted the following relevant standards:

International Accounting Standards (IAS/IFRSs)	**Effective for financial year beginning**
IAS 27 – Investment Entities (Amendments)	1 January 2014
IAS 32 – Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 12 – Disclosure of Interests in Other Entities	1 January 2014

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

The following relevant new standards, amendments and interpretations have been issued, but are not effective for the financial year beginning on 1 January 2014 and have not been early adopted:

International Accounting Standards (IAS/IFRSs)	**Effective for financial year beginning**
IFRS 9 – Financial Instruments	1 January 2018
IFRS 11 – Accounting for Acquisition of Interests in Joint Operations	1 January 2016
IFRS 15 – Revenue from Contracts with Customers	1 January 2017
IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 27 – Equity Method in Separate Financial Statements	1 January 2016
IFRS 9 – Financial Instruments	1 January 2018

These standards are not anticipated to have a material impact on the Group's and Company's financial position or performance.

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

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

2 Significant Accounting Policies *(continued)*

(2) Critical Accounting Judgements and Key Sources of Estimation Uncertainty *(continued)*

(a) Estimated Impairment of Brands, Licences and Trademarks

The Group tests annually whether brands, licences and trademarks have suffered any impairment, in accordance with the accounting policy stated above. The recoverable amount of brands, licences and trademarks is determined from value in use calculations. The key assumptions for the value in use calculation are those regarding expected discounted future cash flows.

(b) Estimated Impairment of Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated above. The recoverable amount of goodwill is determined from value in use calculations. The key assumptions for the value in use calculation are those regarding expected discounted future cash flows.

(c) Impairment of Assets other than Brands, Licences, Trademarks and Goodwill

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

(d) 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.

2 Significant Accounting Policies *(continued)*

(3) Basis of Combination

The consolidated financial statements include the results of the Company and its subsidiaries together with the Group's attributable share of the results of associated companies and joint ventures. The Company makes up its financial statements to 31 December each year.

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

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

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

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

(4) Subsidiary Company

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

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

(5) 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.

2 Significant Accounting Policies *(continued)*

(5) Associated Companies *(continued)*

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

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

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

In the Company's net asset statement, investments in associated companies are stated at cost less any provision for impairment losses.

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

(6) Joint Ventures

Joint ventures are formal arrangements where the jointly controlling parties have structured their involvement through a distinct vehicle which is responsible for its own contractual arrangements and derives the benefits and meets liabilities of these.

The consolidated financial statements include the Group's share of the total recognised gains and losses of these joint ventures on an equity accounting basis, from the date joint control commences until the date that joint control ceases.

When the audited financial statements of joint ventures are not coterminous with those of the Group, the Group's share of profits and losses is arrived at based on the last audited financial statements available and unaudited management accounts to the end of the accounting period.

In the Company's net asset statement, investments in joint ventures are stated at cost less any provision for impairment losses. The impairment review compares the net carrying value with the recoverable amount based on the present value of the Group's share of the joint venture's cash flow or its fair market value.

Dividend income from investments in joint ventures is recognised when the shareholders' rights to receive payment have been established.

2 Significant Accounting Policies *(continued)*

(7) Non-controlling Interests

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition.

(8) Related parties

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

(9) Functional and Presentational Currency

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

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

(10) Foreign Currency Translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated using the exchange rate prevailing at the date of the Statement of Financial Position. Non-monetary assets and liabilities are measured using the exchange rates prevailing at the transaction dates, or in the case of the items carried at fair value, the exchange rates ruling when the values were determined. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and translation of foreign currency denominated assets and liabilities are recognised in the income statement.

2 Significant Accounting Policies *(continued)*

(10) Foreign Currency Translation (*continued)*

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

The following rates of exchange have been applied:

	2014	2013
1 Pound Sterling to Singapore Dollar		
Closing rate	2.056	2.092
Average rate	2.087	1.955
1 Pound Sterling to Malaysian Ringgit		
Closing rate	5.441	5.435
Average rate	5.391	4.941
1 Pound Sterling to Euro		
Closing rate	1.278	1.199
Average rate	1.241	1.183

(11) Revenue Recognition

Revenue is recognised on the following basis:

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

(ii) Publication sales are recognised upon sale of study guides.

(iii) Registration fees are recognised upon approval of respective applications.

(iv) Revenues from support services are recognised when services are rendered.

(v) All other course fees in respect of courses offered with no obligation to impart lessons are recognised when the students register for the course and collect the study materials.

(vi) Deferred income relates to course and accommodation fees received in advance and is recognised in the income statement based on classes conducted and accommodation provided.

2 Significant Accounting Policies *(continued)*

(12) Property, Plant and Equipment

Property, 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 property, 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 property, 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 property, plant and equipment less their estimated residual value over their estimated useful economic lives as follows:

Leasehold property and improvements	-	Over lease term
Classroom and office equipment	-	3 - 10 years
Motor vehicle	-	5 years

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

Computer systems and software are classified as a tangible fixed asset rather than an intangible asset.

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

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

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

2. Significant Accounting Policies *(continued)*

(13) Impairment of non-financial assets - excluding goodwill *(continued)*

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

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

(14) Intangible assets

(a) Goodwill on consolidation

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

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

(b) Other intangible assets

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

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

2 **Significant Accounting Policies** *(continued)*

(14) Intangible assets *(continued)*

(c) Licence fees

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

(d) Brand

Brands with an indefinite life are stated at cost less impairment. Brands with a definite life are amortised using a straight line method over a period of 25 years.

(15) Financial assets, loans and receivables

(a) Financial assets

Financial assets are recognised on the net asset statement when the Group becomes a party to the contractual provisions of the instrument.

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

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

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

2 **Significant Accounting Policies** *(continued)*

(15) Financial assets, loans and receivables *(continued)*

(a) Financial assets *(continued)*

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

(b) Loans and receivables

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

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

(16) Impairment of financial assets

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

Financial assets are carried at amortised cost.

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

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

2 Significant Accounting Policies *(continued)*

(17) Cash and Cash Equivalents

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

(18) 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.

(19) Inventories

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

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

(20) 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.

(21) Income Tax

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

2 **Significant Accounting Policies** *(continued)*

(21) Income Tax *(continued)*

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

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

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

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

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

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

2 Significant Accounting Policies *(continued)*

(22) Leases

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

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

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

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

(23) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditures expected to be required to settle the obligation.

(24) Employees' Benefits

(a) Defined contribution plans

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

(b) 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 net asset statement date.

2 Significant Accounting Policies *(continued)*

(24) Employees' Benefits *(continued)*

(c) Share-based compensation (see also 27 below)

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

(25) Intra-group Financial Guarantees

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

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

(26) Equity instruments

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

Equity instruments issued by the Company are recorded at the proceeds received except where those proceeds appear to be less than the fair value of the equity instruments issued, in which case the equit instruments are recorded at fair value. The difference between the proceeds received and the fair valu is reflected in the share based payments reserve.

The costs of issuing new equity are charged against the share premium account.

2 Significant Accounting Policies *(continued)*

(26) Equity instruments *(continued)*

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

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

(27) Share based payments (see also 24 above)

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

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

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

(28) Borrowing Costs

Borrowing costs incurred to finance the development of property, 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 property, plant and equipment.

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

2 Significant Accounting Policies *(continued)*

(29) Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segmental results are reported to the Board and include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

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.

3 Segmental Information *(continued)*

Segmental analysis is as follows:

2014	Europe £	South East Asia £	Total £
Revenue from external customers	5,661,457	3,316,711	8,978,168
Depreciation, write offs and amortisation	(182,036)	(537,724)	(719,760)
Loss before taxation	(50,851)	(1,050,498)	(1,101,349)
Taxation charge	(4,685)	(24,301)	(28,986)
Profit on discontinued activities	76,313	206,106	282,419
Loss for the year	20,777	(868,693)	(847,916)
Segmental assets	3,706,133	1,955,770	5,661,903
Segmental liabilities	(4,567,440)	1,334,671	(3,232,769)
Additions to non-current assets	38,970	43,969	82,939

2013 (Restated)	Europe £	South East Asia £	Total £
Revenue from external customers	5,080,994	6,222,884	11,303,878
Depreciation, write offs and amortisation	(415,496)	(604,629)	(1,020,125)
Loss before taxation	(198,939)	(1,457,864)	(1,656,803)
Taxation charge	(6,460)	(228,999)	(235,459)
Loss on discontinued activities	(380,629)	(617,694)	(998,323)
Loss for the year	(586,028)	(2,304,557)	(2,890,585)
Segmental assets	4,194,708	4,128,391	8,323,099
Segmental liabilities	(4,655,567)	(573,362)	(5,228,929)
Additions to non-current assets	170,478	347,682	518,160

4 Sale of Services

	Group	
	2014	2013
	£	£
Course fees	6,820,329	9,257,741
Examination fees	-	8,880
Accommodation fees	1,540,854	1,393,008
Application fees and registration fees	54,079	170,588
Training fees	104,934	123,622
Other	-	35,916
	8,520,196	10,989,755

5 Other Income

	Group	
	2014	2013
	£	£
Accounting fees	-	34,366
Interest income	244	375
Rental and related income	161,752	210,267
Miscellaneous income	295,976	69,115
	457,972	314,123

6 Salaries and Employees' Benefits

	Group 2014	Group 2013
	£	£
Staff salaries and related costs	2,702,642	4,005,010
Social security costs – staff	218,368	322,061
Directors' remuneration	10,059	304,630
Directors' fees	61,337	65,285
Social security costs – directors	469	2,026
Others	8,605	27,146
	3,001,480	4,726,158
Less : reported as cost of services sold	(941,925)	(1,956,148)
	2,059,555	2,770,010
Highest paid director		
Remuneration and benefits	48,000	102,772
	48,000	102,772
Average number of employees		
Lecturers	45	72
Marketing staff	28	30
Operational and administration staff	77	101
	150	203

The average number of employees is calculated based on the number of full or part time employees on the payroll each month.

In the years ended 31 December 2013 and 31 December 2014 no pension payments were paid or accrued.

7 Finance Costs

	Group 2014 £	Group 2013 £
Interest payable to related parties	30,889	-
Interest on term loan	-	31,166
Interest on finance leases	5,268	3,042
Bank overdraft	1,705	-
Other interest	3,339	11,667
	41,201	45,875

8 Operating Loss

Operating Loss is stated after charging/(crediting):

	Group 2014 £	Group 2013 £
Auditors' remuneration:		
- Fees payable to the Company's auditors for statutory Audit	29,000	36,840
- Fees payable to the Company's auditors for statutory audit of subsidiary company	9,000	11,500
- (Over)/under provision of fees payable to the Company's auditors for statutory audit in prior year	(6,841)	2,340
- Fees payable to the other auditors for statutory audits	20,160	22,697
- Fees payable to the other auditors for taxation services	1,489	11,474
	52,808	84,851
Exchange loss/(gain)	2,178	(11,387)
Impairment for trade receivables charge	98,163	173,446
Office and equipment rental	839,693	1,057,724

9 Income Tax

Tax credit/(expense) attributable to the results is made up of:

	Group	
	2014	2013
	£	£
Current income tax	(38,163)	(11,607)
Adjustments in respect of previous years:		
Current income tax	-	11,813
Current year tax	(38,163)	206
Deferred taxation	9,177	(235,665)
	(28,986)	(235,459)

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

	Group			
	2014		2013 (restated)	
	£	%	£	%
Loss before income tax	(1,101,349)		(1,656,803)	
Income tax at the statutory rate of 17%	187,229	17.0	281,656	17.0
Effect of different tax rate in foreign Jurisdictions	-	0.0	(1,540)	(0.1)
Non-deductible income and expenses	(79,857)	(7.3)	(145,575)	(8.8)
Singapore statutory stepped income Exemption	16,552	1.5	275	0.0
Adjustments of income tax in respect of prior years	(1,863)	(0.2)	4,462	0.3
Deferred tax asset not recognised	(161,970)	(14.7)	(161,400)	(9.7)
(Over)/under-provision for prior year deferred tax	-	0.0	(223,757)	(13.5)
Other effects not separately identified	10,923	1.0	10,420	0.6
	(28,986)	(2.6)	(235,459)	(14.2)

9 Income Tax *(continued)*

The Company is tax resident in Singapore because management and control reside in that territory. The Group's income tax liability is subject to agreement by the tax authorities of the respective countries in which the companies in the Group operate.

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

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Composition of deferred taxation:				
On the excess of the net book value over tax written down value of plant and equipment	(12,674)	(22,275)	-	-
Analysis of provision for deferred taxation:				
Balance at the beginning of the year	(22,275)	208,782	-	-
Deferred taxation for the year	9,177	(235,665)	-	-
Currency realignment	424	4,608	-	-
Balance at the end of the year	(12,674)	(22,275)	-	-
Deferred tax asset	-	-	-	-
Deferred tax liability	(12,674)	(22,275)	-	-
Balance at the end of the year	(12,674)	(22,275)	-	-

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

	Group		Company	
	2014	2013 restated	2014	2013
	£	£	£	£
Unutilised capital allowance c/f	413,474	301,283	-	-
Unutilised tax losses	2,879,916	3,955,792	-	-
	3,293,390	4,257,075	-	-

9 Income Tax *(continued)*

Deferred tax assets have not been recognised in respect of some subsidiaries' tax losses as it is not sufficiently certain that taxable profit will be available against which these available tax losses can be utilised in the future.

At 31 December 2013 and 31 December 2014 around £1.2m of the unutilised tax losses relate to the Group's trading operations in the UK and Ireland. This has been adjusted for the prior year adjustment (see note 36). At 31 December 2013 £2.8m of losses were reported as relating to the operations in Singapore. This has been reassessed at 31 December 2014 as £1.6m.

The utilisation of these unutilised tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies in the Group operate. Subject to those constraints, it is believed that these tax losses above can be carried forward indefinitely although their use depends on future profitability in each jurisdiction.

10 Earnings/(Loss) Per Share

The basic earnings/(loss) per share on continuing activities was based on the loss attributable to shareholders of £1,164,375 (2013: restated loss of £1,834,365) and the weighted average number of ordinary shares in issue during the year of 63,051,043 shares (2013: 45,753,464 shares).

The basic earnings/(loss) per share on discontinued activities was based on the profit attributable to shareholders of £282,419 (2013: loss of £998,323) and the weighted average number of ordinary shares in issue during the year of 63,051,043 shares (2013: 45,753,464 shares).

The diluted earnings/(loss) per ordinary share on continuing activities and the diluted earnings/(loss) per share on discontinued activities are based respectively on the loss attributable to shareholders of £1,164,375 (2013: restated loss of £1,834,365) and profit attributable to shareholders of £282,419 (2013: loss of £998,323) and the weighted average number of ordinary shares in issue at during the year of 63,051,043 shares (2013: 45,753,464 shares) diluted for the effect of share options and warrants.

By 31 December 2014 all previously issued options had lapsed (2013: 1,950,000 options were outstanding). At 31 December 2013 all 1,950,000 options were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

11 Property, Plant and Equipment

	Leasehold property and improvements	Classroom and office equipment	Motor Vehicle	Total
	£	£	£	£
Group 2014				
Cost				
As at 1 January 2014	917,388	2,279,538	-	3,196,926
Additions	3,877	52,277	12,100	68,254
Disposals	(376,890)	(385,145)	-	(762,035)
Currency realignment	(7,002)	1,027	(110)	(6,085)
As at 31 December 2014	537,373	1,947,697	11,990	2,497,060
Accumulated depreciation				
As at 1 January 2014	628,698	1,805,195	-	2,433,893
Charge for the year	81,394	122,316	-	203,710
Disposals	(301,716)	(289,838)	-	(591,554)
Currency realignment	(1,462)	2,431	-	969
As at 31 December 2014	406,914	1,640,104	-	2,047,018
Net book value				
At 31 December 2014	**130,459**	**307,593**	**11,990**	**450,042**

AEC EDUCATION PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

11 Property, Plant and Equipment *(continued)*

	Leasehold property and improvements	Classroom and office equipment	Motor vehicle	Total
	£	£	£	£
Group 2013				
Cost				
As at 1 January 2013	1,205,755	1,979,193	35,602	3,220,550
Additions	111,182	416,827	-	528,009
Disposals	(348,506)	(21,594)	(36,248)	(406,348)
Disposals of subsidiary	(8,999)	(17,576)	-	(26,575)
Currency realignment	(42,044)	(77,312)	646	(118,710)
As at 31 December 2013	917,388	2,279,538	-	3,196,926
Accumulated depreciation				
As at 1 January 2013	817,861	1,289,727	22,749	2,130,337
Charge for the year	15,698	417,914	4,166	437,778
Impairment in the year – continuing activities	104,705	182,685	-	287,390
Impairment in the year – discontinued activities	11,709	-	-	11,709
Disposals	(278,369)	(11,749)	(27,321)	(317,439)
Disposal of subsidiary	(8,999)	(17,576)	-	(26,575)
Currency realignment	(33,907)	(55,806)	406	(89,307)
As at 31 December 2013	628,698	1,805,195	-	2,433,893
Net book value				
At 31 December 2013	288,690	474,343	-	763,033

An impairment charge of £100,325 during the year ended 31 December 2013 arose as a result of the decision made in London to cease using the student database during the ensuing year. The balance of £187,065 was a direct consequence of the decision to downsize the operation in Singapore following the loss of EduTrust status as was the £11,709 included within the loss on discontinued activities.

11 Property, Plant and Equipment *(continued)*

At the net asset statement date, the Group held computers, classroom and office equipment, and a motor vehicle under finance lease and hire purchase agreements. These are included in the tables of property, plant and equipment above and summarised as follows:

	2014		
	Additions	Depreciation	Net book value
	£	£	£
Classroom and office equipment	-	19,793	74,314
Motor vehicle	12,100	-	11,990
	12,100	19,793	86,304

	2013		
	Additions	Depreciation	Net book value
	£	£	£
Classroom and office equipment	97,360	78,144	92,492
Motor vehicle	-	4,166	-
	97,360	82,310	92,492

12 Investment in Subsidiary Companies

	Company	
	2014	2013
	£	£
Investment in subsidiaries		
Unquoted equity shares, at cost		
As at the beginning of the year	6,360,107	6,260,566
Acquisition of 49% of AEC Bilingual Pte Ltd	-	99,541
As at the end of the year	6,360,107	6,360,107
Provision against the cost of investment in subsidiaries		
As at the beginning of the year	600,000	-
Provision against the cost of Malvern House Group Limited (see note below)	500,000	600,000
As at the end of the year	1,100,000	600,000
Net book value at the end of the year	5,260,107	5,760,107

12 Investment in Subsidiary Companies *(continued)*

As set out in Note 15 to these Financial Statements, during the financial year ended 31 December 2013, in addition to the annual charge for amortising the Malvern House Brand, an additional charge has been made for a permanent impairment of the carrying value due to adverse trading issues in Singapore and Oman. The Directors also considered the implications and determined that it is appropriate to provide a similar amount against the cost of the investment in Malvern House Group Limited.

During the year ended 31 December 2014 in addition to the annual charge for amortising the Malvern House Brand, an additional charge has been made for a permanent impairment of the carrying value due to adverse trading issues in London. The Directors again considered the implications and determined that it is appropriate to provide £500,000 against the cost of the investment in Malvern House Group Limited.

AEC College Pte Ltd., Malvern House Group Limited and AEC Bilingual Pte Ltd are the Company's immediate subsidiaries. The details of the principal subsidiary companies of AEC College Pte Ltd and Malvern House Group Limited as at 31 December 2014 are as follows:

Subsidiary companies and country of Incorporation	**Principal activities (Place of business)**	**Equity held by the Group**	
		2014	2013
		%	%
Malvern House Group Limited (United Kingdom)	Investment Holding (United Kingdom)	100	100
AEC College Pte Ltd. (Singapore)	Investment holding and provision of education consultancy services (Singapore)	100	100
AEC Bilingual Pte Ltd (Singapore)	Technical, vocational and commercial education (Singapore)	100	100

12 Investment in Subsidiary Companies *(continued)*

Principal direct or indirect subsidiaries held by Malvern House Group Limited

Subsidiary companies and country of Incorporation	**Principal activities (Place of business)**	**Equity held by the Group**	
		2014	2013
		%	%
Malvern House International Limited (United Kingdom)	Teaching of English as a foreign language (United Kingdom)	100	100
Malvern House Ireland Limited (Ireland)	Teaching of English as a foreign language (Ireland)	55	55

Principal direct or indirect subsidiaries held by AEC College Pte Ltd.

Subsidiary companies and country of Incorporation	**Principal activities (Place of business)**	**Equity held by the Group**	
		2014	2013
		%	%
AEC Edutech Sdn Bhd (Malaysia)	Development, management, and provision of consultancy and market educational technology solutions related products (Malaysia)	100	100
IMS Professional Training Services Sdn Bhd (Malaysia)	Education services (Malaysia)	100	100
Kasturi Management Consultancy Sdn Bhd (Malaysia)	Education services (Malaysia)	100	100

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

13 Investment in Associated Companies

	Group 2014 £	Group 2013 £
Unquoted shares, at the beginning and at the end of the year, at cost	-	173,269
Share of net post-acquisition reserves:		
Balance at the beginning of the year	(156,601)	(143,874)
Share of (loss)/ profit for the period	(2,274)	30,066
Share of losses now reversed on sale	158,593	-
Currency alignment	282	(42,793)
	-	
Balance at the end of the year	-	(156,601)
	-	
Investment in associated companies	-	16,668

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

	2014 £	2013 £
Total assets	-	239,450
Total liabilities	-	(183,890)
Net assets	-	55,560
Revenue for period	320,175	1,706,909
(Loss)/ profit for the period	(7,580)	100,220

13 Investment in Associated Companies *(continued)*

Details of associated companies are as follows:

Associated companies and country of incorporation	**Principal activities (Place of business)**	**Equity held by the Group** 2014 %	2013 %
Held by AEC College Pte Ltd.			
Keris Murni Sdn Bhd (Malaysia)	Provision of education services and the operation of education tuition centres (Malaysia)	Nil	30
Pusat Tuisyen Kasturi Sdn Bhd (Malaysia)	Provision of education services and the operation of education tuition centres (Malaysia)	Nil	30

The Group's investments in both Keris Murni Sdn Bhd and Pusat Tuisyen Kasturi Sdn Bhd were sold for RM1.6m (£295,705) on 31 March 2014.

	£
Proceeds of sale	295,705
Cost of investment	(173,269)
Share of losses now reversed on sale	158,593
Loss for the period to sale	(2,274)
Currency alignment	282
Net profit on discontinued activity	279,037

This profit is included with discontinued activities (see note 35).

14 Investment in Joint Ventures

In summary these are:

	Group	
	2014	2013
	£	£
Enterintel Investments Ltd	97,799	95,128
Global Institute for Management and Technology, LLC	-	(69,054)
	97,799	26,074

a) Enterintel Investments Ltd

Malvern House Group Limited, through its wholly owned subsidiary, Lastsay Investments Ltd owns a 50% joint venture, Enterintel Investments Ltd, in Cyprus. The other 50% is owned by Fairmind Enterprises Ltd and there is no controlling party. Enterintel Investments Ltd provides English language courses for adults and children.

At 31 December 2014, the Group's investment of £97,799 represents the 50% interest in Enterintel Investments and is summarised as follows. There was no impairment provision.

	Group	
	2014	2013
	£	£
Unquoted shares, at the beginning and at the end of the year, at cost	-	-
Share of net post-acquisition reserves:		
Balance at the beginning of the year	95,128	44,880
Share of profits for the year	53,829	56,441
Share of tax on profits for the year	(4,685)	(6,460)
Profit distribution	(40,303)	-
Currency alignment	(6,170)	267
Balance at the end of the year	97,799	95,128
Investment in joint venture	97,799	95,128

14 Investment in Joint Ventures *(continued)*

Summarised financial information in respect of the Group's interest in Enterintel Investments Ltd is set out below:

	2014	2013
	£	£
Total assets	239,994	204,213
Total liabilities	(44,396)	(13,957)
Net assets	195,598	190,256
Revenue	1,135,496	975,224
Profit for the year	107,657	112,881

At 31 December 2014, Enterintel Investments Ltd owed other Group companies £5,188 (2013: £983).

During the year a Group company received a loan of £38,673 (€50,000) from Enterintel Investments Limited, This loan is denominated in euros and is not interest bearing.

b) Global Institute for Management and Technology, LLC

With effect from 31 July 2014 the Company's investment in a 50% interest in Global Institute for Management and Technology, LLC, was divested and the Group has no responsibility for the operation in Oman after that date. It was agreed that the Group would receive a partial repayment of the amount due in consideration for transfer of its ownership and the Group has no ongoing interest in this business.

The impact of the disposal is summarised as follows:

	£
Write off cost of investment	(122,039)
Write back of share of losses to date	219,346
Provision against amounts due from joint venture	(59,200)
Surplus on transfer of joint venture	38,107
Loss for the period to sale	(28,253)
Net profit on discontinued activity	9,854

This profit is included with discontinued activities (see note 35).

14 Investment in Joint Ventures *(continued)*

The investment in Global Institute for Management and Technology, LLC is summarised as follows:

	Group	
	2014	2013
	£	£
Unquoted shares, at the beginning and at the end of the year, at cost	-	122,039
Share of net post-acquisition reserves:		
Balance at the beginning of the year	(191,093)	(100,266)
Share of losses for the period to transfer	(28,253)	(90,827)
Share of losses now reversed on transfer	219,346	-
Balance at the end of the year	-	(191,093)
Investment in joint ventures	-	(69,054)

Summarised financial information in respect of the Global Institute for Management and Technology, LLC is set out below:

	2014	2013
	£	£
Total assets	-	108,492
Total liabilities	-	(257,345)
Net liabilities	-	(148,853)
Revenue	72,164	110,032
Loss for the period	(56,506)	(181,653)

At 31 December 2014, Global Institute for Management and Technology, LLC owed other Group companies £41,496 of which £41,000 was due to the Company (2013: £94,914 of which £94,427 was due to the Company).

15 Intangible Assets

Intangible assets are summarised as follows:

	Licences	Brands	Trademarks	Total
	£	£	£	£
Group 2014				
Cost				
As at 1 January 2014	853,573	3,750,000	22,579	4,626,152
Additions	14,685	-	-	14,685
Currency alignment	(252)	-	-	(252)
As at 31 December 2014	868,006	3,750,000	22,579	4,640,585
Accumulated amortisation				
As at 1 January 2014	108,659	900,000	14,243	1,022,902
Charge for the year – continuing activities	12,430	150,000	3,620	166,050
Charge for impairment – continuing activities	-	350,000	-	350,000
Currency alignment	(218)	-	-	(218)
As at 31 December 2014	120,871	1,400,000	17,863	1,538,734
Net book value				
At 31 December 2014	747,135	2,350,000	4,716	3,101,851
Analysed as follows:				
Indefinite life	734,046	-	-	734,046
Definite life	13,089	2,350,000	4,716	2,367,805
	747,135	2,350,000	4,716	3,101,851

There is an annual amortisation charge for the Malvern House brand made in accordance with the stated accounting policy.

In addition, the Board also reviewed all ongoing cash generating units in accordance with the detailed procedures set out later in this note and concluded that one, the school in London, can no longer support the carrying value of the Malvern House brand with which it was previously attributed. Therefore, as shown in the table above, a further provision of £350,000 was made during the year ended 31 December 2014 to reflect this change. This impairment charge is set out on the face of the Consolidated Income Statement as the entity concerned is a continuing activity.

15 Intangible Assets *(continued)*

	Licences	Brands	Trademarks	Total
	£	£	£	£
Group 2013				
Cost				
As at 1 January 2013	847,494	3,750,000	20,797	4,618,291
Additions	14,317	-	1,782	16,099
Currency alignment	(8,238)	-	-	(8,238)
As at 31 December 2013	853,573	3,750,000	22,579	4,626,152
Accumulated amortisation				
As at 1 January 2013	100,460	150,000	9,875	260,335
Charge for the year – continuing activities	15,589	125,000	4,368	144,957
Charge for the year – discontinued activities	-	25,000	-	25,000
Charge for impairment – continuing activities	-	150,000	-	150,000
Charge for impairment – discontinued activities	-	450,000	-	450,000
Currency alignment	(7,390)	-	-	(7,390)
As at 31 December 2013	108,659	900,000	14,243	1,022,902
Net book value				
At 31 December 2013	744,914	2,850,000	8,336	3,603,250
Analysed as follows:				
Indefinite life	734,046	-	-	734,046
Definite life	10,868	2,850,000	8,336	2,869,204
	744,914	2,850,000	8,336	3,603,250

In the prior year, following the loss of EduTrust status by AEC College Pte Ltd and the consequent inability to recruit foreign students, teaching of English language in Singapore which was branded as Malvern House, has now ceased. As a direct consequence the Board has reassessed the carrying value of the Brand attributable to that cash generating unit and concluded that a permanent impairment took place on the cessation of that activity. Accordingly a charge of £450,000 has been made for that permanent impairment of the Malvern House brand within the loss on the discontinued activities in the current year as set out in Note 35.

15 Intangible Assets *(continued)*

In addition, in the prior year, the Board also reviewed all ongoing cash generating units in accordance with the detailed procedures set out later in this note and concluded that one, the school in Oman, can also no longer support the carrying value of the Malvern House brand with which it was previously attributed. Therefore, as shown in the table above, a further provision of £150,000 was made during the year ended 31 December 2013 to reflect this change. This impairment charge is set out on the face of the Consolidated Income Statement as the entity concerned is a continuing activity.

(a) Licences, brands and trademarks are stated at fair value at acquisition or their purchase if acquired separately.

(b) Intangible assets with a fixed life are amortised over that life. Intangible assets with an indefinite life are carried at a fair value. This is considered further below.

(c) At 31 December 2014, the licences purchased by the subsidiary, Smart Eduprocess Group Sdn Bhd, permit the Group to provide professional and academic courses in Malaysia for an indefinite period.

(d) At 31 December 2014, the Group's principal acquired brand, Malvern House was regarded as having a remaining definite useful economic life of 22 years. This brand was acquired and fair valued when the Group acquired 100% of the issued share capital of Malvern House Group Limited in July 2009. The Malvern House brand is protected by trademarks, which are renewable indefinitely, in all of the major markets where it has schools.

(e) At 31 December 2014, the Group's trademarks were all considered to have fixed lives for accounting purposes although would be renewable when they expire.

(f) The capitalised licence fees that are regarded as having indefinite useful economic lives, are not amortised. As noted, these are subject to annually agreed performance criteria and set by individual market. These targets reflect realistic assessments of the individual market conditions and would need to be missed for three consecutive years to warrant questioning the carrying value. In the event that these targets were being missed consistently, the carrying value would be reviewed as part of impairment testing outlines below and provisions made accordingly.

15 Intangible Assets *(continued)*

(g) The Malvern House brand included in intangible assets at a gross value of £3.75m had previously been treated as having an indefinite life. During the year ended 31 December 2012 the directors revised this estimate to a finite period of 25 years with effect from 1 January 2012.

(h) To ensure that brands, licences and other intangibles are not carried at above their recoverable amount, impairment reviews are performed comparing the net carrying value with the recoverable amount using value in use calculations. For such intangible assets, the recoverable amount is calculated in respect of the cash-generating unit including the attributed asset. These calculations are performed annually, or more frequently if events or circumstances indicate that the carrying amount may not be recoverable. The value in use calculations are based on discounted forecast cash flows over a maximum period of five years as envisaged by IAS 36 – Impairment of intangible assets.

(i) For the purposes of impairment testing, cash flows have been forecast for the capitalised licence and the Malvern House brand, for the next financial year in the Group's annual financial plan, which is approved by the Board and reflects management's expectations of sales growth, operating costs and margin, based on past experience and external sources of information. Where specific projections have been prepared by management for subsequent years these are approved by the Board and used in the impairment review, otherwise general long term growth assumptions have been made which again reflect past experience and expectations based on market factors.

(j) The discount rates used are calculated based on the Group's weighted average cost of capital with appropriate adjustment to reflect the Group's assessment of the specific risks relating to the relevant market or region. The Group's weighted average cost of capital is calculated 0.3% (2013: 1.7%).

(k) The key assumptions used for impairment calculations are made in relation to the Malvern House brand and the Educational licences and are as follows:

	2014		2013	
	Long term growth rate	Pre-tax discount rate	Long term growth rate	Pre-tax discount rate
	%	%	%	%
Malvern House brand	10	7	10	7
Educational licences	10	7	10	7

15 Intangible Assets *(continued)*

(l) Impairment testing is dependent on management's estimates and judgements; in particular in relation to forecasting future cash flows, the discount rates applied to those cash flows and the expected long term growth rates. Therefore, it is pertinent to demonstrate the sensitivity of those assumptions with regard to potential provisioning for impairment.

(m) Although the Malvern House brand is now being amortised the Board has still undertaken a thorough review of the underlying profit projections and cashflows for the asset and considered sensitivity. Achievement of the growth in management's expectation of profits and cashflows in the initial budgets/forecasts for the next one to two years will meet the growth requirements underpinning the review of the brand. Indeed the discount factor could rise to 25% without any impairment provision being required to the brand.

(n) The impairment test for the carrying value of Educational licences has also been reviewed for sensitivity. The market serviced through the Educational licences is established and the risks are perceived by the Board to be low. However, over the next five years no impairment provision would be needed if, rather than the 10% growth assumed above, there was only 0% profit or cashflow growth over the period. Equally no impairment provision would be required if a discount rate of 13% was assumed rather than the 7% used in the testing.

(o) Any impairment write downs identified are normally charged to other operating expenses in the income statement. In the year ended 31 December 2014, there was a charge for the year of £150,000 made for the annual impairment of intangible assets (2013: £125,000). A further charge of £350,000 was made for the permanent impairment of intangible assets relating to a continuing activity (2013: £150,000). In addition during the year ended 31 December 2013 £25,000 of the annual charge for impairment was allocated to discontinued activities along with a one off impairment charge of £450,000.

16 Goodwill

	Group	
	2014	2013
	£	£
Cost		
Balance as at the beginning of the year	420,324	446,558
Acquisition of subsidiary	-	(25,948)
Currency alignment	2,196	(286)
Balance as at the end of the year	422,520	420,324

Goodwill has arisen on acquisitions by the Group.

During the year ended 31 December 2013, the Group acquired the non-controlling interest in AEC Bilingual Pte Limited with negative goodwill of £25,948. Further detail is set out in note 34.

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

	Group	
	2014	2013
	£	£
Education		
United Kingdom	404,352	404,352
Singapore/Malaysia	18,168	15,972
	422,520	420,324

16 Goodwill *(continued)*

To ensure that goodwill on acquisitions is not carried at above its recoverable amount, impairment reviews are performed comparing the net carrying value with the recoverable amount using value in use calculations. For goodwill the recoverable amount is calculated in respect of the CGU after taking account of all other intangible assets allocated to that business. These calculations are performed annually, or more frequently if events or circumstances indicate that the carrying amount may not be recoverable.

Cash flows are forecast for each CGU for the next year in the Group's annual financial plan which is approved by the Board and reflects management's expectations of sales growth, operating costs and margins based on past experience and external sources of information.

The discount rates used are calculated based on the Group's weighted average cost of capital with appropriate adjustment to reflect the Group's assessment of the specific risks relating to the relevant market or region.

Key assumptions used for value-in-use calculations:

	2014		2013	
	Growth rate	Pre tax discount rate	Growth rate	Pre tax discount rate
	%	%	%	%
United Kingdom	10	7	10	7
Singapore/Malaysia	10	7	10	7

The impairment tests have been reviewed for sensitivity to the assumptions.

During the year ended 31 December 2014, an impairment provision of £350,000 was made in respect of the Malvern House brand allocated to the CGU in the United Kingdom. After taking this and the annual amortisation of the Brand allocated to the United Kingdom no impairment provision for goodwill is required.

The goodwill now carried in the Group's accounts in respect of operations in the Far East is no longer material to the accounts and a detailed review has not been preformed.

17 Inventories

	Group	
	2014	2013
	£	£
Publications and books	6,718	9,229

18 Trade Receivables

	Group 2014 £	Group 2013 £
Trade receivables	677,573	908,710
Trade receivables are denominated in the following currencies:		
Singapore Dollar	33,183	302,524
Pound Sterling	62,209	17,658
Malaysian Ringgit	551,095	545,938
Euro	31,086	42,080
Other	-	510
	677,573	908,710

An age profile of the trade receivables above is set out in note 33 (i) relating to credit risk.

19 Other Receivables and Prepayments

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Deposits	156,402	164,482	-	-
Prepayments	179,925	653,498	5,218	17,386
Staff loan	-	3,883	-	-
Others	109,343	169,096	-	113,624
	445,670	990,959	5,218	131,010

19 Other Receivables and Prepayments *(continued)*

Other receivables (excluding prepayments) are denominated in the following currencies:

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Singapore Dollar	33,357	113,441	-	-
Pound Sterling	-	113,624	-	113,624
Malaysian Ringgit	229,813	94,170	-	-
Euro	2,575	14,083	-	-
Other	-	2,143	-	-
	265,745	337,461	-	113,624

20 Due from Related Parties

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Due from related parties				
Non-trade	456	3,798	-	-
	456	3,798	-	-

Balances with related parties are denominated in the following currencies:

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Due from related parties				
Singapore Dollars	456	3,798	-	-
	456	3,798	-	-

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Due from related parties				
Savant Infocomm Pte Ltd	193	300	-	-
Windmill International Pte Ltd	-	90	-	-
Melewar Academia Holdings Pte Ltd	-	668	-	-
Savant Infotech Solutions P	248	-	-	-
Playware Studios Asia Pte Ltd	15	2,740	-	-
	456	3,798	-	-

AEC EDUCATION PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

21 Cash and Cash Equivalents

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Cash at bank and in hand	193,216	1,475,351	14,816	1,153,035
Fixed deposits with bank	167,530	-	-	-
Cash and cash equivalents	360,746	1,475,351	14,816	1,153,035
Cash and cash equivalents are denominated in the following currencies:				
Singapore Dollar	30,512	89,881	-	-
Pound Sterling	266,967	1,288,171	14,816	1,153,035
Malaysian Ringgit	6,540	18,963	-	-
Euro	56,192	76,481	-	-
Other	535	1,855	-	
	360,746	1,475,351	14,816	1,153,035

22 Trade Payables

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Trade payables balances are denominated in the following currencies:				
Singapore Dollar	36,833	2,341	-	-
Pound Sterling	292,411	240,898	35,934	-
Malaysian Ringgit	94,644	-	-	-
Euro	91,063	20,064	-	-
	514,951	263,303	35,934	-

23 Deferred Income

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

	Group	
	2014	2013
Deferred income is denominated in the following currency:	£	£
Singapore Dollar	-	1,191,883
Pound Sterling	246,756	574,536
Malaysian Ringgit	-	30,812
Euro	373,633	363,457
	620,389	2,160,688

24 Other Payables and Accruals

	Group		Company	
	2014	2013 (Restated)	2014	2013
	£	£	£	£
Other payables	348,772	575,567	-	46,957
Accrued expenses	791,446	1,363,395	31,638	41,052
	1,140,218	1,938,962	31,638	88,009

Other payables are denominated in the following currencies:

	Group 2014	Group 2013	Company 2014	Company 2013
Singapore Dollar	271,444	226,540	-	1,243
Pound Sterling	45,541	129,838	-	45,714
Malaysian Ringgit	31,787	210,287	-	-
Other	-	8,902	-	-
	348,772	575,567	-	46,957

25 Due to Related Parties

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Due to related parties				
Non-trade	801,358	660,810	368,079	23,323
	801,358	660,810	368,079	23,323

Balances with related parties are denominated in the following currencies:

Due to related parties				
Singapore Dollars	433,280	637,487	-	-
Pound Sterling	368,078	23,323	368,079	23,323
	801,358	660,810	368,079	23,323

At 31 December 2013 the amounts due to related parties includes a loan of S$1,000,000 made to AEC College Pte Limited by the Group's Chief Executive, David Ho. Interest is chargeable at 8% per annum. The Loan, which was unsecured, has been repaid.

During the year KSP Investments Pte Ltd, a company of which three of the Directors are also shareholders, advanced loans to the Group to allow the repayment of David Ho's personal loan. At 31 December 2014 the amount due to KSP Investments Pte Ltd was £464,879. In addition the largest shareholder, Cinnovation Inc has loaned £200,000. Interest on both loans is chargeable at 8% per annum and these loans are unsecured.

All other amounts due to related parties are unsecured, interest-free and due within the next twelve months.

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Due to related parties				
Directors of the Company	105,204	508,601	68,000	23,323
KSP Investments Pte Ltd	464,879	119,482	100,079	-
Cinnovation Inc	200,000	-	200,000	-
Windmill International Pte Ltd	31,275	32,727	-	-
	801,358	660,810	368,079	23,323

26 Financial Liabilities

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Non-current liabilities				
Finance lease obligations	38,185	63,048	-	-
Term loan	-	-	-	-
Intra-group financial guarantee	-	-	23,000	23,000
	38,185	63,048	23,000	23,000
Current liabilities				
Finance lease obligations	39,654	49,729	-	-
Term loan	-	62,378	-	-
Intra-group financial guarantee	-	-	14,000	14,000
	39,654	112,107	14,000	14,000
	77,839	175,155	37,000	37,000

Finance Lease Obligations

At 31 December 2014, the Group has obligations under finance leases that are payable as follows:

	Group		Group	
	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	2014	2013
	£	£	£	£
Within one year	52,822	54,986	39,654	49,729
Due after one year	31,483	66,935	38,185	63,048
	84,305	121,921	77,839	112,777
Less: Future finance charges	(6,466)	(9,144)	-	-
Present value of lease obligations	77,839	112,777	77,839	112,777

Finance lease creditors are denominated in the following currencies:

	2014	2013
Singapore Dollar	77,838	98,869
Pound Sterling	-	13,908
	77,838	112,777

26 **Finance Lease Obligations** *(continued)*

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

Term Loan

At 31 December 2014, the Group has obligations under a term loan agreement that is payable as follows:

	Group Amount to be repaid as loan payments		Group Present value of minimum loan payments	
	2014	2013	2014	2013
	£	£	£	£
Within one year	-	62,902	-	62,378
Due after one year	-	-	-	-
	-	62,902	-	62,378
Less: Future finance charges	-	(524)		-
Present value of the term loan	-	62,378	-	62,378

During a prior year, the Group had obtained a term loan of approximately £951,000 (S$2,000,000). The term loan was denominated in Singapore Dollars. The facility was available for a period of four years from the date of the first draw down and was fully repaid in the financial year. The term loan bore interest at 5% per annum.

The term loan was secured by a corporate guarantee for an unlimited amount from the Company, AEC Education plc.

26 Finance Lease Obligations *(continued)*

Intra-group financial guarantee

The intra-group financial guarantee comprises a corporate guarantee granted by the Company to a bank in respect of the term loan facility granted to a wholly-owned subsidiary. At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the guarantee. The fair value of the guaranteed amounts to £37,000 (2013: £37,000). The periods in which the financial guarantee expires are as follows:

	Company	
	2014	2013
	£	£
Less than 1 year	14,000	14,000
Between 1 and 5 years	23,000	23,000
	37,000	37,000

27 Share Capital

	Allotted, called up and fully paid				
	No of ordinary shares	Nominal value ordinary shares	No of deferred shares	Nominal value deferred shares	Nominal value All shares
At 1 January 2013 10p ordinary shares	44,198,781	4,419,878	-	-	4,419,878
Division of shares to 5p ordinary shares	-	(2,209,939)	44,198,781	2,209,939	-
Shares issue on 23 December 2013	18,852,262	942,613	-	-	942,613
At 31 December 2013 5p ordinary shares	63,051,043	3,152,552	44,198,781	2,209,939	5,362,491
At 31 December 2014 5p ordinary shares	63,051,043	3,152,552	44,198,781	2,209,939	5,362,491

27 Share Capital *(continued)*

Until the division of the Company's shares on 20 December 2013 the par value of each existing ordinary share in the capital of the Company was 10p, which was the minimum price at which the Company's ordinary shares could be issued.

At that date the Company's existing ordinary shares had been trading at below the par value of 10p for quite some time, and in order to proceed with the planned subscription, the Company proposed to undertake a capital reorganisation so that the par value of its ordinary shares was reduced to 5p per ordinary share.

At the Extraordinary General Meeting held on 20 December 2013 the Shareholders approved splitting each issued existing ordinary share into one new ordinary share of 5p and one deferred share of 5p. As all rights remain with the new ordinary shares of 5p each these deferred shares are effectively valueless but remain part of the share capital of the Company.

28 Reserves

The Company has the following types of reserves:

The share premium reserve arises where shares have been issued at a price in excess of the nominal value of 5p (formerly 10p until the division of the shares) less any costs of the issue. Details of the movements in the share premium reserve for the last two years are detailed in note (i) below.

The share based payment reserve relates to share options granted to directors, staff and certain professional advisors. The share options vested on grant and are capable of being exercised at any time between the date of grant and the expiry date, except where they lapse following the grantee ceasing to be a director, employee or advisor. The reserve is created in accordance with prevailing accounting standards to reflect the fair value of the options. Details of the movements in the share based payment reserve for the last two years are detailed in note (ii) below.

Retained earnings represent the accumulated surplus or deficit of distributable reserves. The movements in the last two years are set out in note (iii) below.

The translation reserve arises from translation differences arising from converting subsidiary operations' consolidated income statements and statements of financial positions at the prevailing rates of exchange. The movements in the last two years are set out in note (iv) below.

The capital reserve in note (v) below arose on the merger of the Company, then AEC Plc, and AEC Edu Group Pte Limited in 2004.

The movements in reserves during the last two years are set out in notes (i) to (iv) below.

28 Reserves *(continued)*

(i) Share premium reserve

	Company 2014	Company 2013
	£	£
Balance as at the beginning of the year	896,111	707,588
Issue of new shares	-	188,523
Balance as at the end of the year	896,111	896,111

As set out in note 27 the company issued 18,852,262 5p ordinary shares on 23 December 2014. These shares were issued at 6p giving rise to a share premium of £188,523.

(ii) Share based compensation reserve

	Company 2014	Company 2013
	£	£
Balance as at the beginning of the year	239,044	328,744
Transfer from share based compensation reserve in respect of cancellation of options	(239,044)	(89,700)
Balance as at the end of the year	-	239,044

During year ended 31 December 2014, an amount of £239,044 (2013: £89,700) was released from the share based compensation reserve.

An Unapproved Executive Share Option Scheme (the "ESOS") was adopted by the Directors on 21 February 2008. All options in existence at 31 December 2013 lapsed during the last financial year.

The options in issue at 31 December 2013 are summarised as follows:

Date of grant	Exercise period in years	Exercise price	Total options granted	Brought forward at 1 January 2014	Exercised during the year	Lapsed during the year	Carried forward at 31 December 2014
			No	No	No	No	No
14 July 2009	5	17.2p	1,900,000	1,900,000	-	(1,900,000)	-
9 September 2009	5	17.2p	535,000	50,000	-	(50,000)	-
			3,655,000	1,950,000	-	(1,950,000)	-

28 Reserves *(continued)*

(ii) Share based compensation reserve *(continued)*

	2014 No of options	2013 No of options
Options at beginning of the year	1,950,000	2,840,000
Options at end of the year	-	1,950,000
Options exercisable at end of the year	-	1,950,000

Weighted average exercisable prices were as follows:		
At the beginning of the year	17.2p	15.2p
Options granted	-	-
Options lapsed	17.2p	10.1p
Options exercised	-	-
Options at end of the year	-	17.2p
Options exercisable at the end of the year	-	17.2p
Weighted average share price at date of exercise for options exercised during the year	None	None

28 Reserves *(continued)*

(ii) Share based compensation reserve *(continued)*

	2014	2013
Weighted average remaining contracted life of options outstanding at year end	-	0.15 years

	2014 No of options	2013 No of options
Exercise prices of options outstanding at end of the year:		
- Exercise price per share		
17.2p	-	1,950,000
Weighted average fair value of options granted during the year	None	None

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

Inputs in the model for share options granted 2009 were as follows:

Weighted average share price	21.5p
Weighted average exercise price	17.2p
Average expected volatility	77%
Average option life	5 years
Average risk free rate	4.75%
Expected dividends	Nil

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

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

Inputs in the model for warrants granted during 2009 were as follows:

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

28 Reserves *(continued)*

(ii) Share based compensation reserve *(continued)*

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

(iii) Retained earnings

	Group		Company	
	2014	2013 (Restated)	2014	2013
	£	£	£	£
At the beginning of the year	(4,524,777)	(1,781,789)	(1,033,384)	(314,337)
Loss for the year	(881,956)	(2,832,688)	(1,114,721)	(808,747)
Credited from share based compensation reserve in respect of cancellation of options	239,044	89,700	239,044	89,700
At the end of the year	(5,167,689)	(4,524,777)	(1,909,061)	(1,033,384)

(iv) Translation reserve

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
At the beginning of the year	1,124,888	1,137,715	-	-
Currency translation differences	173,057	(12,827)	-	-
At the end of the year	1,297,945	1,124,888	-	-

The translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary value is denominated in the functional currency of the reporting entity.

28 Reserves *(continued)*

(v) Capital reserve

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
At the beginning of the year	170,560	170,560	-	-
At the end of the year	170,560	170,560	-	-

29 Related Party Transactions

In addition to the related party information disclosed in notes 20 and 25, there were the following significant transactions of income/(expenses) with related parties on terms agreed between the parties:

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
With Subsidiaries:				
Malvern House International Ltd				
- Consultancy fee charged/(reversed)	-	-	(254,100)	51,000
AEC College Pte Ltd				
- Accounting fees	-	-	-	(32,092)
AEC Billingual Pte Ltd				
- Management fees	-	-	26,122	-
With a related party with common directors:				
Windmill International Pte Ltd				
- Accounting fees	-	34,366	-	-
- Rental fees	-	24,639	-	-
- Administrative and secretarial fees payable	-	(63,209)	-	-
KSP Investments Pte Limited				
Interest on loan	(29,142)	-	-	-
David Ho				
Interest on loan	(1,747)	-	-	-
Willso Consulting Ltd				
- Consultancy fees	(72,000)	(72,000)	-	-

29 Related Party Transactions *(continued)*

	Group 2014 £	Group 2013 £
Key management personnel		
Directors' remuneration:		
- Salaries and bonuses	10,066	174,457
- Directors' fees	58,000	58,000
Other key management personnel:		
- Salaries and bonuses	-	37,587
- Share based compensation	-	2,168
	68,066	272,212

Analysis of directors' fees and emoluments:

	Salary & bonus £	Fees £	Total £
2014			
William Swords	-	48,000	48,000
Ramasamy Jayapal	-	5,000	5,000
Gopinath Pillai	-	5,000	5,000
Ho Peng Cheong	-	-	-
Haider Sithawalla	10,066	-	10,066
Sabin Joshi	-	-	-
Munish Rao	-	-	-
Total	10,066	58,000	68,066

In addition, during the year, a total of £72,000 (2013: £72,000) was paid to Willso Consulting Ltd for the services of Mr William Swords.

	Salary & bonus £	Fees £	Total £
2013			
William Swords	-	48,000	48,000
Ramasamy Jayapal	-	5,000	5,000
Gopinath Pillai	-	5,000	5,000
Ho Peng Cheong	102,772	-	102,772
Haider Sithawalla	71,685	-	71,685
Total	174,457	58,000	232,457

30 Operating Lease Commitments

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

At the net asset statement date, the future minimum lease payments under these non-cancellable operating leases were as follows:-

	Group	
	2014	2013
	£	£
Expiring:		
Within one year	207,498	-
Between two to five years	350,125	1,982,983
Over five years	3,254,464	3,591,000
	3,812,087	5,573,983

31 Subsequent events

The Directors have concluded that there are no events subsequent to the Statement of Financial Position which are significant to these Financial Statements.

32 Dividends

No dividends were paid during either the year ended 31 December 2013 or 31 December 2014.

33 Financial Instruments

Financial Risk Management Objectives and Policies

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

(i) Credit risk

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

33 Financial Instruments *(continued)*

(i) Credit risk *(continued)*

The carrying amount of trade and other receivables, subsidiary companies and related party balances and cash represent the Group's maximum exposure to credit risk. Cash and cash balances are placed with reputable financial institutions. Therefore credit risk arises mainly from the inability of customers to make payments when due. 47% (2013: 37%) of the Group's accounts receivables are made up of individual students, 34% (2013: 41%) relates to large funding organisations such as government related bodies and the balance of 19% (2013: 22%) to other organisations.

With the exception of a small joint venture in Oman, which has now been divested, all trading activities are concentrated in South East Asia and Europe.

The age analysis of trade receivables is as follows:

	Group	
	2014	2013
	£	£
Not past due and not impaired	56,524	76,759
Past due but not impaired		
- Past due 0 to 3 months	403,482	230,728
- Past due 3 to 6 months	152,036	65,776
- Past due over 6 months	65,531	535,447
	621,049	831,951
Impaired trade receivables	210,600	547,965
Less: Allowances for impairment loss	(210,600)	(547,965)
	-	-
Total	677,573	908,710

As required by IFRS 7 on disclosure of Financial Instruments a reconciliation of changes in the record of impairments of receivables is provided below.

	Group	
	2014	2013
	£	£
Allowance for impairment loss		
Balance at the beginning of the year	547,965	89,644
Allowance made during the year - continuing operations	94,474	173,446
Allowance made during the year - discontinued activities	-	5,044
Allowance made during the year offset by deferred income	-	333,674
Allowance written-off during the year	(435,775)	(19,520)
Currency realignment	3,936	(34,323)
Balance as at the end of the year	210,600	547,965

33 Financial Instruments *(continued)*

(ii) Liquidity risk

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

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

Group
2014

	On demand or within one year £	Within 2 to 5 years £
Trade payables	514,951	-
Other payables	348,772	-
Due to related parties	801,358	-
Finance lease obligations	39,654	38,185
	1,704,735	38,185

Group
2013

	On demand or within one year £	Within 2 to 5 years £
Trade payables	263,303	-
Other payables	575,567	-
Due to related parties	660,810	-
Term loan	62,378	-
Finance lease obligations	49,729	63,048
	1,611,787	63,048

33 Financial Instruments *(continued)*

(ii) Liquidity risk *(continued)*

Company
2014

	On demand or within one year £	Within 2 to 5 years £
Amount due to subsidiaries	1,243,545	-
Amount due to related parties	368,079	-
Intra-group guarantee	14,000	23,000
	1,625,624	23,000

Company
2013

	On demand or within one year £	Within 2 to 5 years £
Other payables	46,957	-
Amount due to subsidiaries	2,090,328	-
Amount due to related parties	23,323	-
Intra-group guarantee	14,000	23,000
	2,174,608	23,000

(iii) Foreign currency risk

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

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

33 Financial Instruments *(continued)*

(iii) Foreign currency risk *(continued)*

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

	Singapore Dollar	Malaysian Ringgit	Euro	Other currencies
	£	£	£	£
At 31.12.2014				
Financial assets				
Trade and other receivables	66,996	780,908	31,086	42,031
Cash and bank balances	30,512	6,540	56,192	535
	97,508	787,448	87,278	42,566
Financial liabilities				
Borrowings	56,192	-	-	-
Trade and other payables	741,556	126,431	91,063	-
	797,748	126,431	91,063	-
Net amount	(700,240)	661,017	(3,785)	42,566

33 Financial Instruments *(continued)*

(iii) Foreign currency risk *(continued)*

	Singapore Dollar	Malaysian Ringgit	Euro	Other currencies
	£	£	£	£
At 31.12.2013				
Financial assets				
Trade and other receivables	419,763	640,108	56,163	2,653
Cash and bank balances	89,881	18,963	76,481	1,855
	509,644	659,071	132,644	4,508
Financial liabilities				
Borrowings	669,848	-	-	-
Trade and other payables	381,090	210,287	20,064	8,903
	1,050,938	210,287	20,064	8,903
Net amount	(541,294)	448,784	112,580	(4,395)

Sensitivity analysis for foreign exchange risk

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

33 Financial Instruments *(continued)*

Foreign exchange risk *(continued)*

	Group		Group	
	10% weakening of GBP		10% strengthening of GBP	
	Impact on Equity £	Impact on Income /Reserves £	Impact on Equity £	Impact on Income /Reserves £
At 31.12.2014				
Singapore Dollar	70,024	70,024	(70,024)	(70,024)
Malaysian Ringgit	(66,102)	(66,102)	66,102	66,102
Euro	379	379	(379)	(379)
Other currencies	(4,257)	(4,257)	4,257	4,257

	Group		Group	
	10% weakening of GBP		10% strengthening of GBP	
	Impact on Equity £	Impact on Income /Reserves £	Impact on Equity £	Impact on Income /Reserves £
At 31.12.2013				
Singapore Dollar	54,129	54,129	(54,129)	(54,129)
Malaysian Ringgit	(44,878)	(44,878)	44,878	44,878
Euro	(11,258)	(11,258)	11,258	11,258
Other currencies	440	440	(440)	(440)

33 Financial Instruments *(continued)*

(iv) Interest rate risk

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

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

	Floating rates Less than 12 months £	Non-interest Bearing £	Total £
At 31.12.2014			
Assets			
Trade and other receivables	-	1,030,755	1,030,755
Cash and bank balances	-	360,746	360,746
Non-financial assets	-	4,270,402	4,270,402
Total assets	-	5,661,903	5,661,903

	Fixed and floating rates £	Non-interest Bearing £	Total £
Liabilities			
Trade and other payables	-	1,001,672	1,001,672
Borrowings	779,921	-	779,921
Non-financial liabilities	-	1,451,176	1,451,176
Total Liabilities	779,921	2,452,848	3,232,769

33 **Financial Instruments** *(continued)*

(iv) Interest rate risk *(continued)*

	Floating rates Less than 12 months	Non-interest Bearing	Total
	£	£	£
At 31.12.2013			
Assets			
Trade and other receivables	-	1,355,672	1,355,672
Cash and bank balances	-	1,475,351	1,475,351
Non-financial assets	-	5,492,076	5,492,076
Total assets	-	8,323,099	8,323,099

	Fixed and floating rates	Non-interest Bearing	Total
	£	£	£
Liabilities			
Trade and other payables	-	991,079	991,079
Borrowings	683,756	-	683,756
Non-financial liabilities	-	3,554,094	3,554,094
Total Liabilities	683,756	4,545,173	5,228,929

(v) Fair Values of financial assets and financial liabilities

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

33 Financial Instruments *(continued)*

(vi) Capital risk management policies and objectives

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

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

The Board of Directors reviews the capital structure regularly and at least on an annual basis.

34 Acquisition of subsidiaries

On 27 September 2013, the Company acquired the balance of 49% held by the minority shareholders of AEC Bilingual Pte Ltd for £99,541. The assets of AEC Bilingual Pte Ltd were already consolidated within the group accounts so the only asset acquired through this transaction is the non-controlling interest of £125,489, giving rise to negative goodwill of £25,948.

The financial implications of the acquisition are summarised in the table below.

	£
Non-controlling interest asset	125,489
Negative Goodwill	(25,948)
Per Consolidated Statement of Cash Flows	99,541

35 Discontinued Activities

The loss on discontinued activities comprises:

		2014	2013
		£	£
Losses on discontinued activities attributable to:			
Profit on the sale of associate companies	a	279,037	-
Profit on the transfer of ownership of joint venture company	b	9,854	-
Loss arising on liquidation Smartworks		(55,399)	-
Loss arising on liquidation of Brainbox		(27,386)	-
Malvern House Training Solutions Limited	c	76,313	(380,629)
English Language teaching in Singapore	d	-	(617,694)
		282,419	(998,323)

35 Discontinued Activities *(continued)*

a) Profit on the sale of associate companies

As explained in note 13 the Group has sold its 30% stake in Keris Murni Sdn Bhd and Pusat Tuisyen Kasturi Sdn Bhd for RM1.6m and the profit on sale is set out in that note.

b) Profit on the transfer of ownership of joint venture company

As set out in note 14 the group has divested its interest in the Oman based business Global Institute for Management and Technology, LLC by the transfer of ownership to a third party for the partial repayment of indebtedness. The profit on disposal is set out in that note.

c) Malvern House Training Solutions Limited

On 29 May 2013 a liquidator was appointed over the affairs of Malvern House Training Solutions Limited. As a consequence the net liabilities of that company ceased to be part of the Group.

A summary of the assets of Malvern House Training Solutions Limited disposed of is as follows:

	2014	2013
	£	£
Trade and other receivables	-	56,045
Cash and bank balances	-	11,606
Trade payables	-	(62,219)
Deferred income	-	(47,958)
Other payables and accruals	-	(172,782)
Net liabilities written back on liquidation	-	(215,308)
Loss for period until liquidation	-	237,166
Post liquidation costs defrayed	-	166,732
Further closure provisions/(releases)	(76,313)	132,747
Non controlling interest for 2013 provided	-	59,292
Loss for the year on discontinued activities	(76,313)	380,629

The summary below reflects the trading of Malvern House Training Solutions until its liquidation. This is reported as a single figure for the loss on discontinued activity in the Consolidated Income Statement on page 22 as required by International Accounting Standards.

35 Discontinued Activities *(continued)*

	2013
	£
Revenue	
Sale of services	145,437
Cost of services sold	147,337
Salaries and employees' benefits	185,126
Depreciation of plant and equipment	2,000
Other operating expenses	347,619
Impairment on goodwill on consolidation	-
Total operating costs and expenses	682,082
Operating (loss)/profit	(536,645)
Finance costs	-
Write back of net assets on liquidation	215,308
Provision in respect of non-controlling interest	(59,292)
Loss for the year on discontinued activities	(380,629)

d) English Language teaching in Singapore

As a result of the loss of the EduTrust status within AEC College Pte Ltd which precludes the recruitment of foreign students, the decision was taken to cease teaching English within the operation in Singapore as there is little local demand since the language is taught in the domestic educational system with recruitment previously focused solely on foreign students. This was the only operation in Singapore branded Malvern House.

The loss for the year which arose on the English language business in Singapore prior to cessation together with the associated impairment of premises, plant and equipment are treated as a discontinued cost together with the relevant proportion of the annual charge for amortisation of the Malvern House Brand under the relevant accounting policy.

In addition to the annual charge, the carrying value of the Malvern House Brand at 31 December 2013 which had been previously attributed to the English language business in Singapore was reassessed and clearly as all such activity had ceased an additional charge for the impairment of that proportion of the Malvern House Brand, which totalled £450,000, was also provided as part of the discontinuance.

In summary the loss attributed to the discontinuance of the English language business in Singapore branded Malvern House is:

	£
Revenue	217,936
Cost of services sold	(180,089)
Personnel costs	(127,566)
Other operating expenses	(41,266)
Impairment of Premises plant and equipment	(11,709)
Brand amortisation charge for the year	(25,000)
Brand impairment	(450,000)
Loss on discontinued activity	(617,694)

36 Restatement of Prior Year

During the last financial year the Directors became aware of a material error whereby an accrual was being made for a cost which is not payable by the Group. These charges date back from 2009 to 2013 and were being charged at £72,000 per annum. As a fundamental error this has been corrected by means of a prior year adjustment.

	£
Credit to reserves brought forward at 1 January 2013	237,000
Credit to profit and loss account in prior year	72,000
Total credit to reserves brought forward at 1 January 2014	309,000

As the restatement only affects accruals and retained earnings a summarised version of the restated Statement of Financial Position is set out below

		Group		
	Note	As originally reported 2013 £	Restatements made 2013 £	Restated Position 2013 £
TOTAL ASSETS				
Non-Current Assets		4,829,349	-	4,829,349
Current Assets		3.493.750	-	3.493.750
Total Assets		8,323,099	-	8,323,099
EQUITY AND LIABILITIES				
Non -Current Liabilities		85,323	-	85,323
Current Liabilities				
Other payables and accruals		2,247,962	(309,000)	1,938,962
All other current liabilities	24	3,204,644	-	3,204,644
Current liabilities		5,452,606	(309,000)	5,143,606
Total liabilities		5,537.929	(309,000)	5,228,929
Equity attributable to equity holders of the Company				
Share capital		5,362,491	-	5,362,491
Share premium		896,111	-	896,111
Reserves		(3,299,285)	309,000	(2,990,285)
		2,959,317	309,000	3,268,317
Non-controlling interests		(174,147)	-	(174,147)
Total equity		2,785,170	309,000	3,094,170
Total Equity and Liabilities		8,323,099	-	8,323,099

37 Length of service of audit engagement partner

The audit partner has acted for a seventh successive year which is permissible under the Auditing Practices Board Ethical Standards in special circumstances such as the particular difficulties that faced the AEC Education plc in the years to 31 December 2013 and 31 December 2014. Under normal circumstances the audit partner is expected to rotate every 5 years but a maximum of 7 years are permissible in some circumstances. The audit committee were aware of this and approved the extension in the length of service.