

Education Development International plc
Interim Report 2009



Supporting learning
and performance

“A period of strong revenue and profit growth.”

Financial Headlines

- Revenue up by 33% to £12.78m (2008: £9.61m).
- Operating profit £3.64m (2008: £667,000).
- Adjusted operating profit* £3.95m (2008: £924,000).
- Basic earnings per share[†] to 5.3p (2008: 1.4p).
- Adjusted earnings per share[†] 7.4p (2008: 1.7p).
- Net cash generated from operations £2.87m (2008: £1.16m).
- Net cash and gilts £5.80m (2008: £1.13m).

* Profit on ordinary activity before taxation adjusted for the amortisation charge on acquired intangible assets.

† Adjusted earnings per share is based on adjusted operating profit.

Highlights

- 70% year-on-year growth in UK vocational qualifications sales.
- Launch of partnership with J Sainsbury plc to award National Vocational Qualifications as part of Sainbury's in-house training programme.
- Successfully tendered to provide vocational qualifications services to ESG Limited, one of the UK's largest training providers.
- Sales totalling £910,000 of a Road Passenger Transport qualification for taxi drivers.
- £430,000 revenue gain as a result of exchange rate movements.
- Successful appeal to the Pension Protection Fund for a recalculation of the 2007/08 levy — provision of £182,000 released.
- Interim dividend 0.4p per share (2008: 0.12p).

Chairman's Statement

Results Overview

During the first half of 2008/09, Education Development International ('EDI' or the 'Company') has made exceptional progress, both operationally and financially.

Revenue from continuing operations has increased by 33% with unaudited results for the six month period to 31 March 2009 showing a turnover of £12.78m (2008: £9.61m).

Operating profit for the period was £3.64m (2008: £667,000). Adjusted profit for the period was £3.95m (2008: £924,000). This comprises profit on ordinary activities before taxation adjusted for the amortisation charge on acquired intangible assets.

Adjusted earnings per share amounted to 7.4p (2008: 1.7p). Currently the Company holds accumulated tax losses of £4.3m and these will now be utilised during the course of this financial year. Notionally, on a fully taxed (28%) basis, adjusted earnings per share would have been some 5.3p (2008: 1.2p).

In the six months ended 31 March 2009, the Group had an operating

cash inflow of £2.87m (2008: £1.16m) and at the period end, net cash and gilts stood at £5.80m (2008: £1.13m).

A major driver in achieving these results has been the significant growth of our UK vocational qualifications business which is now benefiting fully from our programme of acquisitions and investments in operating systems, product development and sales capacity over the past five years.

We have also benefited from exchange rate gains due to the relative weakness of Sterling against both the US Dollar and the Euro, reversing the trend of the previous six years. The impact of this has been to increase revenue by £430,000. The delayed timing of certain budgeted expenditure which will now fall in the second half of the year and the release of a provision of £182,000 in respect of a Pension Protection Fund levy have further improved profitability.

The growth in revenue, our operational efficiency, the scalability of our systems and our close control of costs have combined to produce significant margin improvements.

Operating Review

Revenue for the six months to 31 March 2009 (£m):

	2009	2008
UK qualifications and assessment services	8.56	5.39
International qualifications	2.70	2.16
Support and Broadband services	1.48	2.01
Other	0.04	0.05
Total	12.78	9.61

UK Qualifications and Assessment Services

Sales have grown by 59% £8.56m (2008: £5.39m) and include the full benefit of revenues from the acquisition of ASET Group Limited ('ASET') completed on 19 November 2007.

Sales of vocational qualification services have grown by 70%. This performance is the result of new business wins, increased sales to existing customers, growth in sales of the former ASET range of services and a surge in sales of a Road Passenger Transport qualification for taxi drivers which now attracts government funding. The value of sales of this qualification totalled £910,000 over the past six months and this trend is expected to continue through the second half of the year but then to tail off as the majority of those eligible for funding will have completed their programme.

We are committed to providing outstanding customer service and this has helped us win significant new business. During the period under review we were successful in a tender to provide vocational qualification services to ESG Limited, one of the UK's largest private training providers. In addition, we have extended our partnership to support Sainsbury's in-house training programmes and entered into agreements to work with Dixons Store Group, Lidl, One Stop stores and Brantano.

Sales of eNVQ, our innovative online portfolio system, continue to grow and are up 34% on the same period last year at £410,000. Customers who manage their trainees using the eNVQ system report significant gains in administrative efficiency and, most importantly, in the effective management of individual training programmes.

Sales of GOAL assessments to schools have been maintained at a broadly similar level to last year and we are developing plans for a more concerted effort to sell other services to schools including vocational qualifications and Diplomas.

International Qualifications

Sales have increased by 25% £2.70m (2008: £2.16m), largely as a result of currency exchange gains with a total value of £430,000. Some 50% of international sales are billed in either US Dollars or Asian currencies which are linked to the Dollar. A further 30% of international sales are billed in Euros.

Behind these currency gains, underlying sales volumes have increased by 1.4% with stronger growth in Germany and Singapore offsetting slower sales in Hong Kong which is trading below the very strong performance level recorded during the same period last year.

Over the past year we have made further appointments to our international team and at the same time handed back day-to-day

management responsibility for South East Asia to our local agency partner Educational Resources Pte Limited ('ER'). The new arrangements in Asia are allowing us to take a more strategic view of how to support and develop this important market. ER is wholly owned by AEC Education plc ('AEC'), a company in which EDI holds 3,000,000 shares representing 10.6% of the share capital. EDI's original holding of 2,000,000 shares was taken as consideration for the sale of EDI's holding in ER and a further 1,000,000 shares were purchased as part of a placing by AEC and the details of this investment were announced on 16 March 2009.

We have recently introduced a new range of materials to support our international customers and these are available both in printed form and through a recently re-launched website which supports our range of international qualifications.

Over the next few months we will be reorganising our international team so as to establish a closer and more direct working relationship with agents, government organisations and the education institutions that offer our qualifications.

Support and Broadband Services

Sales have reduced by 26% to £1.48m (2008: £2.01m). As previously reported, this performance reflects our policy to phase out arrangements under which we provide administrative services to organisations similar to our own. This approach has been an

important factor in enabling us to service the incremental growth in our own business without the need to recruit additional operations staff.

Contracts to operate our secure online assessment software i-assess, generated sales of £654,000, up 3% on the same period last year. Broadband services provided through Fusion Media Networks recorded sales of £452,000, up 27%.

People

As a result of completing the full integration of ASET by October 2008, including the closure of the former Macclesfield office, staff numbers have reduced by seven over the past 12 months. EDI currently employs 156 people.

We continue to strengthen our management team. Neil Martin was appointed in January 2009 to the new post of Director of Technology and Business Systems. Neil brings with him a wealth of experience in the development and management of large scale IT and business systems.

Strengthening the marketing and promotion of EDI is now a priority. Chris Bolton, formerly the head of vocational qualifications development, has been appointed to the role of Director of Communications and External Relations. Chris's expert knowledge of the market and strong network of contacts will stand him in good stead for this important role.

During the second half of the year we expect staff numbers to increase

Chairman's Statement

as we make additional appointments to strengthen further our sales and product development teams. At the same time, we are continuing to increase our investment in the training and development of our staff to meet the challenges of our growing business and also to ensure that we are equipped to provide exemplary customer service and support.

The Board would like to take this opportunity to congratulate and thank all of the staff, our associates and agents. They are the driving force of the business.

Dividend and Share Buy-Back

Reflecting the strong financial performance set out in these results, cash reserves have grown significantly and the Board feels it is appropriate, therefore, to raise the interim dividend to 0.4p per share (2008: 0.12p). This dividend will be payable on 10 July 2009 to Shareholders on the register on 12 June 2009.

At the Company's AGM on 22 January, authority was secured to buy-back up to 10% of the Company's share capital representing 5,758,530 shares. As circumstances allow, the Board intends to purchase additional Company shares with a view to providing full cover for current share option contracts and hold these in the Company's Employee Benefit Trust. In addition, further shares may be purchased either to hold in Treasury or cancel.

Prospects

The Board is delighted to be able to report further very significant progress in the performance of the Group.

These results are built on the strong foundations we have put down over the past five years through our careful acquisition and investment programmes. Also reflected are the skills and experience of the management team and staff in establishing the organisation's position as a leading provider of education and training assessment and quality assurance services.

While our business has become more balanced between the first and second halves of the year, we nevertheless expect the strong trading experienced in the first six months of 2008/09 to be maintained throughout the remainder of the year.

Despite wider economic concerns, investment in education and training services, particularly through the public sector, has continued to grow and this, taken with our ability to win market share, gives the Board every confidence that its expectations for the full year and beyond will be met.

Richard Price

Chairman

2 June 2009

Consolidated Income Statement

for the period ended
31 March 2009

	Note	31 March 2009 (6 months) £'000	31 March 2008 (6 months) £'000	30 Sept 2008 (12 months) £'000
Continuing operations				
Revenue	3	12,782	9,605	21,500
Cost of sales		(3,092)	(2,560)	(5,953)
Gross profit		9,690	7,045	15,547
Administrative expenses		(6,054)	(6,378)	(12,846)
Operating profit	3	3,636	667	2,701
Finance income		21	54	91
Finance costs		(17)	(58)	(23)
Net finance (income)/costs		4	(4)	68
Profit on ordinary activities before taxation		3,640	663	2,769
Tax (charge)/credit on profit on ordinary activities	4	(783)	43	417
Profit for the period from continuing operations		2,857	706	3,186
Discontinued Operations	5			
Loss attributable to discontinued operations		—	(459)	(459)
Profit for the period		2,857	247	2,727
Attributable to:				
— Equity holders of the parent		2,860	308	2,775
— Minority interest		(3)	(61)	(48)
		2,857	247	2,727
Earnings per share	7			
From continuing operations				
— Basic		5.34p	1.42p	5.97p
— Diluted		5.06p	1.37p	5.70p
From continuing and discontinued operations				
— Basic		5.34p	0.57p	5.12p
— Diluted		5.06p	0.55p	4.89p

Consolidated Balance Sheet

At 31 March 2009

	Note	31 March 2009 £'000	31 March 2008 £'000	30 Sept 2008 £'000
Non-current assets				
Goodwill		7,234	7,528	7,261
Other intangible assets		1,151	1,893	1,522
Property, plant and equipment		297	352	322
Investments		555	235	265
Deferred tax assets		1,093	588	1,238
		10,330	10,596	10,608
Current assets				
Inventories		68	55	51
Trade and other receivables		3,896	3,369	2,800
Assets available for sale — Gilts		984	—	—
Financial assets carried at fair value through profit and loss		5	—	—
Cash and cash equivalents		4,818	1,132	3,229
		9,771	4,556	6,080
Total assets		20,101	15,152	16,688
Current liabilities				
Trade and other payables		(5,069)	(5,291)	(4,943)
Financial assets carried at fair value through profit and loss		(27)	—	—
Current tax liabilities		(566)	(48)	(91)
Provisions		(62)	(335)	(273)
		(5,724)	(5,674)	(5,307)
Non-current liabilities				
Provisions		(46)	(30)	—
Retirement benefit obligations		(867)	(168)	(564)
Deferred tax liabilities		(252)	(425)	(339)
Other non-current liabilities		(179)	(409)	(185)
		(1,344)	(1,032)	(1,088)
Total liabilities		(7,068)	(6,706)	(6,395)
Net assets		13,033	8,446	10,293
Equity				
Share capital		576	575	576
Share premium account		2,997	2,974	2,997
Own shares held		(840)	(440)	(840)
Merger reserve		994	994	994
Other reserves		212	212	212
Retained earnings		9,076	4,123	6,333
Total Shareholders' equity		13,015	8,438	10,272
Minority interest in equity	9	18	8	21
Total equity		13,033	8,446	10,293

Consolidated Cash Flow Statement

for the period ended
31 March 2009

	Note	31 March 2009 (6 months) £'000	31 March 2008 (6 months) £'000	30 Sept 2008 (12 months) £'000
Cash flows from operating activities				
Net cash generated from operations	8	2,857	1,138	4,457
Interest received		21	25	37
Tax paid - net		(6)	—	(35)
Net cash generated from operating activities		2,872	1,163	4,459
Cash flows from investing activities				
Acquisitions of businesses:				
— Consideration		—	(1,964)	(2,166)
— Cash acquired		—	283	283
Disposal of business:				
— Cash disposed of		—	(807)	(807)
Payment of deferred consideration		—	(394)	(839)
Purchase of property, plant and equipment		(95)	(119)	(198)
Proceeds from sale of property, plant and equipment		2	—	—
Purchase of available for sale assets — Gilts		(984)	—	—
Purchase of investments		(120)	—	—
Net cash used in investing activities		(1,197)	(3,001)	(3,727)
Cash flows from financing activities				
Proceeds from issuing ordinary share capital		—	45	45
Repurchase of own shares		—	—	(400)
Dividend paid		(173)	(132)	(201)
Net cash used in financing activities		(173)	(87)	(556)
Net increase/(decrease) in cash & cash equivalents		1,502	(1,925)	176
Cash & cash equivalents at beginning of period		3,229	3,053	3,053
Exchange gains on cash & cash equivalents		87	4	—
Cash & cash equivalents at end of period		4,818	1,132	3,229

Consolidated Statement of Recognised Income and Expense

for the period ended
31 March 2009

	31 March 2009 (6 months) £'000	31 March 2008 (6 months) £'000	30 Sept 2008 (12 months) £'000
Net foreign exchange adjustments offset in reserves	(9)	18	16
Actuarial losses on defined benefit scheme	(394)	(82)	(599)
Deferred tax attributable to the actuarial losses	110	23	168
Gain on investments available for sale	170	—	30
Net expense recognised directly in equity	(123)	(41)	(385)
Profit for the period	2,857	247	2,727
Total recognised income and expense for the period	2,734	206	2,342
Attributable to:			
— Equity holders of the parent	2,737	267	2,390
— Minority interest	(3)	(61)	(48)
	2,734	206	2,342

1. Basis of preparation

This interim financial information has been prepared in accordance with International Accounting Standard (IAS34) "Interim Financial Reporting" as adopted by the European Union. The accounting policies applied in the preparation of this financial information are consistent with those adopted in the statutory accounts for the year ended 30 September 2008.

The financial information shown is unaudited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

It should be noted that accounting estimates and assumptions are used in preparation of the interim financial information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the interim financial information, are set out in Note 2 to the interim financial information.

The figures for the period ended 30 September 2008 were derived from the statutory accounts for that period. The statutory accounts for the period ended 30 September 2008 have been delivered to the Registrar of Companies and received an audit report which was unqualified and did not contain statements under Section 237(2) or (3) of the Companies Act 1985.

This interim report was approved by the Board on 2 June 2009.

2. Accounting estimates and judgements

The key estimates and judgements made by management are detailed below:

Intangible assets acquired on acquisition of a subsidiary undertaking

The intangible assets acquired on the acquisition of a subsidiary undertaking have been accounted for in accordance with IFRS3 "Business combinations" and IAS38 "Intangible assets". The main area of judgement is the valuation of the separate identifiable intangible assets acquired. These calculations have been performed by an external valuer, with whom the Directors have agreed the underlying assumptions to be applied. The key assumptions are the identification of the material separate intangible assets acquired, forecast future cashflows and the discount rate.

Deferred tax assets

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future, against which the reversal of UK trading losses and temporary differences can be deducted. Recognition, therefore, involves judgement regarding the future financial performance of the particular Group undertaking in which the deferred tax asset has been recognised.

Defined benefit pension scheme

The Group's defined benefit pension scheme has been accounted for in accordance with IAS19 "Employee benefits". The main area of judgement is the valuation of the pension scheme liabilities, which represent the net present value of projected future pension payments. These calculations are performed by the scheme actuary, with whom the Directors have agreed the underlying assumptions to be applied. The key assumptions are rates of increase in pension benefits, mortality rates, inflation and the discount rate applied to produce the net present value. The discount rate is derived from market rates on AA corporate bonds at the balance sheet date.

3. Segmental analysis**Analysis of revenue and result by business segment**

	31 March 2009 (6 months)		Periods ended 31 March 2008 (6 months)		30 Sept 2008 (12 months)	
	Revenue £'000	Profit/ (loss) £'000	Revenue £'000	Profit/ (loss) £'000	Revenue £'000	Profit/ (loss) £'000
UK qualifications and assessment services	8,559	3,133	5,385	544	11,881	1,816
International qualifications	2,699	306	2,160	41	5,810	519
Support and broadband services	1,478	290	2,010	171	3,714	622
Unallocated	46	(93)	50	(89)	95	(256)
Continuing operations	12,782	3,636	9,605	667	21,500	2,701
Finance income		21		54		91
Finance costs		(17)		(58)		(23)
Profit on ordinary activities before taxation		3,640		663		2,769
Tax on profit on ordinary activities		(783)		43		417
Discontinued operations		—		(459)		(459)
Profit for the period		2,857		247		2,727

Discontinued operations were previously reported as part of international qualifications.

4. Taxation

The taxation (charge)/credit for the period is analysed below:

	31 March 2009 (6 months) £'000	31 March 2008 (6 months) £'000	30 Sept 2008 (12 months) £'000
Current tax	(422)	(29)	(80)
Deferred tax	(361)	72	497
Tax on profit on ordinary activities	(783)	43	417
Tax reconciliation			
Profit on ordinary activities before taxation	3,640	663	2,769
Theoretical tax charge at UK corporation tax rate of 28%	(1,019)	(186)	(775)
Effects of:			
Changes in tax rates	—	—	(2)
Expenses not deductible for tax purposes	(11)	(61)	(57)
Deductible temporary differences	81	(10)	44
Utilisation of previously unrecognised tax losses	185	310	1,208
Tax losses arising where no deferred tax asset has been recognised	(19)	(11)	—
Other	—	1	(1)
Actual tax on profit on ordinary activities	(783)	43	417

5. Discontinued operations

On 4 January 2008, the Group sold its 50.4% holding in Educational Resources Pte Limited to AEC Education plc, which already had a significant minority interest in the Company. This enabled the Group to simplify management arrangements in the important South East Asia market.

The results of Educational Resources Pte Limited from 1 October 2007 to 4 January 2008 are treated in the consolidated income statement as a discontinued operation. These results consist of the loss on disposal and the trading profit, relating to external sales, for the period up to the date of disposal.

	31 March 2009 (6 months) £'000	31 March 2008 (6 months) £'000	30 Sept 2008 (12 months) £'000
Consideration: 2,000,000 10p ordinary shares in AEC Education plc	—	235	235
Costs of disposal	—	(66)	(66)
Goodwill disposed of	—	(437)	(437)
Share of net assets disposed of	—	(222)	(222)
Loss on disposal	—	(490)	(490)
Revenue	—	69	69
Expenses	—	(36)	(36)
Profit before tax	—	33	33
Tax	—	(2)	(2)
Profit for the period from discontinued operations	—	31	31
Total loss attributable to discontinued operations	—	(459)	(459)

Educational Resources Pte Limited contributed the following to the Group's cash flows:

	31 March 2009 (6 months) £'000	31 March 2008 (6 months) £'000	30 Sept 2008 (12 months) £'000
Operating activities	—	97	91
Investing activities	—	—	—

6. Dividends

	31 March 2009 (6 months) £'000	31 March 2008 (6 months) £'000	30 Sept 2008 (12 months) £'000
Final dividend for the year ended 30 September 2008 of 0.30p (2007: 0.23p) per share	173	132	132
Interim dividend for the year ended 30 September 2008 of 0.12p (2007: 0.10p) per share	—	—	69
Amounts recognised as distributions to equity holders in the period	173	132	201

In addition, the Directors have declared an interim dividend of 0.40 pence (totalling £230,000) for the period ended 31 March 2009. The dividend will be paid on 10 July 2009 to Shareholders who are on the register of members on 12 June 2009. These financial statements do not reflect this dividend payable, which will be accounted for in Shareholders' equity as an appropriation of retained earnings in the year ending 30 September 2009.

7. Earnings per share

	31 March 2009 (6 months)	31 March 2008 (6 months)	30 Sept 2008 (12 months)
Number of shares (million)			
Weighted average number of shares used in basic EPS	57.6	56.9	57.2
Weighted average number of shares held as own shares by Employee Benefit Trust	(4.0)	(3.0)	(3.0)
Weighted average number of shares used in basic EPS	53.6	53.9	54.2
Effect of dilutive securities:			
– Share options	2.9	2.1	2.5
Weighted average number of shares used in diluted EPS	56.5	56.0	56.7
Earnings (£'000)			
Profit for the period attributable to ordinary Shareholders:			
– From continuing and discontinued operations	2,860	308	2,775
– From discontinued operations	–	459	459
– From continuing operations	2,860	767	3,234
Amortisation charge on acquired intangible assets	309	261	570
Tax on profit on ordinary activities	783	(43)	(417)
Minority interest	(3)	(61)	(48)
Adjusted earnings:			
– From continuing operations	3,949	924	3,339
Adjusted earnings from continuing operations is shown as:			
Operating profit	3,636	667	2,701
Net finance income/(costs)	4	(4)	68
Amortisation charge on acquired intangible assets	309	261	570
	3,949	924	3,339

7. Earnings per share continued

Earnings/(loss) per share (pence)

	31 March 2009 (6 months)	31 March 2008 (6 months)	30 Sept 2008 (12 months)
From continuing operations			
– Basic	5.34	1.42	5.97
– Diluted	5.06	1.37	5.70
– Adjusted EPS	7.37	1.71	6.16
– Adjusted EPS – Diluted	6.99	1.65	5.89
<i>From discontinued operations</i>			
– Basic	–	(0.85)	(0.85)
– Diluted	–	(0.82)	(0.81)
<i>From continuing and discontinuing operations</i>			
– Basic	5.34	0.57	5.12
– Diluted	5.06	0.55	4.89

8. Reconciliation of profit before tax to net cash generated from operations

	31 March 2009 (6 months) £'000	31 March 2008 (6 months) £'000	30 Sept 2008 (12 months) £'000
Profit on ordinary activities before taxation:			
– From continuing operations	3,640	663	2,769
– From discontinued operations	–	(457)	(457)
	3,640	206	2,312
Adjustments for:			
Depreciation of property, plant and equipment	119	142	251
Amortisation of intangible assets	371	345	716
Profit on the sale of property, plant and equipment	(1)	–	–
Share options – Employee share scheme charges	45	21	76
Net finance (income)/costs	(4)	4	(68)
	4,170	718	3,287
(Increase)/decrease in inventories	(17)	6	11
(Increase)/decrease in trade and other receivables	(1,100)	258	826
(Decrease)/increase in trade and other payables	(196)	156	333
Cash flows from operations	2,857	1,138	4,457

9. Statement of changes in Shareholders' equity

	Share capital £'000	Share premium £'000	Own shares held £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Total share- holders' equity £'000
At 1 October 2008	576	2,997	(840)	994	212	6,333	10,272
<i>Changes in equity for the period ended 31 March 2009</i>							
Net differences							
on exchange	—	—	—	—	—	(9)	(9)
Actuarial loss (net of deferred tax)	—	—	—	—	—	(284)	(284)
Gain on investments available for sale	—	—	—	—	—	170	170
Net expense recognised directly in equity	—	—	—	—	—	(123)	(123)
Profit for the period	—	—	—	—	—	2,860	2,860
Total recognised income and expense for the period	—	—	—	—	—	2,737	2,737
Share-based payments	—	—	—	—	—	45	45
Deferred tax on share based payments	—	—	—	—	—	134	134
Dividend paid	—	—	—	—	—	(173)	(173)
At 31 March 2009	576	2,997	(840)	994	212	9,076	13,015
At 1 October 2007	551	3,147	(440)	—	212	3,967	7,437
<i>Changes in equity for the period ended 31 March 2008</i>							
Net differences on exchange	—	—	—	—	—	18	18
Actuarial loss (net of deferred tax)	—	—	—	—	—	(59)	(59)
Net expense recognised directly in equity	—	—	—	—	—	(41)	(41)
Profit for the period	—	—	—	—	—	308	308
Total recognised income and expense for the period	—	—	—	—	—	267	267
Share-based payments	—	—	—	—	—	21	21
Dividend paid	—	—	—	—	—	(132)	(132)
New shares issued	24	42	—	779	—	—	845
Transfer to merger reserve	—	(215)	—	215	—	—	—
At 31 March 2008	575	2,974	(440)	994	212	4,123	8,438

Merger reserve

The Group has applied the provisions of Section 131 of the Companies Act 1985 and obtained merger relief on the 2,124,834 ordinary shares issued, with a fair value of 37.65p per share, as part of the acquisition of the entire share capital of ASET Group Limited on 19 November 2007.

The transfer to the merger reserve of £215,000 during the period ended 31 March 2008 represents merger relief obtained on the 971,924 ordinary shares issued, with a fair value of 23.15p per share, as part of the acquisition of the entire share capital of eNVQ Limited on 31 May 2007.

Independent Review Report to Education Development International plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2009 which comprises the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Recognised Income and Expense and notes 1 to 9. We have read the other information contained in the half yearly financial report which comprises only the Highlights and Chairman's Statement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in a review 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, for our review work, for this report, or for the conclusion we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting,' as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Grant Thornton UK LLP
Chartered Accountants
Birmingham, England
2 June 2009

Notes

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