2016

MALVERN INTERNATIONAL PLC

Annual Report

FOR THE YEAR ENDED

31 DECEMBER 2016

Company No 05174452

Contents

CHAIRMAN'S STATEMENT

Overview

2016 was both challenging and exciting. The company responded to the challenges which included severe competition, uncertainties created by Brexit in Britain and changing policies in other markets in three ways. First the two largest shareholders, namely KSP and CG Group made available substantial funding, without interest for the present to strengthen the balance sheet. Second, we recruited a dynamic young educationist from New Zealand Dr. Sam Malafeh, as the Deputy CEO of the Group in charge of operations. He has also invested GBP 450,000 to indicate his commitment to the company. Third, with new funding and new management we revamped our offerings and now stand poised to launch IT related subjects including courses related to cyber security and analytics in partnership with specialists in these areas.

As part of the new strategy, the name of the Company was changed from AEC Education Plc to Malvern International Plc on 13th September 2016. This was to link the parent company to its subsidiaries which have been operating under Malvern name. The Mission of the group is to be a Global Learning and Skills Development Partner to those who come to us to improve their employable opportunities.

The new management team has also set up fresh guidelines on quality assurance to take Malvern International Plc to a higher international level that not only complies with the relevant territory's regulatory requirements but also exceeds consumer and market expectation. The quality improvement plan started in late 2016 and continues into 2017 with series of internal audits taking place to assure the improvement.

Malvern International has also as mentioned earlier set up a new learning technology division to offer technology based products to other education providers looking for new ways of teaching/learning methods and products. This is being done in collaboration with Playware Studios in Singapore, which has patented digital learning technology that has won several awards globally. At the same time, we are also developing a number of other new programmes and these will be announced as and when they are finalised for introduction to the market in 2017 and 2018. The new products are expected to bring additional returns to Malvern in 2017 and the years ahead.

The implementation of the new strategy takes time and requires investment towards improvement of the quality of the service provided in different countries; this would involve a change in management and operations, developing new programmes and new technology products, and establishing a larger and stronger international marketing team. Hence the performance of the Group for the year 2016 was not much different from that in 2015. However, the Board is confident that going forward we are on the right track and the performance of the Group in 2017 onwards should show significant improvement.

In July 2016, the Group disposed of its Dublin subsidiary in which it had 55% interest for €660,000 (equivalent to £554,909) to enable the Group to focus on its 100% owned UK operation. The activities for Dublin have been classified as a discontinued activity for the year ended 31 December 2016 and the comparatives have been restated accordingly. The 50/50 partnership contract with Cyprus ended in August 2016 and this was not renewed.

Financial results and business review

Group

In 2016 the total revenue for the continuing operations of the Group was £3,992,581. This was 17% less than the Group revenue from continuing operations in 2015 of £4,794,168. The fall was mainly due to the fall of revenue in UK of £1.1m which was partially offset by the increase in revenue from Asia of £0.3m. As mentioned in previous reports, UK continued to be impacted by restrictions of working hours allowed under student visas, the terror threat and the uncertainty of the possible effects of Brexit.

As a result of the decrease in revenue for the 2016 financial year, the Group incurred a loss after tax of £1,373,410 on the continuing business as compared to the loss of £1,669,763 in 2015 which included impairment charges of £900,000 made against goodwill and intangible assets. In FY 2016, the impairment was at £150,000

However, after taking the gain on the sale of shares in Dublin operations and the six-month operating profit for Dublin totalling £573,800, the Group comprehensive loss after tax in 2016 was £820,681 (2015 - £1,718,798).

Hence net loss per share for the year on a continuing basis for 2016 was 1.84p compared to 2.84p for 2015 and the net cash at the end of the year stood at £0.12m (2015 - £0.42m).

During 2016, the Board has undertaken an impairment review of the carrying value of its goodwill and intangible assets within the consolidated financial statements of the investments held within the Group in accordance to the process set out in 2015, which takes into consideration our business plan and growth strategies for the Group going forward. Based on this review, an impairment provision of £150,000 was made for the year 2016.

Subsidiaries

With the sale of shares in Dublin and the discontinued business arrangement in Cyprus, the European Sector now comprises only the UK operations. The Southeast East Asia/Middle East sector comprises Singapore and Malaysia. Brief summary of these two sectors is set out below:

United Kingdom (Malvern House)

The revenue of the United Kingdom operations in 2016 was down by 45% to £1.3m compared to the revenue of £2.4m in 2015. Despite this sharp drop in sales, UK was able to contain its operating losses before tax to £433k which was only worse than the operating losses in 2015 of £384k by £49k . This was achieved through cost cutting measures that were undertaken during the past couple of years.

Despite the poor performance of the UK operations in 2016 and in the past years, the Board is still very positive about its potential going forward. It recognises that UK and especially London will continue to be a popular destination for education. Although the student numbers coming to UK have been falling because of the reasons already mentioned earlier in this and past statements, they can be increased again if the courses offered are widened to include skills development programmes This will attract not only overseas students but also UK residents. Hence the main thrust of the Strategic Plan mentioned earlier is to widen the scope of the programmes offered and strengthen the marketing network with strong management control and supervision.

Southeast Asia comprises Singapore and Malaysian operations.

The total revenue for Southeast Asian operations in 2016 was £2.7m compared to £2.3m in 2015. This was an increase of 14%. However, despite this increase in revenue the sector incurred an operating loss of £311K as compared to the operating loss for the 2015 financial year of £80k due to higher operating costs in Malaysia and further provisions for bad debts. The Malaysian operations made a marginal operating profit of £20K and the rest of the losses came from Singapore operations.

The Group has invested heavily in Singapore to prepare for the re-application of Edu Trust Certification which enables the operation not only to enrol overseas students but also to offer overseas diploma and degree programmes. The application for this certification has now been made and the inspection is expected to take place soon. Once this certification is obtained Singapore will be able to drive up its revenue by offering a wide range of programmes that have been developed or are in the process of being developed both to attract students in Singapore and from other countries.

The Malaysian operation is progressing well and is expected to continue to be profitable going forward. The Malaysia operation has also been through some changes to create a more sustainable business aligned with the new strategy of the group. The Board is also looking at the possibility of further expansion of the operations to the different states in Malaysia.

Dividend

The Board does not propose the payment of a final dividend for the year ended 31 December 2016 *(2015: nil).*

Prospects

The past few years have been difficult years for the Group. However, the Board is confident that with the reorganised management and marketing teams and proper and gradual implementation of the New Strategic Plan (which covers development and marketing of new and wider range of programmes), the impact on the performance of the Group will be positive going forward and bring the Group to profitability within a year or two.

Acknowledgements

On behalf of the Board I would like to thank all staff members for their continued dedication, commitment, and cooperation during what has been a very difficult period. We look forward to their continuing support going forward in implementing the new plans to bring back the Group to profitability in the years ahead.

We also would like to extend our appreciation and thanks to all our business partners, students, associates and valued shareholders for their support throughout the year and look forward to the same in the years ahead.

Finally, I would like to personally thank all members of the Board for their time and guidance at the Board level and the various committee levels in which they serve.

Gopinath Pillai
Chairman
Date: 5 June 2017

STRATEGIC REPORT

Principal Activities

The principal activity of the Group is to provide an educational offering that is broad and geared principally towards preparing students to meet the demands of business and management.

The principal activities of the Company are those of investment holding and the provision of educational consultancy services.

There have been no significant changes in the nature of these activities during the year.

Organization Overview

The Group's business is directed by the Board and managed by a senior management team, comprising the Chief Executive, Deputy Chief Executive, Chief Financial Officer and Senior Executives from each business unit, who are responsible for the Operations, Human Resources and Development.

Strategy and Business Plan

During 2016, an extended amount of the Group's resources was utilized to manage the orderly disposal of Ireland, restructure the operations in London and Singapore and realign the overall Group's business plan to include traditional and non-traditional products and services, including the viability of introducing e-learning structured courses.

We expect to see the results of our efforts to flow through by the middle of 2017 for all operating units.

In July 2016, we disposed of all shares in our Dublin subsidiary and anticipated the signing of a license arrangement for a royalty income stream to the group arising from this disposal but this was cancelled by the buyer after a prolonged discussion in December 2016.

Financial Review

The year ended 31 December 2016 was another challenging year in terms of trading for the Group.

The activities for Dublin have been classified as a discontinued activity for the year ended 31 December 2016 and the comparatives have been restated accordingly.

In 2016 the total revenue of the Group from continuing operations was £3,992,581. This was 17% less than the Group revenue from continuing operations in 2015 of £4,794,168 The fall was mainly due to the fall of revenue in UK of £1.1m which was partially offset by the increase in revenue from Asia of £0.3m. As a result of the decrease in revenue for the 2016 financial year, the Group incurred a loss after tax of £1,373,410 on the continuing business as compared to the loss of £1,669,763 in 2015 which included impairment charges of £900,000 made against goodwill and intangible assets (FY 2016: £150,000). However after taking the gain on the sale of shares in Dublin operations and the 6-month operating profit for Dublin totalling £573,800, the Group comprehensive losses after tax in 2016 was £820,681(2015 - £1,718,798).

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 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's findings on risk is set out below.

The Group is subject to regulatory and other changes which might impact on its ability to operate profitably in certain territories.
Over the last few years, the Group has witnessed regulatory changes and enforcement which have had serious implications to the Group through diminished student enrolments in London and Singapore. The Board is ever mindful of the impact of regulatory changes and regularly assesses the exposures in each territory in which it operates.

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.

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. The Board regularly reviews these.

The impact of liquidity and credit risks are monitored but the Group had significant shareholder support in the past with new cash in 2016 (zero interest rates and unsecured). For 2017, we are looking at further capital injections by shareholders and through internal generated funds through the approved 2017 Plan.

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 of the London Stock Exchange, the company reports in UK Sterling. In 2016, 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 33% 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.

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. 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.

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 in their own businesses.

There are no externally imposed capital requirements on the Company.

Key Performance Indicators

	2016	*2015 restated*
Financial		
Revenue from continuing operations	**£3,992,581**	*£4,794,168*
(Decrease)/growth	**(17%)**	*(30%)*
Operating loss	**(£1,454,854)**	*(£1,609,622)*
Loss/profit before Taxation-continuing operations	**(£1,343,037)**	*(£1,645,617)*
Loss per share-continuing operations	**(1.84 pence)**	*(2.84 pence)*

From FY2016, the Board is also tracking non-financial indicators as per below:

	2016
non-Financial	
Number of Courses offered	**22**
Students attending	**6,301**

Gopinath Pillai
DIRECTOR
Date: 5 June 2017

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of Malvern International plc (the "Company") for the year ended 31 December 2016.

Annual General Meeting
The Annual General Meeting will be held at 24 Martin Lane, London, EC4R 0DR on June 2016 at 09.00.

Dividends
The Directors do not recommend the payment of a dividend for the year ended 31 December 2016 *(2015: £nil).*

Directors
The names of the Directors who held office during the year and to date were:
Gopinath Pillai (Chairman)
William Joseph Swords (resigned on 19 October 2016)
Ramasamy Jayapal
Sithawalla Haider Mohamedally
Sabin Joshi
Nadir Ali Zafar
Wee Hock Kee (appointed on 19 October 2016)
Navin Khattar (appointed on 19 October 2016)
Sam Malafeh (appointed on 19 October 2016)

Director's Interest
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
Malvern International plc		
Direct interests:		
Gopinath Pillai *(Chairman)*	-	-
Ramasamy Jayapal	633,131	633,131
Sithawalla Haider Mohamedally	-	-
Sabin Joshi	-	-
Nadir Ali Zafar	-	-
Wee Hock Kee	-	-
Navin Khattar	-	-
Sam Malafeh	-	4,000,000
Indirect Interests:		
Gopinath Pillai *(Chairman)*	25,000	25,000
Ramasamy Jayapal	-	-
Sithawalla Haider Mohamedally	19,000	19,000
Sabin Joshi	-	-
Nadir Ali Zafar	-	-
Wee Hock Kee	-	-
Navin Khattar	-	-
Sam Malafeh	-	-

There were no share options granted to any Directors of the Company.

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 30 May 2017, 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)
C G Corp	31,391,122	29.46
KSP Investments Pte Ltd	29,883,117	28.04
Vidacos Nominees Limited Des:FGN	15,107,294	14.18
Sam Malafeh	9,000,000	8.45

Note: As a percentage of the issued share capital of the Company, comprising 106,557,983 shares.

Controlling Party

There is no controlling party for this Company.

Going Concern

The Board has considered the preparation of the financial statements on the basis that the Company and Group are going concerns. The Group has good visibility on the three operations and have identified those operations that have exposure to funding requirements with those that are self-funding based on their ability to generate positive operating cash.

The Group's main source of funds are internally generated funds and new capital injections. .In making this assessment to prepare the financial statements on a going concern basis, the Board have additionally considered a number of factors including:

- Profit and cash flow projections for the group and its key operating entities based upon their assessment and plans for the operating entities in each of the key jurisdictions
- Evaluation of the working capital requirements of the business and its ability to meet liabilities as and when they fall due
- The agreement reached in October 2016 with certain shareholders to convert certain loans from them into ordinary shares in the company
- Plans for future raising of funds, through the issue of equity, to fund the growth and strategic plans for the business
- Further cash injections and share issues since the year end as outlined in note 30.
- The pursuing of new franchise agreements within the Asia Pacific region.

The Directors have confidence in the committed 2017 planned performance from the Plc and local operating unit management and they believe that the funds generated would sustain the going concern requirements of the Group within the next 12 months. For this reason, they consider it appropriate to prepare the financial statements on the going concern basis but recognise that the reliance on future growth and funding, which is not guaranteed, represents a material uncertainty.

Principal risks and uncertainties
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.

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
The key subsequent events that have arisen are as follows:

- On 19 January 2017, a new capital injection was recorded totalling £100,000.
- On 7 February 2017, the group has agreed with a shareholder that loans from them amounting in aggregate to £38,000 shall be converted into ordinary shares in the company. Further, on the same date, new capital injections totalling £206,000 were registered.
- On 30 March 2017, the group has agreed with a shareholder that loans from them amounting in aggregate to £80,000 shall be converted into ordinary shares in the company. Further, on the same date, new capital injections totalling £290,000 were registered.

More details of these material events subsequent to the 31 December 2016 are given in Note 30 to the Financial Statements.

Auditor
The Auditor, Crowe Clark Whitehall LLP, has 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.

Statement of disclosure to the Independent Auditor
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

ON BEHALF OF THE BOARD

Gopinath Pillai
DIRECTOR
Date: 5 June 2017

CORPORATE GOVERNANCE

As Malvern International plc is an AIM 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.

The Board and Directors

The Board is responsible for creating value for shareholders, determining strategy, investment and acquisition policy, approving significant items of expenditure and for the consideration of significant financing and legal matters. The Group is currently led and controlled by a Board, chaired by Mr. Gopinath Pillai and comprising of the Chairman, and two Executive Directors – Mr. Haider M. Sithawalla, CEO and Dr. Sam Malafeh, Deputy CEO, and 5 Non-Executive Directors.

The Board considers that the Non-Executive Directors each have specific expertise and experience, materially enhancing knowledge and judgment to contribute to the overall performance of the Board.

The Group and Company supports the concept of an effective Board leading and controlling the Group and Company. The Board is responsible for approving the Group and 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 Group and 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 & Risk Management Committee

The Group and Company has established an audit and risk management committee comprised of the Chairman and the three non-executive directors. The purpose of the Audit & Risk Management Committee, which is chaired by Mr. Wee Heck Wee, is to provide formal and transparent arrangements for considering how to apply the financial report and internal control principles set out in the Combined Code, and to maintain an appropriate relationship with the Company's auditors. The key terms are as follows:

- to monitor the integrity of the financial statements of the Company and any formal announcement relating to the Company's performance
- to monitor the effectiveness of the external audit process and make recommendations to the Board in relation to the appointment, re-appointment and remuneration of the external auditors
- to keep under review the relationship with the external auditors including, but not limited to, their independence and objectivity
- to keep under review the effectiveness of the Company's financial reporting and internal control policies and systems and to review, at least annually, the need for an internal audit function

As noted above, the committee members are also responsible for the Group and Company's system of internal financial control and for identifying the major business risks faced by the Group and 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 Group and 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 and have decided to create this function in 2017.

Remuneration Committee
The Group and Company has established a remuneration committee comprised of the Chairman and the two non-executive directors.

The purpose of the Remuneration Committee, which is chaired by Mr. Navin Khattar, is to establish a formal and transparent procedure for developing policy on executive remuneration and to set the remuneration packages of individual Non-Executive Directors. The key terms are as follows:

- to determine and agree with the Board the framework or broad policy for the remuneration of the full-time Executive Directors
- to determine the total individual remuneration package of each full-time Executive Director including, where appropriate, bonuses, incentive payments and share options
- to determine targets for any performance-related pay schemes and
- to determine the policy for and scope of pension arrangements for Non-Executive Directors

Details of the Directors' emoluments are set out in the financial statements. It is the Group and Company's policy that the remuneration of directors should be commensurate with the services provided by them to the Group and Company, their experience and should be competitive to attract appropriate individuals.

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.

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.

ON BEHALF OF THE BOARD

Gopinath Pillai
DIRECTOR
Date: 5 June 2017

Independent Auditors' Report to the Shareholders of Malvern International plc

We have audited the Group and Parent Company Financial Statements of Malvern International plc for the year ended 31 December 2016 (the "Financial Statements"), which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows, together with the related notes, numbers 1 to 32.

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 Group's members, as a body, in accordance with Part 3 of Chapter 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Group'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 under 'Statement of Directors' Responsibilities' on page 16, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view.
Our responsibility is to audit 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 (APB) Ethical Standards for auditors.

Scope of the audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the Financial Statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2016 and of the Group's loss for the year 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 the IFRSs as adopted by the European Union 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.

Emphasis of Matter – Going Concern

In forming our opinion on the financial statements, which is not qualified, we have considered the recent trading performance of the group and the net current liability position of the group and company as at 31 December 2016 together with the adequacy of the disclosure made in note 2(iv) 'Basis of preparation' in relation to 'Going Concern'. Notwithstanding the disclosure in note 2(iv) and that the directors believe it is appropriate to produce these accounts on a going concern basis, these conditions highlight a material uncertainty relating to the future outcome of trading performance and plans for future raising of funds, probably through the issue of equity, to fund the growth and strategic plans of the business. The financial statements do not include the adjustments that would result if the group or company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit:

- 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; and
- the Directors' Report and Strategic report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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 the information and explanations we require for our audit.

Nigel Bostock
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Chartered Accountants
Statutory Auditor
St Brides House
10 Salisbury Square
London
EC4Y 8EH

Date: 6 June 2017

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016	2015 restated
		£	£
Revenue			
Sale of services	4	**3,992,581**	*4,794,168*
Other income	5	**52,104**	*261,467*
		4,044,685	*5,055,635*
Cost of services sold		**2,210,611**	*2,418,647*
Salaries and employees' benefits	6	**1,158,797**	*1,292,034*
Amortisation of brand, licences and trademarks	14	**158,333**	*165,165*
Depreciation of plant and equipment	11	**77,579**	*101,244*
Other operating expenses		**1,744,219**	*1,788,167*
Impairment of goodwill	15	**-**	*404,352*
Impairment of intangible assets	14	**150,000**	*495,648*
Operating loss		**(1,454,854)**	*(1,609,622)*
Share of results of associated companies and joint ventures	13	**49,898**	*965*
Finance costs	7	**61,919**	*(36,960)*
Loss before income tax		**(1,343,037)**	*(1,645,617)*
Income tax charge	9	**(30,373)**	*(24,146)*
Loss for the year from continuing activities		**(1,373,410)**	*(1,669,763)*
Profit for the year from discontinued activities		**573,800**	*262,431*
Loss for the year		**(799,610)**	*(1,407,332)*
Attributable to:			
Equity holders of the Company		**(799,610)**	*(1,525,426)*
Non-controlling interest		**-**	*118,094*
		(799,610)	*(1,407,332)*

		2016	2015 restated
Loss per share on continuing activities (in pence)	10		
Basic		**(1.84)**	(2.84)
Diluted		**(1.84)**	(2.84)
Profit /(loss) per share on discontinued activities (in pence)	10		
Basic		**0.77**	0.42
Diluted		**0.77**	0.42
Loss per share attributable to equity holders of the Company (in pence)	10		
Basic		**(1.07)**	(2.42)
Diluted		**(1.07)**	(2.42)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	*2015*
	£	£
Loss for the year	**(799,610)**	*(1,407,332)*
Foreign currency translation movements	**(21,071)**	*(311,466)*
Total comprehensive income for the year	**(820,681)**	*(1,718,798)*
Attributable to:		
Equity holders of the parent	**(820,681)**	*(1,857,769)*
Non-controlling interest	**-**	*138,971*
Total comprehensive income for the year	**(820,681)**	*(1,718,798)*

STATEMENTS OF FINANCIAL POSITION

	Note	Group 2016	Group 2015	Company 2016	Company 2015
		£	£	£	£
TOTAL ASSETS					
Non-Current Assets					
Property, plant and equipment	11	**188,835**	*348,251*	-	-
Investment in subsidiary companies	12	-	-	**4,208,564**	*3,657,585*
Investment in joint ventures	13	-	*89,675*	-	-
Intangible assets	14	**2,144,264**	*2,445,611*	-	-
Development Expenditure		**1,505**	-	-	-
Goodwill	15	**1,312**	*1,312*	-	-
Deferred tax asset	9	-	*17,120*	-	-
		2,335,916	*2,901,969*	**4,208,564**	*3,657,585*
Current Assets					
Inventories	16	**3,129**	*9,142*	-	-
Trade receivables	17	**460,939**	*575,952*	-	*41,985*
Other receivables and prepayments	18	**619,993**	*804,003*	**12,993**	*111,022*
Tax recoverable		**32,539**	*13,020*	**32,539**	*13,020*
Amounts due from subsidiary companies		-	-	**817,353**	*622,442*
Amounts due from joint ventures		**27,841**	*32,428*	-	-
Amounts due from related parties	19	-	-	-	-
Cash and cash equivalents	20	**116,541**	*416,268*	**851**	*5,235*
		1,260,982	*1,850,813*	**863,736**	*793,704*
Total Assets		**3,596,898**	*4,752,782*	**5,072,300**	*4,451,289*

STATEMENTS OF FINANCIAL POSITION *(Continued)*

		Group		Company	
	Note	**2016**	*2015*	**2016**	*2015*
		£	*£*	**£**	*£*
EQUITY AND LIABILITIES					
Non-Current Liabilities					
Financial liabilities	25	**24,447**	*7,492*	-	-
Deferred taxation liability	9	-	*3,323*	-	-
		24,447	*10,815*	-	-
Current Liabilities					
Trade payables	21	**170,675**	*535,940*	-	-
Deferred income	22	**243,297**	*756,282*	-	-
Other payables and accruals	23	**809,824**	*1,487,997*	**285,753**	*239,686*
Amounts due to a subsidiary		-	-	**35,055**	*60,039*
Amounts due to related parties	24	**1,223,256**	*1,589,052*	**1,159,253**	*1,492,430*
Financial liabilities	25	**4,823**	*31,383*	-	-
Provision for income tax		**9,626**	*18,949*	-	-
		2,461,501	*4,419,603*	**1,480,061**	*1,792,155*
Total liabilities		**2,485,948**	*4,430,418*	**1,480,061**	*1,792,155*
Equity attributable to equity holders of the Company					
Share capital	26	**6,823,838**	*5,362,491*	**6,823,838**	*5,362,491*
Share premium	27 (i)	**896,111**	*896,111*	**896,111**	*896,111*
Retained earnings	27 (iii)	**(7,785,081)**	*(6,964,400)*	**(4,127,710)**	*(3,599,468)*
Translation reserve	27 (iv)	**1,005,522**	*965,602*	-	-
Capital reserve	27 (v)	**170,560**	*170,560*	-	-
		1,110,950	*430,364*	**3,592,239**	*2,659,134*
Non-controlling interests		-	*(108,000)*	-	-
Total equity		**1,110,950**	*322,364*	**3,592,239**	*2,659,134*
Total Equity and Liabilities		**3,596,898**	*4,752,782*	**5,072,300**	*4,451,289*

The loss for the financial year dealt with in the financial statements of the parent Company was £528,242 (2015: loss £1,695,910).

The financial statements were approved by the Board of Directors on 5 June 2017 and were signed on its behalf by:

Gopinath Pillai **Chairman**

Company-registration-number:0517445

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share Capital	Share Premium	Share-Based Payment Reserve	Retained Earnings	Translation Reserve	Capital Reserve	Attributable To Equity Holders of the Company	Non-controlling Interests	Total
	£	£	£	£	£	£	£	£	£
Balance at 1 January 2015	*5,362,491*	*896,111*	-	*(5,444,476)*	*1,297,945*	*170,560*	*2,282,631*	*(246,971)*	*2,035,660*
Loss for the year	-	-	-	*(1,525,426)*	-	-	*(1,525,426)*	*118,094*	*(1,407,332)*
Total other comprehensive income	-	-	-	-	*(332,343)*	-	*(332,343)*	*20,877*	*(311,466)*
Total comprehensive income for the year	-	-	-	*(1,525,426)*	*(332,343)*	-	*(1,857,769)*	*138,971*	*(1,718,798)*
Unclaimed dividends	-	-	-	*5,502*	-	-	*5,502*	-	*5,502*
Balance at 31 December 2015/ 1 January 2016	**5,362,491**	**896,111**	**-**	**(6,964,400)**	**965,602**	**170,560**	**430,364**	**(108,000)**	**322,364**
Loss for the year	**-**	**-**	**-**	**(820,681)**	**-**	**-**	**(820,681)**	**108,000**	**(712,681)**
Total other comprehensive income	**-**	**-**	**-**	**-**	**39,920**	**-**	**39,920**	**-**	**39,920**
Total comprehensive income for the year	**-**	**-**	**-**	**(820,681)**	**39,920**	**-**	**(780,761)**	**108,000**	**(672,761)**
New Share Issues	**1,461,347**	**-**	**-**	**-**	**-**	**-**	**1,461,347**	**-**	**1,461,347**
Balance at 31 December 2016	**6,823,838**	**896,111**	**-**	**(7,785,081)**	**1,005,522**	**170,560**	**1,110,950**	**-**	**1,110,950**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	*2015 restated*
	£	*£*
Cash Flows from Operating Activities		
Loss before income tax from continuing activities	**(1,343,037)**	*(1,645,617)*
Profit/(loss) before income tax from discontinued activities	**573,800**	*262,431*
Adjustments for:		
Amortisation of intangible assets	**158,333**	*165,165*
Depreciation of property, plant and equipment	**77,579**	*150,016*
Impairment of goodwill	**-**	*404,352*
Impairment of intangible assets	**150,000**	*495,648*
Loss on disposal of plant and equipment	**43,533**	*9,920*
Non-cash elements of profit on discontinued activities	**(308,082)**	*-*
Interest expense	**61,919**	*43,747*
Others	**-**	*965*
	(585,955)	*(113,373)*
Changes in working capital:		
Receivables	**120,356**	*(137,221)*
Payables	**(817,411)**	*(63,954)*
Inventories	**3,424**	*(2,424)*
Related parties and associated companies	**683,662**	*632,497*
	(595,924)	*315,525*
Taxation	**7,797**	*(24,867)*
Net cash used from operating activities	**(588,127)**	*290,658*
Cash Flows from Investing Activities		
Interest received	**-**	*-*
Dividends received	**-**	*-*
Purchases of property, plant and equipment	**(45,899)**	*(90,649)*
Purchase of trademarks and licences	**-**	*-*
Net cash used in investing activities	**(45,899)**	*(90,649)*
Cash Flows from Financing Activities		
Interest paid	**(61,919)**	*(43,747)*
Repayment of term loan	**-**	*(37,204)*
Finance leases	**(9,605)**	*(38,964)*
Unclaimed dividends returned	**-**	*5,502*
New Share Issues[1]	**428,992**	*-*
Net cash generated by/(used in) financing activities	**357,468**	*(114,413)*
Effect of foreign exchange rate changes on consolidation	**(23,169)**	*(30,074)*
Net decrease in cash and cash equivalents	**(299,727)**	*55,522*
Cash and cash equivalents at the beginning of the Year	**416,268**	*360,746*
Cash and cash equivalents at the end of the year	**116,541**	*416,268*

[1] This includes the cash portion of the capital injection. An amount of £1,032,355 was capitalized from shareholder loans.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share Capital	Share Premium	Retained Earnings	Total of other Reserves	Total
	£	£	£	£	£
Balance at 1 January 2015	*5,362,491*	*896,111*	*(1,909,060)*	*(1,909,060)*	*4,349,542*
Loss for the year	-	-	*(1,695,910)*	*(1,695,910)*	*(1,695,910)*
Total comprehensive income for the year	-	-	*(1,695,910)*	*(1,695,910)*	*(1,695,910)*
Unclaimed Dividends	-	-	*5,502*	*5,502*	*5,502*
Total transactions with owners	-	-	*5,502*	*5,502*	*5,502*
Balance at 31 December 2015/ 1 January 2016	**5,362,491**	**896,111**	**(3,599,468)**	**(3,599,468)**	**2,659,134**
Loss for the year	**-**	**-**	**(528,242)**	**(528,242)**	**(528,242)**
Total comprehensive income for the year	**-**	**-**	**(528,242)**	**(528,242)**	**(528,242)**
New Share Issues	**1,461,347**	**-**	**-**	**-**	**1,461,347**
Total transactions with owners	**1,461,347**	**-**	**-**	**-**	**1,461,347**
Balance at 31 December 2016	**6,823,838**	**896,111**	**(4,127,710)**	**(4,127,710)**	**3,592,239**

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

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
Cash Outflows from Operating Activities		
Loss before income tax	**(528,242)**	*(1,695,911)*
Adjustments for:		
Interest expense	**-**	*14,026*
Impairment of investment in subsidiary	**176,187**	*1,602,522*
Impairment of investment in joint venture	**-**	*-*
	(352,055)	*(79,363)*
Change in working capital		
Receivables	**(606,672)**	*(67,965)*
Payables	**745,245**	*67,116*
Related parties	**(219,894)**	*79,155*
Net cash used in operating activities	**(433,376)**	*(1,057)*
Cash Flows from Financing Activities		
Unclaimed dividends returned	**-**	*5,502*
New Share Issues	**428,992**	
Net cash used in financing activities	**428,992**	*5,502*
Cash Flows from Investing Activities		
Interest expense	**-**	*(14,026)*
Interest income	**-**	*-*
Acquisition of non-controlling interest	**-**	*-*
Net cash generated from investing activities	**-**	*(14,026)*
Net increase in cash and cash equivalents	**(4,384)**	*(9,581)*
Cash and cash equivalents at the beginning of the year	**5,235**	*14,816*
Cash and cash equivalents at the end of the year	**851**	*5,235*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. General Information

Malvern International 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 activity of the group is to provide an educational offering that is broad and geared principally towards preparing students to meet the demands of business and management. The specific 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.

2. Significant Accounting Policies

(i) Basis of Preparation

These Financial Statements of the Group and Company are prepared on a going concern basis, under the historical cost convention (with the exception of share based payments and goodwill) and in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union, in accordance with the Companies Act 2006. The Parent Company's Financial Statements have also been prepared in accordance with IFRS and the Companies Act 2006.

The preparation of Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The activities for Dublin have been classified as a discontinued activity for the year ended 31 December 2016 and the comparatives have been restated accordingly. There is no impact on the net assets of the group or parent company at the beginning or end of the prior year.

(ii) Basis of consolidation

The Group financial statements consolidate the accounts of Malvern International plc and all of its subsidiary undertakings made up to 31 December 2016. The Consolidated Statement of Comprehensive Income includes the results of all subsidiary undertakings for the period from the date on which control passes. Control is achieved where the Company (or one of its subsidiary undertakings) obtains the power to govern the financial and operating policies of an investee entity so as to derive benefits from its activities.

(iii) Adoption of new and revised International Financial Reporting Standards

No new IFRS standards, amendments or interpretations became effective in 2016 which had a material effect on these Financial Statements.

At the date of approval of these Financial Statements, the directors have considered IFRS Standards and Interpretations, which have not been applied in these Financial Statements, were in issue but not yet effective. The Group has not early adopted these and are undertaking an ongoing evaluation of the potential impact of IFRS9 in respect of the impact of the expected loss model on the impairment of receivables, IFRS15 in respect of the revenue recognition for revenues and IFRS16 in respect of leases. Whilst this exercise is not concluded, the Directors but do not presently anticipate that the adoption of these standards and interpretations will have a material impact on the Group's Financial Statements in the periods of initial application

Standards applied
New accounting standards that have become effective for the current year have not had a material impact on the classification or measurement of the Group's assets and liabilities, nor have they resulted in any additional disclosures.

(iv) Going concern
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. In making this assessment to prepare the financial statements on a going concern basis, the Board have additionally considered a number of factors including:

- Profit and cash flow projections for the group and its key operating entities based upon their assessment and plans for the operating entities in each of the key jurisdictions
- Evaluation of the working capital requirements of the business and its ability to meet liabilities as and when they fall due
- The agreement reached in October 2016 with certain shareholders to convert certain loans from them into ordinary shares in the company
- Plans for future raising of funds, through the issue of equity, to fund the growth and strategic plans for the business
- Further cash injections and share issues since the year end as outlined in note 30.
- The pursuing of new franchise agreements within the Asia Pacific region.

The Directors recognise the need to raise further funding and they believe and anticipate that this will be achieved within the next 12 months. For this reason, they consider it appropriate to prepare the financial statements on the going concern basis but recognise that the reliance on future funding, which is not guaranteed, represents a material uncertainty.

(v) 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:

Estimated Impairment of Brands, Licences and Trademarks
The Group evaluates whether there is any indication that their brands, licences and trademarks have suffered any impairment, in accordance with their stated accounting policy. 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.

Estimated Impairment of Goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with their stated accounting policy. 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.

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 their stated accounting policy. 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.

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.

Evaluation of deferred income
The Group reviews the fees raised at the end of relevant periods to evaluate those amounts that cover the future provision of education not yet delivered to evaluate the amount of deferred income to be recognised in a future period

(vi) Basis of Combination
Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that they may be a change in any of these elements of control.

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.

(vii) Subsidiary Company
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.

(viii) 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.

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.

(ix) 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.

(x) 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, Euro, Malaysian Ringgit and UK Sterling.

(xi) 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.

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:

	2016	*2015*
1 Pound Sterling to Singapore Dollar		
Closing rate	**1.794**	*2.114*
Average rate	**1.877**	*2.100*
1 Pound Sterling to Malaysian Ringgit		
Closing rate	**5.572**	*6.432*
Average rate	**5.590**	*5.391*
1 Pound Sterling to Euro		
Closing rate	**1.185**	*1.379*
Average rate	**1.221**	*1.377*

(xii) 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.

(xiii) Intangible fixed assets

An intangible asset with indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Licence fees with a definite life are amortised using a straight-line method over a period of 2 to 5 years. Brands with a definite life are amortised using a straight-line method over a period of 25 years.

(xiv) Impairment of tangible and intangible 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.

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.

(xv) Goodwill

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 sub-groups 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.

(xvi) Financial assets, loans and receivables

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.

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.

(xvii) 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.

(xviii) Revenue Recognition

Revenue is recognised on the following basis:

- Course fees and examination fees are recognised as income based on classes or examinations conducted during the year.
- Accommodation fees are recognised as income based upon occupancy of act a point in time.
- Publication sales are recognised upon sale of study guides.
- Registration fees are recognised upon approval of respective applications.
- Revenues from support services are recognised when services are rendered.
- 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.

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.

(xix) 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.

(xx) 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.

(xxi) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Allowance for impairment is made for obsolete, slow moving and defective stocks.

(xxii) 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.

(xxiii) Income Tax

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

(xxiv) 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.

(xxv) 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.

(xxvi) Employees' Benefits

Defined contribution plans

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

Employee leave entitlement

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

Share-based compensation

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.

(xxvii) 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.

(xxviii) 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 equity instruments are recorded at fair value. The difference between the proceeds received and the fair value is reflected in the share based payments reserve.

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

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

- where the number of shares to be issued has been fixed, then such deferred consideration will be classified as equity
- 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.

(xxix) Share based payments

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.

(xxx) 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.

(xxxi) 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 comprising Europe (UK and Cyprus) and South East Asia/Middle East (Malaysia and Singapore). These segments represent the respective sub-groups of Malvern House Group Limited (Europe) and Malvern Singapore (South East Asia/Middle East).

The segmental analysis is as follows:

	Europe	Asia	Total
2016	**£**	**£**	**£**
Revenue from external customers	**1,314,904**	**2,677,677**	**3,992,581**
Depreciation, write offs and amortisation	**(92,852)**	**(293,060)**	**(385,912)**
Loss before taxation	**(528,355)**	**(814,682)**	**(1,343,037)**
Taxation charge	**-**	**(30,373)**	**(30,373)**
Profit on discontinued activities	**573,800**	**-**	**573,800**
Loss for the year	**45,445**	**(845,055)**	**(799,610)**
Segmental assets	**1,018,926**	**2,577,972**	**3,596,898**
Segmental liabilities	**(1,022,332)**	**(1,463,617)**	**(2,485,948)**
Additions to non-current assets	**3,653**	**42,246**	**45,899**
2015-restated			
Revenue from external customers	*2,446,734*	*2,347,434*	*4,794,168*
Depreciation, write offs and amortisation	*(1,044,024)*	*(122,384)*	*(1,166,408)*
Loss before taxation	*(1,548,300)*	*(97,317)*	*(1,645,617)*
Taxation charge	*(1,100)*	*(23,046)*	*(24,146)*
Profit on discontinued activities	*262,431*	-	*262,431*
Loss for the year	*(1,286,969)*	*(120,363)*	*(1,407,332)*
Segmental assets	*1,988,438*	*2,764,344*	*4,752,782*
Segmental liabilities	*(3,178,018)*	*(1,252,400)*	*(4,430,418)*
Additions to non-current assets	*17,120*	-	*17,120*

Note that the Segmental liabilities figure for South East Asia and the Middle East is shown as a net asset due to the treatment of the amount due from Europe to South East Asia for funding being shown as a liability in the former and an asset in the latter.

4. Sale of Services

	2016	*2015 restated*
	£	*£*
Course fees	**3,395,083**	*3,730,266*
Accommodation fees	**454,129**	*812,888*
Application fees, registration and examination fees	**60,669**	*106,410*
Training fees and other sales	**82,700**	*144,604*
	3,992,581	*4,794,168*

5. Other Income

	2016	*2015-restated*
	£	*£*
Legal Settlement	-	*150,000*
Interest income	-	*121*
Rental and related income	**37,218**	*20,707*
Miscellaneous income	-	*90,639*
Write back of Accruals/Debts	**14,886**	*-*
	52,104	*261,467*

6. Salaries and Employees' Benefits

	2016	*2015-restated*
	£	*£*
Staff salaries and related costs	**1,179,884**	*1,312,184*
Social security costs – staff	**172,188**	*262,858*
Directors' remuneration	**59,000**	*84,366*
Directors' fees	**40,288**	*90,712*
Social security costs – directors	-	*217*
Others	-	*10,368*
	1,451,360	*1,760,705*
Less : reported as cost of services sold	**(292,563)**	*(468,671)*
	1,158,797	*1,292,034*
Highest paid director		
Remuneration and benefits	**35,000**	*48,000*

Average number of employees	Number	*Number*
Lecturers	**31**	*34*
Marketing staff	**14**	*17*
Operational and administration staff	**64**	*54*
	109	*105*

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 2015 and 31 December 2016 no pension payments were paid or accrued.

7. Finance Costs

	2016	*2015-restated*
	£	*£*
Interest payable to related parties	**(64,999)**	*36,333*
Interest on finance leases	-	*527*
Bank overdraft	-	*-*
Other Charges	**3,080**	*100*
	(61,919)	*36,960*

8. Operating Loss

	2016	*2015-restated*
	£	*£*
Auditors' remuneration:		
- Fees payable to the Company's auditors* for statutory audit	**38,100**	*29,000*
- Fees payable to the Company's auditors** for statutory audit of subsidiary company	**39,832**	*34,092*
- (Over)/under provision of fees payable to the Company's auditors for statutory audit in prior year	**12,000**	*5,000*
- Fees payable to the other auditors for statutory audits	**3,648**	*3,410*
- Fees payable to the other auditors for taxation services	**8,412**	*1,375*
	101,922	*72,877*
Exchange loss/(gain)	**(21,390)**	*(161,418)*
Impairment for trade receivables charge	**110,023**	*23,213*
Office and equipment rental	**768,547**	*750,839*

9. Income Tax

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

	2016	*2015-restated*
	£	*£*
Current income tax	**(33,696)**	*(33,258)*
PY income tax adjustment	**-**	*1,075*
Current year tax	**(33,696)**	*(32,183)*
Deferred taxation	**3,323**	*8,037*
	(30,373)	*(24,146)*

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

	2016		*2015-restated*	
	£	%	£	%
Loss before income tax	**(1,343,038)**		*(1,645,616)*	
Income tax at the statutory rate of 17%	**228,316**	**17.0**	*279,755*	*17.0*
Effect of different tax rate in foreign Jurisdictions	**-**	**-**	-	*0.0*
Non-deductible income and expenses	**(21,366)**	**(1.6)**	*(259,054)*	*(15.7)*
Singapore statutory stepped income Exemption	**-**	**-**	*30,189*	*1.8*
Adjustments of income tax in respect of prior years	**-**	**-**	*1,073*	*0.1*
Deferred tax asset not recognised	**(237,324)**	**(17.7)**	*(77,209)*	*(4.7)*
(Over)/under-provision for prior year deferred tax	**-**	**-**	-	*0.0*
Other effects not separately identified	**-**	**-**	*1,100*	*0.1*
	(30,373)	**(2.3)**	*(24,146)*	*(1.5)*

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 as insignificant to the Group.

	2016	*2015-restated*
	£	*£*
Composition of deferred taxation:		
On the excess of the net book value over tax written down value of plant and equipment	**-**	*13,797*
Analysis of provision for deferred taxation:		
Balance at the beginning of the year	**13,797**	*(12,674)*
Deferred taxation for the year	**3,323**	*25,187*
Sale of Subsidiary	**(17,120)**	-
Currency realignment	**-**	*1,284*
Balance at the end of the year	**-**	*13,797*
Deferred tax asset	**-**	*17,120*
Deferred tax liability	**-**	*(3,323)*
Balance at the end of the year	**-**	*13,797*

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

	2016	*2015*
	£	*£*
Un-utilised capital allowance c/f	**82,146**	*297,691*
Un-utilised tax losses	**3,628,440**	*3,182,865*
	3,710,586	*3,480,556*

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. 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.

There are no temporary timing differences in respect of the company.

10. Earnings/(Loss) Per Share

The basic and diluted earnings/(loss) per share on continuing activities was based on the loss attributable to shareholders of £1,373,410 *(2015-restated: loss of £1,787,857)* and the weighted average number of ordinary shares in issue during the year of 74,592,510 shares *(2015: 63,051,043 shares).*

The basic and diluted earnings/(loss) per share on discontinued activities was based on the profit attributable to shareholders of £573,800 *(2015-restated: £262,431)* and the weighted average number of ordinary shares in issue during the year of 74,592,510 shares *(2015: 63,051,043 shares)*.

The basic and diluted earnings/(loss) per share attributable to equity holders of the Company was based on the loss to shareholders of £799,610 *(2015-restated: loss of £1,525,426)* and the weighted average number of ordinary shares in issue during the year of 74,592,510 shares *(2015: 63,051,043 shares).*

There were no outstanding options in 2016.

11. Property, Plant, and Equipment

	Leasehold property and improvements	Classroom and office equipment	Motor Vehicle	Total
	£	£	£	£
Cost As at 1 January 2015	*537,373*	*1,947,697*	*11,990*	*2,497,060*
Additions	*8,117*	*82,532*	-	*90,649*
Disposals	-	*(9,920)*	-	*(9,920)*
Exchange differences	*(6,840)*	*(25,505)*	*(158)*	*(32,503)*
As at 31 December 2015/ 1 January 2016	**538,650**	**1,994,804**	**11,832**	**2,545,286**
Additions	**4,365**	**13,270**	**28,264**	**45,899**
Disposals-Subsidiary	**(164,861)**	**(213,356)**	**(126)**	**(378,343)**
Disposals	**-**	**(173,757)**	**-**	**(173,757)**
Exchange differences	**-**	**-**	**-**	**-**
As at 31 December 2016	**378,154**	**1,620,961**	**39,970**	**2,039,085**
Accumulated depreciation				
As at 1 January 2015	*406,914*	*1,640,104*	-	*2,047,018*
Charge for the year	*48,774*	*99,041*	*2,201*	*150,016*
Disposals	-	-	-	-
Exchange differences	-	-	-	-
As at 31 December 2015/ 1 January 2016	**455,688**	**1,739,145**	**2,201**	**2,197,034**
Charge for the year	**16,376**	**57,478**	**3,725**	**77,579**
Disposals-Subsidiary	**(119,212)**	**(175,097)**	**-**	**(294,309)**
Disposals	**-**	**(130,224)**	**-**	**(130,224)**
Exchange differences	**-**	**-**	**170**	**170**
As at 31 December 2016	**352,853**	**1,491,301**	**6,096**	**1,850,250**
Net book value **At 31 December 2016**	**25,301**	**129,660**	**33,874**	**188,835**
At 31 December 2015	*82,962*	*255,658*	*9,631*	*348,251*

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:

	Additions	Depreciation	Net book value
2016	**£**	**£**	**£**
Classroom and office equipment	**-**	**32,161**	**50,113**
Motor vehicle	**28,264**	**6,096**	**22,168**
	28,264	**38,257**	**72,281**
2015	£	£	£
Classroom and office equipment	-	*19,793*	*54,521*
Motor vehicle	-	*2,706*	*7,442*
	-	*22,499*	*61,963*

12. Investment in Subsidiary Companies

Company	2016	*2015*
	£	£
Investment in subsidiaries		
Unquoted equity shares, at cost		
As at the beginning of the year	**6,360,107**	*6,360,107*
Additions	**727,166**	-
As at the end of the year	**7,087,273**	*6,360,107*
Provision against the cost of investment in subsidiaries		
As at the beginning of the year	**2,702,522**	*1,100,000*
Impairment charge	**176,187**	*1,602,522*
As at the end of the year	**2,878,709**	*2,702,522*
Net book value at the end of the year	**4,208,564**	*3,657,585*

During the year ended 31 December 2016, Malvern House International Pte Ltd (Singapore) was capitalized for an additional £727,166

After an internal review, it was decided that a further impairment of £176,187 will be required for AEC Bilingual which has become dormant in 2016.

Malvern International Academy Pte Ltd (Singapore), Malvern House Group Limited, AEC Bilingual Pte Ltd and Malvern Language Academy Pte Ltd are the Company's immediate subsidiaries.

The details of the principal subsidiary companies of Malvern International Academy Pte Ltd and Malvern House Group Limited as at 31 December 2016 are as follows:

Malvern House Group Limited-100% owned by plc (registered office:Witan Gate House, 500-600 Witan Gate West, Milton Keynes, MK9 1SH):

- Malvern House International Limited ,UK -100% (registered office: Witan Gate House, 500-600 Witan Gate West, Milton Keynes, MK9 1SH)

Malvern International Academy Pte Ltd (Singapore)- 100% owned by plc (registered office: 167 Jalan Bukit Merah, Connection One #02-12A, Singapore 150167)

- AEC Edutech Sdn Bhd (Malaysia)-100% (registered office: Suite 20.03(A), 20th floor, Menara MAA, No.12, Jalan Dewan Bahasa,50460 Kuala Lumpur.
- IMS Professional Training Services (Malaysia)-100% (registered office: Suite 20.03(A), 20th floor, Menara MAA, No.12, Jalan Dewan Bahasa,50460 Kuala Lumpur.
- Kasturi Management Consultancy (Malaysia)-100% (registered office: Suite 20.03(A), 20th floor, Menara MAA, No.12, Jalan Dewan Bahasa,50460 Kuala Lumpur.

13. Investment in Joint Ventures

	2016	*2015*
	£	£
Enterintel Investments Ltd	**-**	*89,675*

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.

The joint venture agreement expired on the 30th of June 2016 and was not renewed.

At 31 December 2015, the Group's investment of £89,675 represents the 50% interest in Enterintel Investments and is summarised as follows.

Summarised financial information in respect of the Group's interest in Enterintel:

	2016	*2015*
	£	£
Share of net post acquisition reserve:		
Balance at the beginning of the year	**-**	*97,799*
Share of (loss)/profit for the year	**-**	*(965)*
Share of tax on profits for the year	**-**	-
Profit distribution (prior years)	**-**	-
Exchange differences	**-**	*(7,159)*
Balance at the end of the year	**-**	*89,675*
Investments in joint venture	**-**	*89,675*

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

	2016	*2015*
	£	£
Total assets	**-**	*43,493*
Total liabilities	**-**	*(6,279)*
Net assets	**-**	*37,214*
Revenue	**308,933**	*599,014*
Profit for the year	**49,898**	*965*

14. Intangible Assets

Intangible assets are summarised as follows:

	Licences	Brands	Trademarks	Total
	£	£	£	£
Group 2016				
Cost				
As at 1 January 2015	*868,006*	*3,750,000*	*22,579*	*4,640,585*
Additions	-	-	-	-
Exchange differences	-	-	-	-
As at 31 December 2015/ 1 January 2016	**868,006**	**3,750,000**	**22,579**	**4,640,585**
Additions	**-**	**-**	**-**	**-**
Exchange differences	**-**	**-**	**-**	**-**
As at 31 December 2016	**868,006**	**3,750,000**	**22,579**	**4,640,585**
Accumulated amortisation				
As at 1 January 2015	*120,871*	*1,400,000*	*17,863*	*1,538,734*
Charge for the year – continuing activities	*10,450*	*150,000*	*4,716*	*165,166*
Charge for impairment – continuing activities	-	*495,648*	-	*495,648*
Exchange differences	*(4,574)*	-	-	*(4,574)*
As at 31 December 2015/ 1 January 2016	**126,747**	**2,045,648**	**22,579**	**2,194,974**
Charge for the year – continuing activities	**8,333**	**150,000**	**-**	**158,333**
Charge for impairment – continuing activities		**150,000**	**-**	**150,000**
Exchange differences	**(6,986)**	**-**	**-**	**(6,986)**
As at 31 December 2016	**128,094**	**2,345,648**	**22,579**	**2,496,321**
Net book value At 31 December 2016	**739,912**	**1,404,352**	**-**	**2,144,264**
Analysed as follows:				
Indefinite life	**734,046**	**-**	**-**	**734,046**
Definite life	**5,866**	**1,404,352**	**-**	**1,410,218**
	739,912	**1,404,352**	**-**	**2,144,264**
Net book value At 31 December 2015	*741,259*	*1,704,352*	-	*2,445,611*
Analysed as follows:				
Indefinite life	*734,046*	-	-	*734,046*
Definite life	*7,213*	*1,704,352*	-	*1,711,565*
	741,259	*1,704,352*	-	*2,445,611*

Licences

At 31 December 2016, 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. The capitalised licence fees that are regarded as having indefinite useful economic lives, are not amortised but would be reviewed as part of the yearly impairment testing. 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.

Brands
At 31 December 2016, the Group's principal acquired brand, Malvern House was regarded as having a remaining definite useful economic life of 21 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. 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 a further impairment of £150,000 is required for 2016 in respect of the Malvern House Brand for Asia.

Trademarks
At 31 December 2016, the Group's trademarks were all considered to have fixed lives for accounting purposes although would be renewable when they expire.

Impairment reviews
Impairment reviews have been undertaken having regard to the Cash Generative Units (CGUs) of the group being Europe (UK) and Asia (Singapore and Malaysia). In undertaking the impairment reviews consideration has been given to relatively prudent growth assumptions of 3%, the assumption that the Group will obtain the Edu Trust Certifcation in Singapore and using discount rates that 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 10.8% (2015: 10.8%).

Based upon the sensitivity analysis had the estimated discount rate used been 2% higher and the perpetual revenue growth rate used been 2% lower in these calculations the Group would still not have incurred any material impairment for any of the categories of intangibles and goodwill.

15. Goodwill

	2016	*2015*
	£	£
Cost		
Balance as at the beginning of the year	**1,312**	*422,520*
Impairment of goodwill	**-**	*(404,352)*
Exchange differences		*(16,856)*
Balance as at the end of the year	**1,312**	*1,312*

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

	2016	*2015*
	£	£
Education		
Europe	**-**	-
Asia	**1,312**	*1,312*
	1,312	*1,312*

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. The methodology followed is similar to that explained in Note 14.

16. Inventories

	2016	*2015*
	£	£
Publications and books	**3,129**	*9,142*

17. Trade Receivables

	2016	*2015*
	£	£
Trade Receivables	**460,939**	*575,952*
Trade receivables are denominated in the following currencies:		
Singapore Dollar	**11,135**	*38,852*
Pound Sterling	**30,756**	*48,013*
Malaysian Ringgit	**281,031**	*340,415*
Euro	**138,017**	*106,687*
Other	**-**	*41,985*
	460,939	*575,952*

The age analysis of trade receivables is as follows:

	2016	*2015*
	£	£
Not yet due and impaired	**152,335**	*257,841*
Past due but not impaired		
- Past due 0 to 3 months	**149,915**	*133,655*
- Past due 3 to 6 months	**72,094**	*79,277*
- Past due over 6 months	**86,595**	*105,179*
	308,604	*318,111*
Impaired trade receivables	**241,946**	*192,910*
Less: Allowances for impairment loss	**(241,946)**	*(192,910)*
	460,939	*575,952*

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

	2016	*2015*
	£	£
Balance at the beginning of the year	**192,910**	*210,600*
Allowances reversed during the year	**(38,155)**	-
Allowances made during the year-continuing operations	**106,646**	*23,213*
-discontinued operation	**-**	-
Allowances written-off during the year	**(19,455)**	*(40,753)*
Currency realignment	**-**	*(150)*
Balance as at the end of the year	**241,946**	*192,910*

18. Other Receivables and Prepayments

	Group		Company	
	2016	*2015*	**2016**	*2015*
	£	£	**£**	£
Deposits	**239,750**	*226,873*		-
Prepayments	**286,163**	*504,180*	**12,993**	*111,022*
Staff loan	**819**	-	-	-
Others	**93,261**	*72,950*	-	-
	619,993	*804,003*	**12,993**	*111,022*

19. Due from Related Parties

	Group		Company	
	2016	*2015*	**2016**	*2015*
	£	£	**£**	£
Due from related parties				
Non-trade	-	-	-	-

Balances with related parties are denominated in the following currencies:

	Group		Company	
	2016	*2015*	**2016**	*2015*
	£	£	**£**	£
Due from related parties				
Nil	-	-	-	-

20. Cash and Cash Equivalents

	Group		Company	
	2016	*2015*	**2016**	*2015*
	£	£	**£**	£
Cash at bank and in hand	**116,541**	*416,268*	**851**	*5,235*
Fixed deposits with bank	-	-	-	-
Cash and cash equivalents	**116,541**	*416,268*	**851**	*5,235*
Cash and cash equivalents are denominated in the following currencies:				
Singapore Dollar	**14,339**	*71,472*	-	-
Pound Sterling	**39,426**	*145,326*	**851**	*5,235*
Malaysian Ringgit	**61,201**	*141,133*	-	-
Euro	**1,575**	*58,337*	-	-
Other	-			
	116,541	*416,268*	**851**	*5,235*

21. Trade Payables

	Group		Company	
	2016	*2015*	**2016**	*2015*
	£	£	**£**	£
Trade payables are denominated in the following currencies:				
Singapore Dollar	**16,994**	*27,231*	**-**	-
Pound Sterling	**61,284**	*349,381*	**-**	-
Malaysian Ringgit	**92,397**	*80,344*	**-**	-
Euro	**-**	*78,984*	**-**	-
Other	**-**	-	**-**	-
	170,675	*535,940*	**-**	-

22. Deferred Income

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

	2016	*2015*
	£	£
Deferred income are denominated in the following currencies:		
Singapore Dollar	**224**	*578,068*
Pound Sterling	**42,429**	*178,214*
Malaysian Ringgit	**200,644**	-
Euro	**-**	-
Other	**-**	-
	243,297	*756,282*

23. Other Payables and Accruals

	Group		Company	
	2016	*2015*	**2016**	*2015*
	£	£	**£**	£
Other payables	**535,930**	*906,457*	**234,634**	*192,291*
Accrued expenses	**273,894**	*581,540*	**51,119**	*47,395*
	809,824	*1,487,997*	**285,753**	*239,686*

24. Due to Related Parties

	Group		Company	
	2016	*2015*	**2016**	*2015*
	£	£	**£**	£
Due to related parties				
Non-trade	**1,223,256**	*1,589,052*	**1,159,253**	*1,492,430*
Trade payables are denominated in the following currencies:				
Singapore Dollar	**64,003**	*57,720*	**-**	-
Pound Sterling	**1,159,253**	*1,492,430*	**1,159,253**	*1,492,430*
Malaysian Ringgit	**-**	-	**-**	-
Euro	**-**	*38,902*	**-**	-
Other	**1,223,256**	*1,589,052*	**1,159,253**	*1,492,430*

During the year KSP Investments Pte Ltd, a company of which two of the Directors are also shareholders, advanced loans to the Group totalling £706k (2015: £949k). All the loans are currently unsecured and interest free. All amounts due to related parties are unsecured, interest-free and due within the next twelve months.

	Group		Company	
	2016	*2015*	**2016**	*2015*
	£	£	**£**	£
Due to related parties				
KSP Investments Pte Ltd	**1,223,256**	*1,342,199*	**1,159,253**	*1,284,479*
C G Corp	**-**	*207,951*	**-**	*207,951*
Others	**-**	*38,902*	**-**	-
	1,223,256	*1,589,052*	**1,159,253**	*1,492,430*

During the 2016 reported year, the company has agreed that £824,404 of its outstanding balance with KSP Investments Pte Limited and £207,951 being the remainder of its outstanding loan balance with CG Corp to be converted into ordinary shares in the Company at a price of 5p per share.

25. Financial Liabilities

	Group		Company	
	2016	*2015*	**2016**	*2015*
	£	£	**£**	£
Non-current liabilities				
Finance lease obligations	**24,447**	*7,492*	**-**	-
Term loan	**-**	-	**-**	-
Intra-group financial guarantee	**-**	-	**-**	-
	24,447	*7,492*	**-**	-
Current liabilities				
Finance lease obligations	**4,823**	*31,383*	**-**	-
Term loan	**-**	-	**-**	-
Intra-group financial guarantee	**-**	-	**-**	-
	4,823	*31,383*	**-**	-
Total	**29,270**	*38,875*	**-**	-

Finance Lease Obligations
At 31 December 2016, the Group has no material lease obligations under finance leases that are payable:

Term Loan

At 31 December 2016, the Group has no obligations under any term loan agreement.

Intra-group financial guarantee
There are no intra-group financial guarantee in the books of the Company and Group.

26. Share Capital

	Allotted, called up and fully paid				
	No of Ordinary shares	Nominal Value of Ordinary shares	No of deferred shares	Nominal value of deferred shares	Nominal value of All shares
At 31 December 2016 5p ordinary shares and 5p deferred shares	**92,277,983**	**4,613,899**	**44,198,781**	**2,209,939**	**6,823,838**
At 31 December 2015 5p ordinary shares and 5p deferred shares	*63,051,043*	*3,152,552*	*44,198,781*	*2,209,939*	*5,362,491*

On 20 December 2013, the shareholders approved splitting each existing ordinary share of 10p each 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 as part of the share capital of the company.

27. Reserves

The Company has the following types of reserves:

(i) Share premium reserve

	2016	*2015*
	£	£
Balance as at the beginning of the year	**896,111**	*896,111*
Issue of new shares	**-**	-
Balance as at the end of the year	**896,111**	*896,111*

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.

(ii) Share based compensation reserve

There are new share options issued to any member of the Company.

(iii) Retained earnings

	Group		Company	
	2016	*2015*	**2016**	*2015*
	£	£	**£**	£
At the beginning of the year	**(6,964,400)**	*(5,444,476)*	**(3,599,468)**	*(1,909,060)*
Loss for the year	**(820,681)**	*(1,525,426)*	**(528,242)**	*(1,695,910)*
Unclaimed dividends returned	**-**	*5,502*	**-**	*5,502*
At the end of the year	**(7,785,081)**	*(6,964,400)*	**(4,127,710)**	*(3,599,468)*

Retained earnings represent the accumulated surplus or deficit of distributable reserves.

(iv) Translation reserve

	Group		Company	
	2016	*2015*	**2016**	*2015*
	£	£	**£**	£
At the beginning of the year	**965,602**	*1,297,945*	**-**	-
Currency translation differences	**39,920**	*(332,343)*	**-**	-
At the end of the year	**1,005,522**	*965,602*	**-**	-

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.

(v) Capital reserve

	Group		Company	
	2016	*2015*	**2016**	*2015*
	£	£	**£**	£
At the beginning of the year	**170,560**	*170,560*	**-**	-
Movement	**-**	-	**-**	-
At the end of the year	**170,560**	*170,560*	**-**	-

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

28. 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	
	2016	*2015*	**2016**	*2015*
	£	£	**£**	£
With Subsidiaries:				
Malvern House International Ltd				
Interest costs	**-**	*135,806*	**-**	-
AEC Bilingual Pte Ltd				
Management fees	**-**	-	**-**	*26,667*
With a related party with common directors:				
Wilso Consulting Ltd	**-**	*(72,000)*	**-**	-

	2016	*2015*
	£	£
Key management personnel		
Directors' remuneration:		
- Salaries and bonuses	**40,288**	*90,712*
- Directors' fees	**59,000**	*84,583*
	99,288	*175,295*

Analysis of directors' fees and emoluments:

	Salary & Bonus	**Fees**	Total
2016	**£**	**£**	£
Gopinath Pillai	**-**	**10,000**	**10,000**
William Swords	**-**	**29,000**	**29,000**
Ramasamy Jayapal	**(24,712)**	**10,000**	**(14,712)**
Haider Sithawalla	**30,000**	**-**	**30,000**
Sabin Joshi	**-**	**10,000**	**10,000**
Sam Malafeh	**35,000**	**-**	**35,000**
	40,288	**59,000**	**99,288**
2015			
Gopinath Pillai	-	*10,000*	*10,000*
William Swords	-	*48,000*	*48,000*
Ramasamy Jayapal	*45,712*	*10,000*	*55,712*
Haider Sithawalla	*45,000*	*6,583*	*51,583*
Sabin Joshi	-	*10,000*	*10,000*
	90,712	*84,583*	*175,295*

29. 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: -

	2016	*2015*
	£	£
Expiring:		
Within one year	**449,889**	*694,105*
Between two to five years	**1,498,879**	*2,538,831*
Over five years	**922,036**	*1,980,317*
	2,870,804	*5,213,253*

30. Subsequent events

The Directors are reporting the following subsequent events to the Statement of Financial Position which are significant to these Financial Statements.

(i) On the 19th of January 2017, a new capital injection was recorded totalling £100,000 arising from the issue of new shares.

(ii) On the 7th February 2017, the group has agreed with a shareholder that loans from them amounting in aggregate to £38,000 shall be converted into ordinary shares in the company. Further, on the same date, new capital injections totalling £206,000 were registered comprising £80,000 additional funds from the issue of new shares for cash and £126,000 of shares issued to directors in lieu of salary/fees.

(iii) On the 4th of April 2017, the group has agreed with a shareholder that loans from them amounting in aggregate to £80,000 shall be converted into ordinary shares in the company. Further, on the same date, new capital injections totalling £290,000 were registered comprising £260,000 additional funds from the issue of new shares for cash and £30,000 of shares issued to directors in lieu of salary/fees. In addition KSP has agreed to advance the Company a further £315,949 on an unsecured, interest free basis of which £150,000 is expected to be repaid within five months.

Accordingly, 14,280,000 Ordinary Shares had been issued at 5p each to increase the total number of Ordinary Shares held in the Company to 106,557,983 (previously: 92,277,983). The details of the new shares are as provided as below:

	Previous shareholding	New shares	Current shareholding	% Owned
C G Corp	*27,591,122*	3,800,000	**31,391,122**	**29.46**
KSP Investments Pte Ltd	*27,523,117*	2,360,000	**29,883,117**	**28.04**
Sam Malafeh (*Director*)	*4,000,000*	5,000,000	**9,000,000**	**8.45**
Haider Sithawalla(*Director*)	*19,000*	1,500,000	**1,519,000**	**1.43**
Ramasamy Jayapal(*Director*)	*633,131*	820,000	**1,453,131**	**1.36**
Gopinath Pillai(*Director*)	*25,000*	400,000	**425,000**	**0.40**
Sabin Joshi(*Director*)	-	400,000	**400,000**	**0.38**

31. 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.

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. 76% *(2015: 49%)* of the Group's accounts receivables are made up of individual students, 24% *(2015: 35%)* relates to large funding organisations such as government related bodies and the balance of 0% *(2015: 16%)* to other organisations. All trading activities are concentrated in South East Asia and Europe. The analysis of aging debtors is provided in Note 17.

(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.

2016	**On demand or within one year**	**Within 2 to 5 years**
	£	£
Trade payables	**170,675**	**-**
Other payables	**535,931**	**-**
Due to related parties	**1,223,256**	**-**
Finance lease obligations	**4,823**	**24,447**
	1,934,685	**24,447**

(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.

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.

	10% weakening of GBP		**10% strengthening of GBP**	
	Impact on Equity	**Impact on income/ reserves**	**Impact on Equity**	**Impact on income/ reserves**
	£	£	£	£
At 31.12.2016				
Singapore Dollar	**315,851**	**15,368**	**(315,851)**	**(15,368)**
Malaysian Ringgit	**154,474**	**38,450**	**(154,474)**	**(38,450)**
Euro				
At 31.12.2015				
Singapore Dollar	*228,135*	*5,758*	*(228,135)*	*(5,758)*
Malaysian Ringgit	*75,674*	*15,908*	*(75,674)*	*(15,908)*
Euro	*225*	*26,050*	*(225)*	*(26,050)*

(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. For 2016, there was none to report.

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 31.12.2016			
Assets			
Trade and other receivables	-	**1,144,441**	**1,144,441**
Cash and bank balances	-	**116,541**	**116,541**
Non-financial assets	-	**2,335,916**	**2,335,916**
Total assets	-	**3,596,898**	**3,596,898**
At 31.12.2016			
Liabilities	-	**778,529**	**778,529**
Borrowings	-	**1,223,256**	**1,223,256**
Non-financial liabilities	-	**484,163**	**484,163**
Total liabilities	-	**2,485,948**	**2,485,948**

(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.

(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 the minimum on a yearly basis.

32. Discontinued activities

On the 7 July 2016, The Group publicly announced the divestment of its 51% interest in Malvern House Ireland Limited for a consideration of €660,000.00.

The completion of the divestment took place on 15 July 2016, when the transfer of ownership took place. On this date, Malvern House Ireland was classified as discontinued operation and the 2015 results of the disposed company has been reclassified and restated as a disposal company held for sale within the 2016 Annual Report for Malvern International plc.

The results of Malvern House Ireland Limited are presented below:

	2016	*2015*
	£	£
Revenue	**1,332,951**	*2,905,301*
Expenses	**(1,303,366)**	*(2,653,232)*
Operating Income	**29,585**	*252,069*
Finance Costs	**4,763**	*(6,788)*
Profit before tax from discontinued operations	**34,348**	*245,281*
Taxation	**-**	*17,150*
Profit after tax from discontinued operations	**34,348**	*262,431*

The major classes of assets and liabilities of Malvern House Ireland Limited as of 31 December 2015 were as follows:

	2015
	£
Property, plant and equipment	*111,615*
Trade and other receivables	*467,292*
Cash and cash equivalents	*58,337*
Total assets	***637,244***
Trade and other payables	*298,956*
Deferred income	*578,069*
Total liabilities	***877,025***
Net liabilities	***239,781***

The amount reported for profit for the year from discontinued business for 2016 is explained as follows:

	2016
	£
Profit on Sale of Malvern House Ireland	**554,909**
55% share of profits on 6-month results	**18,891**
Total profits from discontinued activities	**573,800**

The net cash flows incurred by Malvern House Ireland were as follows:

	2016	*2015*
	£	£
Operating	**202,555**	*57,460*
Investing	**(24,627)**	*(38,257)*
Financing	**0**	*(6,788)*
Net cash inflow	**177,928**	*12,415*