2017

MALVERN INTERNATIONAL PLC

Annual Report

FOR THE YEAR ENDED

31 DECEMBER 2017

Company No 05174452

Contents

CHAIRMAN'S STATEMENT

Overview and Group strategy

2017 was a pivotal year in the delivery of Malvern's growth plans. Malvern's ambition is to be a global partner in learning and skills development and, building on its experience and infrastructure, has a clear strategy to achieve this.

Malvern's growth strategy includes:

- promoting Malvern's globally recognisable brand in education and training;
- continuing to strengthen management and administrative systems to achieve world class delivery and quality standards;
- innovating to improve and expand the range of products and services offered;
- extending distribution through our agent network and collaborations;
- delivering organic growth through making training accessible to an increasingly mobile student population using multi-location and technology options; and
- making complementary acquisitions to broaden geographical reach and subject range.

Operational highlights

At the end of 2016 we announced our strategic objectives for 2017. I am pleased to report that we made considerable progress in pursuit of these objectives. Highlights included completing collaboration agreements with Playware and Oxford University Press; the acquisition of SAA Global Education Centre Pte Ltd. ('SAA-GE') in Singapore; the appointment of Dr Sam Malafeh as Chief Executive Officer; and post the period end, the launch of the Malvern Online Academy. The strategy really started showing positive results from the second half of 2017 with London leading the growth across the Group. This is a milestone considering the difficult situation London has faced in the last few years. Also, the new systems helped to reduce the cost of the operations and improved the quality of operations across the Group.

The quality standards of training delivery remain a vital measure in our industry. We have put considerable effort into raising our quality standards across the Group and our efforts have been recognised and rewarded. In Singapore we had our EduTrust certification re-instated; in Malaysia we have been classified as a 4 STAR provider (Very Good), and in London we have been assessed by the Independent Schools Inspector as a provider that "Exceeds expectations".

By location, other highlights include:

- In the UK, London saw significant improvement which has driven a 53% increase in revenue year-on-year. In particular, seasonal summer camps continued to attract more students and the school also managed to attract more of the long term students from the Far East and South America.

- In Singapore the school regained its EduTrust certificate and there was a consequential improvement in the performance. In addition, the acquisition of SAA-GE, was completed in November 2017. This acquisition provides a platform to attract professional students in the areas of business and accounting.

- In Malaysia a restructuring of the management team was undertaken and new quality systems were implemented. These changes have resulted in the school obtaining an improved STAR rating of its quality to 4 Star (Very Good). Also since the year end the school has received, for the first time, an international license which allows it to take international students for vocational training. The operation now has the platform to perform significantly better during 2018.

Financial results and business review

Group
In 2017 the total income for the continuing operations of the Group was £4.1 million (2016: £4.0 millon).

For the 2017 financial year, the Group incurred a loss after tax of £701,328 on the continuing business as compared to the loss of £1,373,410 in 2016 which included impairment charges of £150,000 made against goodwill and intangible assets due to the uncertainty surrounding the EduTrust License during 2016. In FY 2017, there was a reversal of the 2016 impairment against intangible assets of £150,000 due to the subsequent award of the EduTrust license for the Singapore operations. Included within losses for the year were the HQ operational costs of £0.58 million (2016-£0.71 million)

The Group loss for the year was £701,328. The 2016 loss of £799,610 includes the gain on the sale of shares in the Dublin operations and the six-month operating profit for Dublin totalling £573,800.

Hence the net loss per share for the year on a continuing basis for 2017 was 0.66 compared to the 1.84p for 2016 and cash at the end of the year stood at £0.48 million (2016: £0.12 million). At the year end the Company had outstanding loans of approximately £1.0 million (2016: £1.22 million) and outstanding convertible loan notes of approximately £1.0 million (2016: nil). The Group continues to be well supported by its major shareholders, KSP Investments and CG Corp each of whom provided new loans in the period.

The net assets of the Group as at 31 December 2017 were £1.20 million (2016: £0.97 million).

Subsidiaries
The European Sector comprises only the UK operations in London. The Asia Sector comprises Singapore and Malaysia. A brief summary of these two sectors is set out below:

United Kingdom (Malvern House)

The business in London has improved dramatically, as the restructuring and reorganisation plans that began in 2015 have started to take effect. Revenue for the year was up 53% to £2.02 million (2016: £1.32 million). Due to the revenue improvement, EBITDA (Note 3) improved to a positive £17,000, as compared to a loss of £386,000 in 2016.

In 2018, the performance of London is expected to continue to improve. In addition to the current growing operational revenue streams, there are new initiatives that were commenced in 2017 which will start to contribute in 2018 and beyond. These includes new partnerships with other educational institutes and online revenue generation models.

Post the period end, we are delighted to have announced a partnership agreement with the University of East London which will see Malvern established as an embedded college within UEL, delivering pre-sessional foundation and English language courses for international students at both Degree and Masters levels.

Asia - comprises Singapore and Malaysian operations.

The total revenue for Asian operations in 2017 was £1.94 million compared to £2.68 million in 2016, a decrease of 27%. If the revenue from the new acquisition (£0.34 million) was excluded, on a like for like basis, the comparison would be £1.60 million in 2017 compared to £2.68 million in 2016, a decrease of 40%. On a like for like basis, the Asian operations incurred an EBITDA loss of £0.16 million in 2017, higher than the £0.15 million loss that was recorded in 2016. If the new acquisition was included, the EBITDA (Note 3) loss reduces to £0.05 million for 2017.

In Singapore revenue increased 119% to £0.54 million (2016: £0.24 million) due to revenue from the acquisition of SAA-GE of £0.34 million. The new acquisition in Singapore possesses a four-year license which affords a greater scope of revenue streams to the Group. Going forward, the new company will be the focal business operation in Singapore with its multi-year license.

The Malaysian operation struggled in 2017 due to the restructuring of management and operations undertaken by local and Group management. Revenue for the year decrease to £1.41 million (2016: £2.43 million). In 2017 revenue could only be generated in the local market but with the recently acquired international licence sales should increase in 2018. The Board is also looking at the possibility of further expansion of the operations to the different states in Malaysia to gain benefit from the rising educational hub status of Malaysia.

Acquisition of SAA-GE

In November 2017 the Company completed the acquisition of SAA-GE for a consideration of Singapore Dollars (SGD) $500,000 satisfied by the issue of 5,630,350 new ordinary shares of 5p each. SAA-GE has a 30 year history of providing diploma, undergraduate, postgraduate and professional programmes in the accountancy, finance and business related disciplines. It offers preparatory courses leading to ATTS, ACCA, FIA/CAT, ICAEW and Singapore Chartered Accountant qualification, as well as degrees from Plymouth University and the University of London in the UK.

SAA-GE has a reputation for providing high-quality, industry-recognised programmes that have also attracted international students from Japan, China, Vietnam and the Philippines. It continues to achieve high pass-rates and produces top-performing students and prize-winners for the ACCA and FIA/CAT programmes annually. SAA-GE has a four-year EduTrust Certification issued by the Committee for Private Education Singapore.

The acquisition of SAA-GE provides Malvern with fresh opportunities to reach and work with the large local partners, with a substantial student base of more than 1,000 SAA-GE students and provides access to its highly qualified trainers and lecturers. It will also broaden and strengthen Malvern's platform as an international hub for accountancy and finance education, adding to the existing/upcoming offerings in Malaysia and London.

Since its acquisition, SAA-GE’s courses are now being more widely promoted through the Group and an improvement in sales is already being seen. In addition, the existing Singapore school has now been relocated to SAA-GE’s premises which will bring cost savings.

Dividend

The Board does not propose the payment of a final dividend for the year ended 31 December 2017 *(2016: nil).*

Outlook and prospects

2017 as a whole, and in particular the second half, has seen a considerable improvement in the Group's performance and an upward trajectory is now discernible. This has been due to three main factors. Firstly, a stronger management has been in place which will be strengthened further as we go forward. Secondly, the agent network has been reorganised successfully. Thirdly, our offerings now cover a wider range of products. In addition to these factors, I am optimistic that the first major acquisition which we completed in November 2017 will have a significantly positive impact not only on the operations of Singapore but also for our global platform. The Board continues to be active in discussions with potential acquisition partners.

With the new acquisition of a four-year EduTrust licensed school in Singapore, the continuing new initiatives in London and the re-introduction of international student intakes in Malaysia, the Group is well positioned to benefit from the expected growth through acquisition and organic growth. We have taken big leaps in reducing our operating losses from £1.45 million in 2016 to £0.69 million in 2017.

Trading in the current financial year has started well and the Board is now confident that with the reorganised and a more focused Group, the impact on the performance of the Group can only be positive going forward and that it will bring the Group to profitability in 2018.

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 period of significant change and activity. We look forward to their continuing support going forward in implementing the new plans to bring the Group back to profitability in the years ahead.

We would also 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: 26 April 2018

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, Chief Financial Officer and Senior Executives from each business unit, who are responsible for the Operations, Human Resources and Development. The board committees provide the oversight and monitoring on financial management, board effectiveness and governance, risk and controls.

Strategy and Business Plan
During 2017, an extended amount of the Group's resources were utilized to restructure the operations in London and Singapore, for the acquisition of new complimentary schools and to realign the overall Group's business plan to include traditional and non-traditional products and services, including the viability of introducing online learning through Malvern Online Academy.

The Group has experienced on par better results in 2017 in the top line and also lower losses for the year. The result is much better for the second half of 2017 in comparison to the second half of the previous year with 38% increase in revenue with reduction in losses.

Malvern's focus in 2018 will be in:
- Continuing with the strengthening of the operations and management
- Further expansion in marketing and sales' international reach through the recruitment agents and direct digital marketing
- Acquisitions in the countries of operations to add to the current offering
- Development in the online offering including Malvern Online Academy and a number of other initiatives

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 2017 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

- The continued support the shareholders have shown support for the Group for the last four years in ensuring it is a going concern. With the improvements being made in the last 18 months, the shareholders continue to be supportive and committed to the Group.

The Directors have confidence in the committed 2018 planned performance from the Plc and local operating unit management and they believe that the cashflows generated from trading, together with the potential need for further fundraising and shareholder support, 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.

Principal Risks and Uncertainties Facing the Group

The board through the Audit and Risk Management Committee assess the group's risks on an on-going basis. Risk governance culture is embedded across the group and there is a formal risk management framework to assess, monitor and report to the board. There are four main types of risks faced by the Group:

- Regulatory risks such as changes in government policy on education, work through visa and immigration restrictions, funding changes and continued accreditation;
- Financial exposures such as credit risk, liquidity risk, unfavourable exchange rate fluctuations and operational cost increases; and
- Changes to consumer demand and competition.
- Reputational risks such as brand management and stakeholders' perception and confidence.

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 2017 (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 2017, 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.

In November 2017, the Company issued non-secured interest-bearing Convertible Loan Notes totalling £1,200,000. All the notes were issued to KSP Investments Pte Ltd, a major shareholder of the Group. In December 2017, £100,000 of these notes were converted into share capital.

Key Performance Indicators

	2017	2016
Financial		
Total Income from continuing operations	**£4,078,889**	*£4,044,889*
(Decrease)/growth	**1%**	*(19%)*
Operating loss	**(£692,022)**	*(£1,454,854)*
Loss/profit before Taxation-continuing operations	**(£706,712)**	*(£1,343,037)*
Loss per share-continuing operations	**(0.66 pence)**	*(1.84 pence)*

From FY2017, the Board is also tracking non-financial indicators as per below:

	2017	2016
Non-Financial		
Number of Courses offered	**48**	*22*
Students attending	**7,430**	*6,301*

The increase in student numbers during the year reflects the 53% increase in revenue for the UK Market. This relates to a significant increase in the number of students undertaking the English Study Tours. At the same time, the acquisition of SAA Global Education has also resulted in higher student numbers as most of the programmes can be done on a modular basis. This allows both full-time and part-time students to participate in the programme.

Sam Malafeh
DIRECTOR
Date: 26 April 2018

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of Malvern International plc (the "Company") for the year ended 31 December 2017.

Annual General Meeting
The Annual General Meeting will be held at 24 Martin Lane, London, EC4R 0DR on 21 May 2018 at 09.00.

Dividends
The Directors do not recommend the payment of a dividend for the year ended 31 December 2017 *(2016: £nil).*

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

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)*	-	400,000
Sithawalla Haider Mohamedally	-	1,500,000
Sam Malafeh	4,000,000	9,000,000
Ramasamy Jayapal	633,131	1,453,131
Sabin Joshi	-	400,000
Nadir Ali Zafar	-	-
Wee Hock Kee	-	-
Navin Khattar	-	-
Indirect Interests:		
Gopinath Pillai *(Chairman)*	25,000	25,000
Sithawalla Haider Mohamedally	19,000	19,000
Sam Malafeh	-	-
Ramasamy Jayapal	-	-
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 23 March 2018, 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	27.49
KSP Investments Pte Ltd	29,883,117	27.92
Vidacos Nominees Limited Des:FGN	15,083,294	13.21
Sam Malafeh	9,000,000	7.88
Institute of Singapore Chartered Accountants	5,630,350	4.93

Note: As a percentage of the issued share capital of the Company, comprising 114,188,333 shares.

Controlling Party

There is no controlling party for this Company.

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.

Financial instruments

The financial risk management objectives and policies together with details regarding credit risk, liquidity risk, foreign currency risk, interest rate risk, financial assets and financial liabilities, and, capital risk management policies and objectives, are outlined in note 31.

Subsequent Events

The key subsequent events that have arisen are as follows:

- KSP Investments had provided new loans of £372K in 2018 to support the growing number of new initiatives within the Group. This increases their total loan to £860K.
- Malaysia has been granted the International License for Vocational (Food & Beverage and Culinary).

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

Sam Malafeh
DIRECTOR
Date: 26 April 2018

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 group's governance structure had been enhanced and best practices were supported by the board and board committees.

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, Deputy Chairman – Mr. Haider M. Sithawalla, Executive Director – Dr. Sam Malafeh, CEO, and 5 Non-Executive Directors. There is a robust process in place to ensure the non-executive directors exercised a high level of independence and objectivity in discharging their fiduciary duties.

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 (ARMC)

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, risk 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

The ARMC is in the process of evaluating the establishment of an independent internal audit function to reinforce the governance, risk and control assurance within the group.

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 and operational 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 continued to review 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 2018.

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

Sam Malafeh
DIRECTOR
Date: 26 April 2018

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MALVERN INTERNATIONAL PLC

Opinion

We have audited the financial statements of Malvern International Plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2017, which comprise:

- the Group consolidated income statement for the year ended 31 December 2017;
- the Group consolidated statement of comprehensive income for the year ended 31 December 2017;
- the Group and parent company statements of financial position as at 31 December 2017;
- the Group and parent company statements of changes in equity for the year then ended;
- the Group and parent company statements of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified in this respect, we have considered the recurring losses of the group and the net current liability position of the group and company as at 31 December 2017 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, the assumptions made regarding the potential need for further fundraising and shareholder support, highlight a material uncertainty. The financial statements do not include the adjustments that would result if the group or company was unable to continue as a going concern.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £47,500 (2016: £50,000). In determining this, we have given specific focus and weighting to the benchmarks in respect of revenue (0.75% of Group revenue) and profit (8% of Group loss) for the financial year.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £2,500. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

We conducted full scope audit work, engaging where appropriate with component auditors, in three countries (UK, Singapore and Malaysia) in which the Group has significant operations.

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team. For the full scope components in Malaysia and Singapore, where the work was performed by three different component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The primary team led by the Senior Statutory Auditor was ultimately responsible for the scope and direction of the audit process. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed all working papers and were responsible for the scope and direction of the audit process. We visited Singapore, reviewed the work of each of the three component auditors and discussed matters with local management and each of the three component auditors. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Key Audit Matters

In preparing the financial statements, management made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We focused our work primarily on these areas by assessing management's judgements against available evidence, forming our own judgments and evaluating the disclosures in the financial statements. We also addressed the risk of management override of controls, including evaluating whether there was evidence of bias by management, which may represent a risk of material misstatement, especially in areas of accounting judgements and key sources of estimation uncertainty as outlined in note 2(v).

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing of the effectiveness of controls, substantive procedures or a combination of both. In determining the key audit matters we noted the following changes from the prior year:

- The assessment of the disposal of the Group's 51% interest in Malvern House Ireland Limited and the discontinued activities arising was a significant audit risk for the year ended 31 December 2016, being the year of disposal.

- The assessment of the SAA Global Education Center Pte Ltd acquisition and business combination as a significant risk for the current year ended 31 December 2017, being the year of acquisition.

There have been no other changes in the Group's overall operations during the current year that significantly impacted our audit. Therefore, our assessment of the most significant risks of material misstatement and resulting key audit matters, which are those risks having the greatest effect on our audit strategy and requiring particular focus, are otherwise the same as in the prior year and are detailed below.

This is not a complete list of all risks identified by our audit.

Key audit matter	***How the scope of our audit addressed the key audit matter***
Revenue recognition and deferred income The Group undertakes the provision of education services and has a number of related income streams that are recognised as outlined in note 2 (xix). The timing of revenue recognition depends upon the contractual arrangements in place with any amounts invoiced and/or paid relating to a future period being deferred until the fulfilment of the contractual terms at a later date.	We selected a sample of customer contracts to ensure that revenue was recognised in accordance with the contractual terms policy outlined in note 2 (xix). We also examined the recognition of amounts in deferred income where the contractual terms has not been met at the year end. We also examined the prior period adjustment in respect of deferred income outlined in note 34. Where appropriate we directed focus on and reviewed the work undertaken by the component auditors on revenue recognition and deferred income.
Carrying value of goodwill, investments and intangible assets When assessing the carrying value of goodwill, investments and intangible assets, management make judgements regarding the appropriate cash generating unit, strategy, future trading and profitability and the assumptions underlying these. We considered the risk that goodwill, investments and/or intangible assets were impaired.	We evaluated, in comparison to the requirements set out in IAS36, management's assessment as to whether goodwill, investments and/or intangible assets were impaired and the appropriateness in respect of any reversal of previous impairment made. We challenged, reviewed and considered by reference to external evidence, management's impairment model and key estimates, including the discount rate. We reviewed the appropriateness and consistency of the process for making such estimates.
SAA Global Education Center Pte Ltd business combination When an acquisition occurs, an evaluation is made regarding the fair value of assets, liabilities and other intangible assets acquired and the fair value of goodwill arising.	We evaluated the method upon which the fair value of goodwill arising on the acquisition of SAA Global Education Center Pte Ltd had been determined, and substantively tested management's assessment of the fair value of all assets, liabilities and other intangible assets acquired. We challenged management's approach, including their evaluation of separately identifiable intangible assets arising on acquisition.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 group and the parent company and their 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.

Responsibilities of the directors for the financial statements

As explained more fully in the directors’ responsibilities statement, set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group’s and parent company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Nigel Bostock

(Senior Statutory Auditor)

for and on behalf of

Crowe Clark Whitehill LLP

Statutory Auditors

London

26 April 2018

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
		£	£
Revenue			
Sale of services	4	**3,959,506**	*3,992,581*
Other income	5	**119,383**	*52,104*
		4,078,889	*4,044,685*
Cost of services sold		**1,847,062**	*2,210,611*
Salaries and employees' benefits	6	**1,124,708**	*1,158,797*
Amortisation of brand, licences and trademarks	14	**158,583**	*158,333*
Depreciation of plant and equipment	11	**63,880**	*77,579*
Other operating expenses		**1,744,500**	*1,744,219*
Impairment of goodwill	15	**-**	-
Impairment of intangible assets	14	**(150,000)**	*150,000*
Impairment of loans and receivables	17	**(17,822)**	-
Operating loss	8	**(692,022)**	*(1,454,854)*
Share of results of associated companies and joint ventures	13	**-**	*49,898*
Finance costs	7	**(14,690)**	*61,919*
Loss before income tax		**(706,712)**	*(1,343,037)*
Income tax charge	9	**5,384**	*(30,373)*
Loss after income tax for the year from continuing activities		**(701,328)**	*(1,373,410)*
Profit after income tax for the year from discontinued activities		**-**	*573,800*
Loss after income tax for the year		**(701,328)**	***(799,610)***
Attributable to:			
Equity holders of the Company		**(701,328)**	*(799,610)*
Non-controlling interest		**-**	-
		(701,328)	*(799,610)*

		2017	2016 restated
Loss per share on continuing activities (in pence)	10		
Basic		**(0.66)**	*(1.84)*
Diluted		**(0.66)**	*(1.84)*
Profit /(loss) per share on discontinued activities (in pence)	10		
Basic		**0.00**	*0.77*
Diluted		**0.00**	*0.77*
Loss per share attributable to equity holders of the Company (in pence)	10		
Basic		**(0.66)**	*(1.07)*
Diluted		**(0.66)**	*(1.07)*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	*2016*
	£	*£*
Loss for the year	**(701,328)**	*(799,610)*
Foreign currency translation movements	**(266,067)**	*(21,071)*
Total comprehensive income for the year	**(967,395)**	*(820,681)*
Attributable to:		
Equity holders of the parent	**(967,395)**	*(820,681)*
Non-controlling interest	**-**	*-*
Total comprehensive income for the year	**(967,395)**	*(820,681)*

STATEMENTS OF FINANCIAL POSITION

	Note	Group 2017	Group 2016-restated	Company 2017	Company 2016
		£	*£*	**£**	*£*
TOTAL ASSETS					
Non-Current Assets					
Property, plant and equipment	11	**245,956**	*188,835*	**-**	-
Investment in subsidiary companies	12	**-**	-	**4,490,081**	*4,208,564*
Investment in joint ventures	13	**-**	-	**-**	-
Intangible assets	14	**2,382,291**	*2,144,264*	**-**	-
Development Expenditure		**1,505**	*1,505*	**-**	-
Goodwill	15	**474,207**	*1,312*	**-**	-
Deferred tax asset	9	**-**	-	**-**	-
		3,103,959	*2,335,916*	**4,490,081**	*4,208,564*
Current Assets					
Inventories	16	**6,100**	*3,129*	**-**	-
Trade receivables	17	**398,642**	*460,939*	**-**	-
Other receivables and prepayments	18	**948,938**	*619,993*	**13,775**	*12,993*
Tax recoverable		**-**	*32,539*	**6,374**	*32,539*
Amounts due from subsidiary companies		**-**	-	**1,655,286**	*817,353*
Amounts due from joint ventures		**-**	*27,841*	**-**	-
Amounts due from related parties	19	**-**	-	**-**	-
Cash and cash equivalents	20	**479,565**	*116,541*	**403**	*851*
		1,833,245	*1,260,982*	**1,675,838**	*863,736*
Total Assets		**4,937,204**	*3,596,898*	**6,165,919**	*5,072,300*

STATEMENTS OF FINANCIAL POSITION *(Continued)*

		Group		Company	
	Note	2017	*2016-restated*	2017	*2016*
		£	*£*	£	*£*
EQUITY AND LIABILITIES					
Non-Current Liabilities					
Financial liabilities-Leasing	25	**20,320**	*24,447*	-	-
Financial Liabilities-Term Loan		**159,178**			
Financial liabilities-Convertible Loan Notes	32	**995,813**	-	**995,813**	-
		1,175,311	*24,447*	**995,813**	-
Current Liabilities					
Trade payables	21	**277,151**	*170,675*	-	-
Deferred income	22/34	**668,775**	*386,039*	-	-
Other payables and accruals	23	**748,072**	*809,824*	**113,947**	*285,753*
Amounts due to a subsidiary		-	-	**80,625**	*35,055*
Amounts due to related parties	24	**835,853**	*1,223,256*	**489,748**	*1,159,253*
Financial liabilities	25	**31,524**	*4,823*	-	-
Provision for income tax		-	*9,626*	-	-
		2,561,375	*2,604,243*	**684,320**	*1,480,061*
Total liabilities		**3,736,686**	*2,628,690*	**1,680,133**	*1,480,061*
Equity attributable to equity holders of the Company					
Share capital	26	**7,919,356**	*6,823,838*	**7,919,356**	*6,823,838*
Share premium	27 (i)	**896,111**	*896,111*	**896,111**	*896,111*
Retained earnings	27 (iii)	**(8,629,151)**	*(7,927,823)*	**(4,433,867)**	*(4,127,710)*
Translation reserve	27 (iv)	**739,455**	*1,005,522*	-	-
Capital reserve	27 (v)	**170,560**	*170,560*	-	-
Convertible loan reserve	32	**104,187**	-	**104,186**	-
		1,200,518	*968,208*	**4,485,786**	*3,592,239*
Non-controlling interests		-	-	-	-
Total equity		**1,200,518**	*968,208*	**4,485,786**	*3,592,239*
Total Equity and Liabilities		**4,937,204**	*3,596,898*	**6,165,919**	*5,072,300*

The loss for the financial year dealt with in the financial statements of the parent Company as of the 31 December 2017 was £306,157 (2016: loss £528,242).

The financial statements were approved by the Board of Directors on 26 April 2018 and were signed on its behalf by:

Sam Malafeh **Director**
Company-registration-number: 05174452

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share Capital	Share Premium	Retained Earnings	Translation Reserve	Capital Reserve	Convertible Loan Reserve	Attributable To Equity Holders of the Company	Non-controlling Interests	Total
	£	£	£	£	£	£	£	£	£
Balance at 1 January 2016	*5,362,491*	*896,111*	*(6,964,400)*	*965,602*	*170,560*	-	*430,364*	*(108,000)*	*322,364*
Restatement (note 34)	-	-	*(142,742)*	-	-	-	*(142,742)*	-	*(142,742)*
Restated Balance at 1 January 2016	*5,362,491*	*896,111*	*(7,107,142)*	*965,602*	*170,560*	-	*287,622*	*(108,000)*	*179,622*
Loss for the year	-	-	*(820,681)*	-	-	-	*(820,681)*	*108,000*	*(712,681)*
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 Issue	*1,461,347*	-	-	-	-	-	*1,461,347*	-	*1,461,347*
Balance at 31 December 2016/ 1 January 2017	**6,823,838**	**896,111**	**(7,927,823)**	**1,005,522**	**170,560**	-	**968,208**	-	**968,208**
Convertible loan reserve	-	-	-	-	-	**104,187**	-	-	**104,187**
Loss for the year	-	-	**(701,328)**	-	-	-	**(701,328)**	-	**(701,328)**
Other comprehensive income	-	-	-	**(266,067)**	-	-	**(266,067)**	-	**(266,067)**
Total comprehensive income for the year	-	-	**(701,328)**	**(266,067)**	-	-	**(967,395)**	-	**(967,395)**
New Share Issues	**1,095,518**	-	-	-	-	-	**1,095,518**	-	**1,095,518**
Balance at 31 December 2017	**7,919,356**	**896,111**	**(8,629,151)**	**739,455**	**170,560**	**104,187**	**1,200,518**	-	**1,200,518**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016 restated
	£	£
Cash Flows from Operating Activities		
Loss before income tax from continuing activities	**(706,712)**	*(1,343,037)*
Profit/(loss) before income tax from discontinued activities	**-**	*573,800*
Adjustments for:		
Amortisation of intangible assets	**158,583**	*158,333*
Depreciation of property, plant and equipment	**63,880**	*77,579*
Impairment of property, plant and equipment	**2,169**	*-*
Impairment of goodwill	**-**	*-*
Impairment of intangible assets	**(150,000)**	*150,000*
Loss on disposal of plant and equipment	**-**	*43,533*
Non-cash elements of profit on discontinued activities	**-**	*(308,082)*
Interest expense	**14,693**	*61,919*
Others	**-**	*-*
	(617,392)	*(585,955)*
Changes in working capital:		
Receivables	**(6,516)**	*120,356*
Payables	**(347,588)**	*(817,411)*
Inventories/Development Expenditure	**(2,970)**	*3,424*
Related parties and associated companies	**1,173,550**	*683,662*
	199,084	*(595,924)*
Taxation	**-**	*7,797*
Net cash used from operating activities	**199,084**	*(588,127)*
Cash Flows from Investing Activities		
Interest received	**3**	*-*
Dividends received	**-**	*-*
Purchases of property, plant and equipment	**(28,654)**	*(45,899)*
Acquisition of Subsidiary	**(82,531)**	*-*
Net cash used in investing activities	**(111,182)**	*(45,899)*
Cash Flows from Financing Activities		
Interest paid	**(14,694)**	*(61,919)*
Term loan	**185,708**	*-*
Finance leases	**(3,956)**	*(9,605)*
New Share Issues[1]	**250,000**	*428,992*
Net cash generated by/(used in) financing activities	**417,067**	*357,468*
Effect of foreign exchange rate changes on consolidation	**(150,474)**	*(23,169)*
Net decrease in cash and cash equivalents	**354,495**	*(299,727)*
Cash and cash equivalents at the beginning of the Year	**116,541**	*416,268*
Cash and cash equivalents at the end of the year	**471,036**	*116,541*

[1] This includes the cash arising from shares issued during the year. In addition, a number of share issues arose which were non-cash transactions (2017: £845,518; 2016 £1,032,355) in respect of shares issued in lieu of salary, shares issued as consideration for capitalisation of shareholder loans and/or shares issued on conversion of convertible loan notes.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share Capital	Share Premium	Retained Earnings	Convertible loan reserve	Total
	£	£	£	£	£
Balance at 1 January 2016	*5,362,491*	*896,111*	*(3,599,468)*	-	*2,659,134*
Loss for the year	-	-	*(528,242)*	-	*(528,242)*
Total comprehensive income for the year	-	-	*(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/ 1 January 2017	**6,823,838**	**896,111**	**(4,127,710)**	**-**	**3,592,239**
Convertible loan reserve				104,186	104,187
Loss for the year	**-**	**-**	**(306,157)**	**-**	**(306,157)**
Total comprehensive income for the year	**-**	**-**	**(306,157)**	**-**	**(201,971)**
New Share Issues	**1,095,518**	**-**	**-**	**-**	**1,095,518**
Total transactions with owners	**1,095,518**	**-**	**-**	**-**	**1,095,518**
Balance at 31 December 2017	**7,919,356**	**896,111**	**(4,433,867)**	**104,186**	**4,485,786**

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 2017

	2017 £	2016 £
Cash Outflows from Operating Activities		
Loss before income tax	**(306,157)**	*(528,242)*
Adjustments for:		
Interest expense	-	-
Impairment of investment in subsidiary	-	*176,187*
Impairment of investment in joint venture	-	-
	(306,157)	*(352,055)*
Change in working capital		
Receivables	**25,381**	*(606,672)*
Payables	**(171,806)**	*745,245*
Related parties	**202,134**	*(219,894)*
Net cash used in operating activities	**(250,448)**	*(433,376)*
Cash Flows from Financing Activities		
Interest received	-	-
Convertible Loan Notes	-	-
New Share Issues[1]	**250,000**	*428,992*
Net cash used in financing activities	**250,000**	*428,992*
Cash Flows from Investing Activities		
Interest expense	-	-
Interest income	-	-
Acquisition of subsidiaries	-	-
Net cash generated from investing activities	-	-
Net increase in cash and cash equivalents	**(448)**	*(4,384)*
Cash and cash equivalents at the beginning of the year	**851**	*5,235*
Cash and cash equivalents at the end of the year	**403**	*851*

[1] This includes the cash arising from shares issued during the year. In addition, a number of share issues arose which were non-cash transactions (2017: £845,518; 2016 £1,032,355) in respect of shares issued in lieu of salary, shares issued as consideration for capitalisation of shareholder loans and/or shares issued on conversion of convertible loan notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. General Information

Malvern International plc (the "Company") is a public limited 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 consolidation of the acquisition of SAA Global Education in Singapore was prepared in accordance to IFRS 3.

(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 2017. 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 2017 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 directors consider that IFRS15 (in respect of the revenue recognition for revenues) and IFRS9 (in respect of the impact of the expected loss model on the impairment of receivables) will not give rise to any significant or material impact on the Group. The exercise regarding IFRS16 (in respect of leases) is not concluded, but the Directors but do presently anticipate that the adoption of IFRS16 may potentially have a material impact on the Group's Financial Statements following initial application, on the basis that, the leases held within the group may need to be capitalised as a lease asset, there will be a recognition of the lease obligation as a liability and the recoding of depreciation and interest as an income statement expenses rather than rental costs.

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 2017 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
- The continued support the shareholders have shown support of the Group for the last four years in ensuring it is a going concern. With the improvements being made in the last 18 months, the shareholders continue to be supportive and committed to the Group.

The Directors have confidence in the committed 2018 planned performance from the Plc and local operating unit management and they believe that the cashflows generated from trading, together with the potential need for further fundraising and shareholder support, 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.

(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:

Determining the fair value of assets and liabilities acquired on a business combination.
Where a business combination arises there is a requirement to evaluate the fair value of assets and liabilities acquired including the identification of any separately identifiable intangible assets arising on acquisition. The Group ensures that a process is in place to ensure that the fair value requirements arising are appropriately addressed. The key judgements and assumptions are the initial evaluation of assets and liabilities acquired and then the subsequent determination of the fair value arising on each asset or liability.

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.

Prior period adjustments
Where they arise the Group reviews such items to evaluate the circumstances in which they arose, the period in which they relate, the reasons for any misstatement and whether the matter arising is an adjustment in respect of an earlier period or a change of circumstances and/or accounting estimate. The Group will also examine the supporting and corroboration information available to evaluate, verify and conclude on the position to be take. Judgement will then be made regarding the appropriate accounting, disclosure and estimates arising.

(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:

	2017	*2016*
1 Pound Sterling to Singapore Dollar		
Closing rate	**1.794**	*1.794*
Average rate	**1.778**	*1.877*
1 Pound Sterling to Malaysian Ringgit		
Closing rate	**5.423**	*5.572*
Average rate	**5.530**	*5.590*
1 Pound Sterling to Euro		
Closing rate	**1.212**	*1.185*
Average rate	**1.141**	*1.221*

(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 up to 25 years, except for the Brand value for SAA Global Education of £150,000 which will be amortised over 10 years, and the Customer Listing Asset for SAA Global, which will amortised over a 5 year period.

(xiv) Development Expenditure

Development Expenditure are amortised using a straight-line method over a period of 3 to 5 years.

(xv) 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.

(xvi) 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.

(xvii) 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 de-recognition 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.

(xviii) 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.

(xix) Revenue Recognition

Revenue is recognised on the following basis:

- Course fees, training 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 and application 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.

(xx) 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.

(xxi) 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.

(xxii) 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.

(xxiii) 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.

(xxiv) 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.

(xxv) 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.

(xxvi) 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.

(xxvii) 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.

(xxviii) 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.

(xxix) 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.

(xxx) 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.

(xxxi) 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.

(xxxii) 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 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**
2017	**£**	**£**	**£**
Revenue from external customers	**2,017,681**	**1,941,825**	**3,959,506**
Depreciation, write offs and amortisation	**82,500**	**(10,036)**	**72,464**
Loss before taxation	**(258,565)**	**(448,147)**	**(706,712)**
Taxation charge	**-**	**5,384**	**5,384**
Profit on discontinued activities	**-**	**-**	**-**
Loss for the year	**(258,565)**	**(442,763)**	**(701,328)**
Segmental assets	**1,207,264**	**3,729,940**	**4,937,204**
Segmental liabilities	**(1,263,520)**	**(2,473,166)**	**(3,736,686)**
Additions to non-current assets	**36,000**	**768,057**	**804,057**
2016-restated			
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)*	*(814,683)*	*(1,343,037)*
Taxation charge	-	*(30,373)*	*(30,373)*
Profit on discontinued activities	*573,800*	-	*573,800*
Profit/Loss for the year	*45,445*	*(845,055)*	*(799,610)*
Segmental assets	*1,018,926*	*2,577,972*	*3,596,898*
Segmental liabilities	*(1,165,073)*	*(1,463,617)*	*(2,628,690)*
Additions to non-current assets	*3,653*	*42,246*	*45,899*

Alternative performance measures reconciliation (EBITDA excluding HQ costs and discontinued activities)

	Europe	Asia	Total
2017 (including SAA acquisition in the year)	**£**	**£**	**£**
Loss for the year	**(258,565)**	**(442,763)**	**(701,328)**
Interest	**19**	**14,691**	**14,690**
Tax	**-**	**(5,384)**	**(5,384)**
Depreciation	**15,000**	**48,880**	**63,880**
Amortisation	**67,500**	**91,083**	**158,583**
Impairment reversal	**-**	**(150,000)**	**(150,000)**
EBITDA (incl. HQ costs and discontinued activities)	**(176,046)**	**(443,513)**	**(619,559)**
Discontinued Activities	**-**	**-**	**-**
Others - HQ Costs allocation	**193,178**	**392,114**	**585,292**
EBITDA (excl. HQ costs and discontinued activities)	**17,132**	**(51,399)**	**(34,267)**
2016	*£*	*£*	*£*
Loss for the year	*45,445*	*(845,055)*	*(799,610)*
Interest	*(65,018)*	*3,099*	*(61,919)*
Tax	*-*	*30,373*	*30,373*
Depreciation	*10,352*	*67,227*	*77,579*
Amortisation	*82,500*	*75,833*	*158,333*
Impairment charge	*-*	*150,000*	*150,000*
EBITDA (incl. HQ costs and discontinued activities)	**73,279**	**(518,523)**	**(445,244)**
Discontinued Activities	*(573,800)*	*-*	*(573,800)*
Others - HQ Costs allocation	*114,784*	*369,085*	*483,869*
EBITDA (excl. HQ costs and discontinued activities)	**(385,737)**	**(149,438)**	**(535,175)**

Note that the Segmental liabilities figure for South East Asia 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.
Group HQ costs of £585,292 (2016-£483,869) were allocated to each segment based on the revenue for each segment. In 2017, the allocation was 51% (2016-33%) for Europe and 49% (2016-67%) for Asia.

4. Sale of Services

	2017	*2016*
	£	*£*
Course fees	**2,678,699**	*3,395,083*
Accommodation fees	**773,984**	*454,129*
Application fees, registration and examination fees	**104,652**	*60,669*
Training fees and other sales	**402,171**	*82,700*
	3,959,506	*3,992,581*

5. Other Income

	2017	*2016*
	£	*£*
Govt grants	**36,098**	-
Interest income	**-**	-
Rental and related income	**50,162**	*37,218*
Miscellaneous income	**691**	-
Write back of Accruals/Debts	**32,432**	*14,886*
	119,383	*52,104*

6. Salaries and Employees' Benefits

	2017	2016
	£	£
Staff salaries and related costs	**1,313,082**	*1,179,884*
Social security costs – staff	**166,678**	*172,188*
Directors' remuneration	**165,508**	*59,000*
Directors' fees	**6,089**	*40,288*
Social security costs – directors	**150**	-
Others		-
	1,651,507	*1,451,360*
Less : reported as cost of services sold	**(526,799)**	*(292,563)*
	1,124,708	*1,158,797*
Highest paid director		
Remuneration and benefits	**163,540**	*35,000*

Average number of employees	**Number**	*Number*
Lecturers	**74**	*31*
Marketing staff	**16**	*14*
Operational and administration staff	**60**	*64*
	150	*109*

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 2016 and 31 December 2017 no pension payments were paid or accrued.

7. Finance Costs

	2017	2016
	£	£
Interest payable to related parties	**-**	*(64,999)*
Interest on finance leases	**14,676**	-
Bank overdraft	**-**	-
Other Charges	**14**	*3,080*
	14,690	*(61,919)*

8. Operating Loss

	2017	2016
	£	£
Auditors' remuneration:		
- Fees payable to the Company's auditors for statutory audit	**34,000**	*38,100*
- Fees payable to the Company's auditors for statutory audit of subsidiary company	**23,975**	*39,832*
- (Over)/under provision of fees payable to the Company's auditors for statutory audit in prior year	**(11,600)**	*12,000*
- Fees payable to the other auditors for statutory audits	**27,258**	*3,648*
- Fees payable to the other auditors for taxation services	**7,432**	*8,412*
		101,922
Exchange loss/(gain)	**6,329**	*(21,390)*
Impairment for trade receivables charge	**118,041**	*110,023*

Office and equipment rental	**910,672**	*768,547*

9. Income Tax

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

	2017	*2016*
	£	*£*
Current income tax	**5,384**	*(33,696)*
PY income tax adjustment	**-**	*-*
Current year tax	**5,384**	*(33,696)*
Deferred taxation	**-**	*3,323*
	5,384	*(30,373)*

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:

	2017		*2016*	
	£	%	£	%
Loss before income tax	**(706,712)**		*(1,343,037)*	
Income tax at the statutory rate of 17%	**120,141**	**17.0**	*228,316*	*17.0*
Effect of different tax rate in foreign Jurisdictions	**-**	**-**	*-*	*-*
Non-deductible income and expenses	**(15,803)**	**2.7**	*(21,366)*	*(1.6)*
Singapore statutory stepped income Exemption	**-**	**-**	*-*	*-*
Adjustments of income tax in respect of prior years	**-**	**-**	*-*	*-*
Deferred tax asset not recognised	**(98,954)**	**(13.5)**	*(237,324)*	*(17.7)*
(Over)/under-provision for prior year deferred tax	**-**	**-**	*-*	*-*
Other effects not separately identified	**-**	**-**	*-*	*-*
	5,384	**(0.8)**	*(30,373)*	*(2.3)*

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.

	2017	*2016*
	£	*£*
Composition of deferred taxation:		
On the excess of the net book value over tax written down value of plant and equipment	**-**	*-*
Analysis of provision for deferred taxation:		
Balance at the beginning of the year	**-**	*13,797*
Deferred taxation for the year	**-**	*3,323*
Sale of Subsidiary	**-**	*(17,120)*
Currency realignment	**-**	*-*
Balance at the end of the year	**-**	*-*
Deferred tax asset	**-**	*-*

Deferred tax liability	**-**	-
Balance at the end of the year	**-**	-

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

	2017	*2016*
	£	*£*
Un-utilised capital allowance c/f	**552.474**	*82,146*
Un-utilised tax losses	**4,148,178**	*3,628,440*
	4,700,652	*3,710,586*

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 £701,328 *(2016: loss of £1,373,410)* and the weighted average number of ordinary shares in issue during the year of 105,708,809 shares *(2016: 74,592,510 shares).*

The basic and diluted earnings/(loss) per share on discontinued activities was based on the profit attributable to shareholders of £0 *(2016: £573,800)* and the weighted average number of ordinary shares in issue during the year of 105,708,809 shares *(2016: 74,592,510 shares)*.

The basic and diluted earnings/(loss) per share attributable to equity holders of the Company was based on the loss to shareholders of £701,328 *(2016: loss of £799,610)* and the weighted average number of ordinary shares in issue during the year of 105,708,809 shares *(2016: 74,592,510 shares).*

Calculations for dilutive EPS have not been made in respect of the convertible loan notes (note 32) on the basis the impact would be anti-dilutive.

There were no outstanding options in 2017.

11. Property, Plant, and Equipment

	Leasehold property and improvements	Classroom and office equipment	Motor Vehicle	Total
	£	£	£	£
Cost As at 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/ 1 January 2017	**378,154**	**1,620,961**	**39,970**	**2,039,085**
Additions	**-**	**28,654**	**-**	**28,654**
Disposals	**-**	**(5,480)**	**-**	**(5,480)**
Impairments	**(146,790)**	**(202,418)**	**-**	**(349,208)**
Acquisition-Subsidiary	**252,376**	**779,701**	**-**	**1,032,077**
Exchange differences	**16,336**	**6,742**	**988**	**24,066**
As at 31 December 2017	**500,076**	**2,228,160**	**40,958**	**2,769,194**
Accumulated depreciation				
As at 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/ 1 January 2017	**352,853**	**1,491,301**	**6,096**	**1,850,250**
Charge for the year	**13,325**	**43,599**	**8,064**	**64,988**
Disposals	**-**	**(5,480)**	**-**	**(5,480)**
Impairments	**(145,484)**	**(201,555)**	**-**	**(347,039)**
Acquisition-Subsidiary	**251,215**	**691,757**	**-**	**942,972**
Exchange differences	**-**	**17,547**	**-**	**17,547**
As at 31 December 2017	**471,915**	**2,037,163**	**14,160**	**2,523,238**
Net book value **At 31 December 2017**	**28,167**	**190,991**	**26,798**	**245,956**
At 31 December 2016	*25,301*	*129,660*	*33,874*	*188,835*

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
2017	**£**	**£**	**£**
Classroom and office equipment	**-**	**-**	**-**
Motor vehicle	**28,264**	**14,160**	**22,168**
	28,264	**14,160**	**22,168**
2016	£	£	£
Classroom and office equipment	-	*32,161*	*50,113*
Motor vehicle	*28,264*	*6,096*	*22,168*
	28,264	*38,257*	*72,281*

12. Investment in Subsidiary Companies

Company	2017	*2016*
	£	£
Investment in subsidiaries		
Unquoted equity shares, at cost		
As at the beginning of the year	**7,087,273**	*6,360,107*
Additions*	**281,518**	*727,166*
Disposals**	**(253,710)**	
As at the end of the year	**7,115,081**	*7,087,273*
Provision against the cost of investment in subsidiaries		
As at the beginning of the year	**2,878,709**	*2,702,522*
Disposal	**-**	*176,187*
Impairment	**(253,709)**	
As at the end of the year	**2,625,000**	*2,878,709*
Net book value at the end of the year	**4,490,081**	*4,208,564*

**During the 2017 financial year, a dormant subsidiary, AEC Bilingual, was closed and struck off from the Company registers in Singapore.

*During the 2017 financial year, a new subsidiary in Singapore, SAA Global Education Center Pte Ltd, was acquired for £281,518. (see note No: 35 for more details)

Malvern International Academy Pte Ltd (Singapore), Malvern House Group Limited, Malvern Language Academy Pte Ltd and SAA Global Education Center Pte Ltd (Singapore) 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 2017 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

	2017	*2016*
	£	£
Nil	**-**	-

14. Intangible Assets

Intangible assets are summarised as follows:

	Licences	Brands	Trade Mark	Customer List	Total
	£	£	£	£	£
Group 2017					
Cost					
As at 1 January 2016	*868,006*	*3,750,000*	*22,579*	-	*4,640,585*
Additions	-	-	-		-
Exchange differences	-	-	-	-	-
As at 31 December 2016/ 1 January 2017	**868,006**	**3,750,000**	**22,579**	**-**	**4,640,585**
Additions (Note 35)	**-**	**150,000**	**-**	**88,223**	**238,223**
Exchange differences	**-**	**-**	**-**	**-**	**-**
As at 31 December 2017	**868,006**	**3,900,000**	**22,579**	**88,223**	**4,878,808**
Accumulated amortisation					
As at 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/ 1 January 2017	**128,094**	**2,345,648**	**22,579**	**-**	**2,496,321**
Charge for the year – continuing activities	**8.583**	**150,000**	**-**	**-**	**158,583**
Reversal of impairment – continuing activities	**-**	**(150,000)**	**-**	**-**	**(150,000)**
Exchange differences	**(8.387)**	**-**	**-**	**-**	**(8,387)**
As at 31 December 2017	**128,290**	**2,345,648**	**22,579**	**-**	**2,496,517**
Net book value At 31 December 2017	**739,716**	**1,554,352**	**-**	**88,223**	**2,382,291**
Analysed as follows:					
Indefinite life	**733,850**	**-**	**-**		**733,850**
Definite life	**5,866**	**1,554,352**	**-**	**88,223**	**1,648,441**
	739,716	**1,554,352**	**-**	**88,223**	**2,382,291**
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*

Licences

At 31 December 2017, 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 2017, the Group's principal acquired brand, Malvern House was regarded as having a remaining definite useful economic life of 17 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.

As at 31 December 2017 the accumulated amortization on brands was £2,345,648. This comprises £1,350,000 amortised based on the normal amortization policy together with a further total amount of £1,145,648 that had been previously impaired prior to 1 January 2016.

During 2016 an impairment charge of £150,000 was made against brands due to the uncertainty surrounding the EduTrust License in Singapore. However, during 2017, there was a reversal of the 2016 impairment of £150,000 due to the subsequent award of the EduTrust license for the Singapore operations, and thus a change in circumstance that had originally given rise to the impairment in 2016.

The Board had reviewed all ongoing cash generating units in accordance with the detailed procedures set out later in this note and concluded that no impairment would be required for the 2017 financial year. Further, the Board is of the opinion that the previous year's impairment for Asia of £150,000 had been based on the assumption that there was a high risk of the Singapore operation being unable to obtain the EduTrust license to continue growing its business. The license was awarded to this entity in July 2017 and accordingly, the Board had reviewed and concluded that the specific impairment for Asia of £150,000 is to be reversed in 2017.

Trademarks
At 31 December 2017, the Group's trademarks were all considered to have fixed lives for accounting purposes although would be renewable when they expire.

Customer List
The new acquisition of SAA Global Education Pte Ltd in Singapore had also generated a new intangible asset value in Customer Listing for £88,223. Amortization is planned annually over a 5-year period

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 5% and 7% respectively for the European and Asian CGUs, the assumption that the Group will continue to be granted the Edu Trust Certification 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% (2016: 10.8%).

The discounted cash flows have initially been evaluated over 5 years although sensitivity across longer periods have been considered to reflect the range of intangibles and their relatively variable definite or indefinite useful economic life. Based upon the sensitivity analysis had the estimated discount rate used been 2% higher and/or the perpetual revenue growth rate used to be 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

	2017	2016
	£	£
Cost		
Balance as at the beginning of the year	**1,312**	1,312
Additions-Subsidiary	**450,000**	-
Exchange differences	**22,895**	-
Balance as at the end of the year	**474,207**	1,312

On the 26th of October 2017, Malvern International plc acquired 100% of the shareholding of SAA Global Education Center Pte Ltd (Singapore). In reviewing the consolidation of the subsidiary for the first time under IFRS3, a resultant intangible asset of £688,223 was acquired by the Group on consolidation. The intangible asset has been identified as purely a Goodwill asset after a review of the acquired assets and liabilities of the new acquisition. (See note 35 for more details)

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:

	2017	2016
	£	£
Education		
Europe	-	-
Asia	**474,207**	*1,312*
	474,207	*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

	2017	2016
	£	£
Publications and books	**6,100**	*3,129*

17. Trade Receivables

	2017	*2016-restated*
	£	£
Trade Receivables	**398,642**	*460,939*
Trade receivables are denominated in the following currencies:		
Singapore Dollar	**47,668**	*11,135*
Pound Sterling	**103,466**	*30,756*
Malaysian Ringgit	**220,757**	*281,031*
Euro	**26,751**	*138,017*
Other	-	-
	398,642	*460,939*

The age analysis of trade receivables is as follows:

	2017	*2016*
	£	£
Not yet due and impaired	**108,603**	*152,335*
Past due but not impaired		
- Past due 0 to 3 months	**157,876**	*149,915*
- Past due 3 to 6 months	**54,087**	*72,094*
- Past due over 6 months	**78,076**	*86,595*
	290,039	*308,604*
Impaired trade receivables	**102,040**	*241,946*
Less: Allowances for impairment loss	**(102,040)**	*(241,946)*
	398,642	*460,939*

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

	2017	*2016*
	£	£
Balance at the beginning of the year	**241,946**	*192,910*
Allowances reversed during the year	**(122,084)**	*(38,155)*
Allowances made during the year-continuing operations	**-**	*106,646*
-discontinued operation	**-**	-
Allowances written-off during the year	**(17,822)**	*(19,455)*
Currency realignment	**-**	-
Balance as at the end of the year	**102,040**	*241,946*

18. Other Receivables and Prepayments

	Group		**Company**	
	2017	*2016*	**2017**	*2016*
	£	£	**£**	£
Deposits	**359,865**	*239,750*		
Prepayments	**401,320**	*286,163*	**13,775**	*12,993*
Staff loan	**12,220**	*819*	**-**	-
Others	**175,534**	*93,261*	**-**	-
	948,939	*619,993*	**13,775**	*12,993*

19. Due from Related Parties

	Group		**Company**	
	2017	*2016*	**2017**	*2016*
	£	£	**£**	£
Due from related parties				
Non-trade	**-**	-	**-**	-

Balances with related parties are denominated in the following currencies:

	Group		Company	
	2017	*2016*	**2017**	*2016*
	£	£	**£**	£
Due from related parties				
Nil	**-**	-	**-**	-

20. Cash and Cash Equivalents

	Group		Company	
	2017	*2016*	**2017**	*2016*
	£	£	**£**	£
Cash at bank and in hand	**471,036**	*116,541*	**403**	*851*
Fixed deposits with bank	**8,529**	-	**-**	-
Cash and cash equivalents	**479,565**	*116,541*	**403**	*851*
Cash and cash equivalents are denominated in the following currencies:				
Singapore Dollar	**180,248**	*14,339*	**-**	-
Pound Sterling	**105,712**	*39,426*	**403**	*851*
Malaysian Ringgit	**189,238**	*61,201*	**-**	-
Euro	**4,367**	*1,575*	**-**	-
Other	**-**	-		
	479,565	*116,541*	**403**	*851*

21. Trade Payables

	Group		Company	
	2017	*2016*	**2017**	*2016*
	£	£	**£**	£
Trade payables are denominated in the following currencies:				
Singapore Dollar	**90,003**	*16,994*	**-**	-
Pound Sterling	**105,052**	*61,284*	**-**	-
Malaysian Ringgit	**82,096**	*92,397*	**-**	-
Euro	**-**	-	**-**	-
Other	**-**	-	**-**	-
	277,151	*170,675*	**-**	-

22. Deferred Income

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

	2017	*2016-restated*
	£	£
Deferred income is denominated in the following currencies:		
Singapore Dollar	**453,538**	*224*
Pound Sterling	**179,689**	*185,171*
Malaysian Ringgit	**35,548**	*200,644*
Euro	**-**	-
Other	**-**	-
	668,775	*386,039*

23. Other Payables and Accruals

	Group		Company	
	2017	*2016*	**2017**	*2016*
	£	£	**£**	£
Other payables	**179,778**	*535,930*	**58,150**	*234,634*
Accrued expenses	**568,294**	*273,894*	**55,797**	*51,119*
	748,072	*809,824*	**113,947**	*285,753*

24. Due to Related Parties

	Group		Company	
	2017	*2016*	**2017**	*2016*
	£	£	**£**	£
Due to related parties				
Non-trade	**835,853**	*1,223,256*	**489,748**	*1,159,253*
Trade payables are denominated in the following currencies:				
Singapore Dollar	**367,624**	*64,003*	**-**	-
Pound Sterling	**468,229**	*1,159,253*	**489,748**	*1,159,253*
Malaysian Ringgit	**-**	-	**-**	-
Euro	**-**	-	**-**	-
Total	**835,853**	*1,223,256*	**489,748**	*1,159,253*

During the year,

a) KSP Investments Pte Ltd, a company of which two of the Directors are also shareholders, advanced loans to the Group totalling £583k (2016: £706k).

b) CG Corp , a major shareholder of the company, advanced loans to the Group totalling £538k (2016: £0k).

c) 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	
	2017	*2016*	**2017**	*2016*
	£	£	**£**	£
Due to related parties				
KSP Investments Pte Ltd	**487,978**	*1,223,256*	**239,748**	*1,159,253*
C G Corp	**347,875**	-	**250,000**	-
Others	**-**	-	**-**	-
	835,853	*1,223,256*	**489,748**	*1,159,253*

During the 2017 reported year, the company has agreed that

a) £118,000 of its outstanding balance with KSP Investments Pte Limited and £190,000 of its outstanding balance with CG Corp be converted into 2,360,000 and 3,800,000 5p ordinary shares respectively in the Company at a price of 5p per share (note 26).

b) £1,200,000 of its outstanding balance with KSP Investments Pte Limited be converted into an unsecured and interest bearing Convertible Loan Notes. (see note: 32). Of these Convertible Loan Notes issued, £100,000 were settled prior to the year end from the issue of 2,000,000 5 ordinary shares (note 26).

25. Financial Liabilities

	Group		Company	
	2017	*2016*	**2017**	*2016*
	£	£	**£**	£
Non-current liabilities				
Finance lease obligations	**20,320**	*24,447*	**-**	-
Convertible Loan Notes	**995,813**	-	**-**	-
Term Loan	**159,178**	-	**-**	-
	1,175,311	*24,447*	**-**	-
Current liabilities				
Finance lease obligations	**4,994**	*4,823*	**-**	-
Convertible Loan Notes	**-**	-	**-**	-
Term Loan	**26,530**	-	**-**	-
	31,524	*4,823*	**-**	-
Total	**1,021,127**	*29,270*	**-**	-

Finance Lease Obligations
At 31 December 2017, the Group has no material lease obligations under finance leases that are payable:

Convertible Loan Notes

At 31 December 2017, the Group has obligation for £1,100,000. (see Note: 32)

Term Loan
On December 2017, the Malaysian entity had received a Term Loan from Ambank Malaysia for £185,708 (RM 1,000,000). This loan carries an interest rate of 6.7% and will be repaid over 84 months on a fixed monthly instalment basis.

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 2017 5p ordinary shares and 5p deferred shares	**114,188,333**	**5,709,417**	**44,198,781**	**2,209,939**	**7,919,356**
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*

During 2017 21,910,350 5p ordinary shares were issued. The movement in share capital during the year can be summarised as follows:

- January 2017 – 2,000,000 5p ordinary shares were issued at par to Dr Sam Malafeh
- February 2017 – 760,000 5p ordinary shares were issued at par to KSP Investments Pte Limited as part of the capitalisation of loans due to that party totalling £38,000
- February 2017 – 1,600,000 5p ordinary shares were issued to CG Corp at par
- February 2017 – 2,520,000 5p ordinary shares were issued at par to certain directors in lieu of salary/fees
- March 2017 – 3,000,000 5p ordinary shares were issued at par to Dr Sam Malafeh
- March 2017 - 1,600,000 5p ordinary shares were issued at par to KSP Investments Pte Limited as part of the capitalisation of loans due to that party totalling £80,000

- March 2017 – 600,000 5p ordinary shares were issued at par to certain directors in lieu of salary/fees
- March 2017 – 2,200,000 5p ordinary shares were issued to CG Corp at par
- October 2017 - 5,630,350 5p ordinary shares were issued at par as consideration for the acquisition of SAA Global Education Center Ltd (note 35)
- December 2017 – 2,000,000 5p ordinary shares were issued at par to KSP Investments Pte Limited as part of a capitalisation of convertible loan notes issued (note 32) totalling £100,000

27. Reserves

The Company has the following types of reserves:

(i) Share premium reserve

	2017	*2016*
	£	£
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 no new share options issued to any member of the Company.

iii) Retained earnings

	Group		**Company**	
	2017	*2016-restated*	**2017**	*2016*
	£	£	**£**	£
At the beginning of the year	**(7,927,823)**	*(7,107,142)*	**(4,127,710)**	*(3,599,468)*
Loss for the year	**(701,328)**	*(820,681)*	**(306,157)**	*(528,242)*
Unclaimed dividends returned	**-**	-	**-**	-
At the end of the year	**(8,629,151)**	*(7,927,823)*	**(4,433,867)**	*(4,127,710)*

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

(iv) Translation reserve

	Group		**Company**	
	2017	*2016*	**2017**	*2016*
	£	£	**£**	£
At the beginning of the year	**1,005,522**	*965,602*	**-**	-
Currency translation differences	**(266,067)**	*39,920*	**-**	-
At the end of the year	**739,455**	*1,005,522*	**-**	-

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	
	2017	*2016*	**2017**	*2016*
	£	£	**£**	£
At the beginning of the year	**170,560**	*170,560*	**-**	-
Financial Liability reserve	**-**	-	**-**	-
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.

(vi) Convertible loan reserve

	Group		Company	
	2017	*2016*	**2017**	*2016*
	£	£	**£**	£
At the beginning of the year	**-**	-	**-**	-
Additions in the year	**104,187**	-	**104,187**	-
At the end of the year	**104,187**	-	**104,187**	-

The convertible loan reserve arose on the issue of convertible loans notes in November 2017 (note 32)

28. Related Party Transactions

In addition to the related party information disclosed in notes 19 and 24, there were no transactions of income/(expenses) with related parties.

Details of key management personnel and directors' fees and emoluments were as follows:

	2017	*2016*
	£	£
Key management personnel		
Directors' remuneration:		
- Salaries and bonuses	**165,658**	*40,288*
- Directors' fees	**6,089**	*59,000*
	171,747	*99,288*

Analysis of directors' fees and emoluments:

	Salary & Bonus	**Fees**	Total
2017	**£**	**£**	£
Haider Sithawalla	**2,118**	**-**	**2,118**
Wee Hock Kee	**-**	**6,089**	**6,089**
Sam Malafeh	**163,540**	**-**	**163,540**
	165,658	**6,089**	**171,747**
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*

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: -

	2017	*2016*
	£	£
Expiring:		
Within one year	**1,351,689**	*449,889*
Between two to five years	**2,763,957**	*1,498,879*
Over five years	**592,524**	*922,036*
	4,708,170	*2,870,804*

30. Subsequent events

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

- KSP Investments had provided new loans of £372K in 2018 to support the growing number of new initiatives within the Group. This increases their total loan to £860K.
- Malaysia has been granted the International License for Vocational (Food & Beverage and Culinary).

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 markets 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. 55% *(2016: 76%)* of the Group's accounts receivables are made up of individual students, 37% *(2016: 24%)* relates to large funding organisations such as government related bodies and the balance of 8% *(2016: 0%)* 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.

2017	**On demand or within one year**	**Within 2 to 5 years**
	£	£
Trade payables	**277,151**	**-**
Other payables	**307,995**	**-**
Due to related parties	**835,853**	**-**
Financial liabilities	**31,524**	**179,498**
Convertible Loan Notes	**-**	**1,100,000**
	1,452,523	**1,279,498**

(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 31.12.2017				
Singapore Dollar	**71,465**	**36,918**	**(71,465)**	**(36,918)**
Malaysian Ringgit	**26,891**	**15,448**	**(26,891)**	**(15,448)**
At 31.12.2016				
Singapore Dollar	*315,851*	*15,368*	*(315,851)*	*(15,368)*
Malaysian Ringgit	*154,474*	*38,450*	*(154,474)*	*(38,450)*

(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 2017, 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 31.12.2017			
Assets			
Trade and other receivables	-	**1,353,680**	**1,353,680**
Cash and bank balances	-	**479,565**	**479,565**
Non-financial assets	-	**3,103,959**	**3,103,959**
Total assets	-	**4,937,204**	**4,937,204**
At 31.12.2017			
Liabilities	-	**1,125,704**	**1,125,704**
Borrowings	-	**2,042,688**	**2,042,688**
Non-financial liabilities	-	**568,294**	**568,294**
Total liabilities	-	**3,736,686**	**3,736,686**

(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. Convertible Loan Notes

The Company issued the following loan notes in 2017:

Convertible Loan Notes		
Issue Name	Convertible Unsecured Loan Notes 2020	
Date of Issue	17 November 2017	
Date of Redemption	16 November 2020	
Interest Payable	1 Jan 2018-31 Dec 2018	3%
	1 Jan 2019-31 Dec 2019	4%
	1 Jan 2020-16 Nov 2020	5%
Total Issued	£1,200,000	
Amount converted in year (note 26)	(£100,000)	
Balance at 31/12/2017	£1,100,000	

Of the £1,200,000 Loan Notes issued in November 2017 £100,000 were converted shortly thereafter in December 2017 leaving a balance of £1,100,000 at the year end for which a fair value calculation has been determined to evaluate the amount of the non-current liability arising. Accordingly, the Loan Notes of £1,100,000 were recorded in the financial report as follows:

Non-Current Liabilities - £995,813
Reserves -£104,187

33. Discontinued activities

In 2017, no new disposals are reported.

For the 2016 financial year, the Group had 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 2016 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.

Discontinued business is presented as follows:

	2017	**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**

34. Restatement of the 2015 Financial Records

In the course of the review of the financial records of the London operations in 2017, an amount of £142,742 was found to be deficient in the Deferred Income account. Upon further internal investigations by Management, the following adjustments were deemed necessary to correct the financial records of the 2015 and 2016 financial years.

In the 2015 financial year, the London operations were streamlined with our then Dublin operations through a shared services platform for the accounting and other back office functions. The back-office staff of London were restructured out of the company and new resources were concentrated in the Dublin office.

During the takeover process, the deferred income recording system of CLASS were migrated from the London system into the Dublin system. During this process, it was found that the Deferred Income was overstated by £146,848 but finally an amount of £142,742 was released from the Deferred Income account to credit Revenue in November 2015. This was a manual entry undertaken to correct, what was then perceived to be a correct adjustment, the Revenue and Deferred Income accounts.

In 2017, it was fond that the Deferred Income account was now understated by £142,742. We have checked the revenue recognition in 2016 and 2017 and found that revenue recognition for 2016 and 2017 were correctly recorded.

Accordingly, Management is now restating the 2015 financial records to correct this overstatement of Revenue and understatement of Deferred Income.

The financial entries are as follows:

	2015	**2015**	**2015**	**2015**
	Profit & Loss	Profit & Loss	Balance Sheet	Balance Sheet
	Debit	Credit	Debit	Credit
	£	£	£	£
Overstated Revenue	142,742			
Deferred Income				142,742

	2016	**2016**	**2016**	**2016**
	Profit & Loss	Profit & Loss	Balance Sheet	Balance Sheet
	Debit	Credit	Debit	Credit
	£	£	£	£
Retained Earnings	-		142,742	
Deferred Income				142,742

The Consolidated Financial Reporting of the three years in question are as follows:

Consolidated Income Statement	**2015-restated**	**2015-as reported**
	£	£
Revenue	**4,651,426**	***4,794,168***
Other Income	**261,467**	*261,467*
Total Income	**4,912,893**	*5,055,635*
Total Costs	**(6,725,398)**	*(6,725,398)*
Loss for the year-continuing	**(1,812,505)**	***(1,669,763)***
Profit for the year-discontinuing	**262,431**	*262,431*
Loss for the year	**(1,550,074)**	***(1,407,332)***
Currency Translation	**(311,466)**	*(311,466)*
Total Comprehensive Loss	**(1,861,540)**	***(1,718,798)***
Loss per share on continuing activities – basic - diluted	 **(2.87)** **(2.87)**	 *(2.64)* *(2.64)*

Statement of Financial Position	**2016-restated**	**2015-restated**	**2016-as reported**	**2015-as reported**
	£		£	
Total Assets	**3,596,898**	**4,752,782**	*3,596,898*	*4,752,782*
Deferred Income	386,039	899,024	*243,297*	*756,282*
Other Liabilities	2,242,651	3,674,136	*2,242,651*	*3,674,136*
Total Liabilities	**2,628,690**	**4,573,160**	***2,485,948***	***4,430,418***
Total Equity	968,208	179,622	*1,110,950*	*322,364*
Total Equity & Liabilities	**3,596,898**	**4,752,782**	*3,596,898*	*4,752,782*

35. New Acquisition for the Malvern Group

On 26 October 2017, The Group announced the acquisition of SAA Global Education Center Pte Ltd for a total consideration of Sing Dollar $500,000 (£281,518). The Sale and Purchase Agreement was concluded with the Institute of Singapore Chartered Accountants ("ISCA") to acquire the entire issued share capital of SAA Global Education Centre Pte. Ltd through the issue of 5,630,350 new ordinary shares of 5p each in Malvern plc.

The fair value of assets and liabilities acquired together with the consideration provided can be summarized as follows:

	£
Fair value of assets and liabilities acquired:	
Property, plant and equipment	81,971
Intangible assets	7,001
Brand*	150,000
Customer List*	88,223
Trade and other receivables	227,595
Fixed deposits	8,516
Cash and bank balances	73,843
Trade and other payables	(266,479)
Deferred income	(441,114)
Loans and amounts due to group companies	(179)
Provisions	(97,859)
Net Liabilities acquired	(168,482)
Consideration/Purchase Price	281,518
Goodwill arising on acquisition*	450,000

[1] In accordance with IFRS 3, a review of the intangible asset of £688K was undertaken by Management through an external consultant and the conclusion are as follows. The Board concurs with the analysis as provided by the external consultant. The breakdown of the intangible asset on the consolidation of the new business is as follows:

Intangible Asset Review	**31 Dec 2017**
	£
Goodwill*	450,000
Brand*	150,000
Customer Lists*	88,223
Total	**688,223**

[2] Charges for amortisation of Customer List and Brands acquired will commence from 1 January 2018

SAAGE, a subsidiary of ISCA prior to the sale, provides commercial private education and has a 30-year history of providing diploma, undergraduate, postgraduate and professional programmes in the accountancy, finance and business related disciplines. SAA-GE has a four-year EduTrust Certification issued by the Committee for Private Education Singapore.

The summary financial reporting for SAAGE under the Malvern group is summarized below.

Consolidated Income Statement	**Nov 17 -Dec 17**
	£
Total Income	336,029
Total Costs	(229,517)
Profit Before Tax	**106,512**
Tax	-
Profit for the Year	**106,512**

Statement of Financial Position	**31 Dec 2017**
	£
Total Assets	589,310
Total Liabilities	(890,430)
Net Assets	**(301,121)**
Share Capital	167,244
Total Reserves	(468,365)
Net Equity	**(301,121)**