malvern international

2018 ANNUAL REPORT

FOR THE YEAR ENDED
31 DECEMBER 2018
Company No 05174452

Contents

CHAIRMAN'S STATEMENT

Overview and Group strategy

Malvern is in the business of providing young people with employable skills. Its 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 which includes:

- promoting Malvern globally by offering excellent service;
- 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 directly or in collaboration with its prestigious partners;
- extending distribution through its regional 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.

2018 has been a year of progress in all these areas albeit that the financial outturn for the year is somewhat below what we had hoped it would be. Most notably 2018 has seen a considerable improvement in the Group's overall performance with turnover nearly doubling and the Group recording an improvement in the operating performance after adjusting for one-off costs. An upward trajectory is now established and momentum building. Our sales strategy is delivering, and our offering now covers a wider range of products and is more organised with clear divisions including English Language, Juniors, Professional training including ACCA, International Foundation delivery for universities, and degree and diploma delivery in Singapore. 2018 also saw another acquisition completed which has to date proved very successful.

Operational and business review

Group operational highlights in 2018 included completing the acquisition of Communicate School of English in Manchester (part of the global strategy for the English language division), the agreement with University of East London to deliver international foundation level programmes and reaching the Platinum and Gold status from ACCA in Singapore and London respectively (part of the global ACCA delivery plan).

Quality education remains the key focus in building Malvern's reputation and during the year it continued working with key international partners to bring prestigious products to the Group for delivery. This included working with accounting and tax bodies in the UK and Singapore (ACCA, the ICAEW, the AAT, the ISCA-AAT, the Singapore Accounting Commission (delivering Singapore Chartered Accountants Qualification), the ATTS) and the University of London (degrees in Singapore), the University of East London (foundation programmes), Qualifi (UK partnership for online delivery of business qualifications) and the University of Gloucestershire. Further similar partnerships are expected to be secured in 2019. Malvern continues to invest in new products such as Malvern Online and programmes related to it. Malvern Online is a platform for delivering real-time "live" and online classes around the world. This platform is expected to be fully functional by the end of 2020. The investment also includes programmes scheduled for the upcoming years. The amount invested has been in the region of £0.26 million.

On the investment side, Malvern has been successful in attracting new investors while receiving continued support from existing shareholders. In June 2018 the Company completed a placing to raise £4 million, principally to fund the acquisition of Communicate. Then, post year end, in February 2019 the Company raised a further £606,000 to provide additional working capital for the Group.

Europe

In the UK the Group's activities are conducted through its London and Manchester schools.

London saw another year of significant improvement in its trading performance, recording an increase in revenue year-on-year of approximately 85%. This growth was driven, in particular, by seasonal summer camps which attracted more students and by attracting more longer-term students from the Far East and South America.

The acquisition of the Communicate School of English in July provided the Group with a school in Manchester. The consideration for the acquisition was £2.34 million, satisfied by £1.65 million in cash and £0.69 million by the issue of 13,800,000 new ordinary shares at a price of 5 pence per share. Not only has the acquisition enhanced the scale of the Group's UK operations but it has also brought additional product, marketing and management resources to the Group and created cross-selling opportunities through, for example, its strong links in the Middle East market.

Asia

In Asia the Group has operations in Singapore and Malaysia.

In Singapore the significant majority of the Group's activities are conducted through SAA Global Education ("SAAGE") with some also conducted through Malvern International Academy. The merging strategy between the programmes of Malvern International Academy and SAAGE brought significant saving to the Group through reduction in rental and administration costs. Malvern International Academy continued with its short-term skills development programmes, some of which are funded through different local schemes. This was SAAGE's first full year within the Group, having been acquired in November 2017 as a business which was making significant losses. I am delighted to report that SAAGE has reduced its loss in 2018 and is expected to show a profit in 2019. Cost saving measures were implemented including a rationalisation of the Group's properties in Singapore and investment was also made. A number of new programmes were introduced in 2018 including the introduction of English language delivery, and a small acquisition of hospitality programmes was also undertaken. SAAGE also took the opportunity to shift to a lower level in the same building in Singapore. The renovation cost was £0.186 million. There is also a saving in the lease rental for the new premises resulting in a significant saving. The lower level has the added attraction of having a direct access for walk-in clientele.

Malaysia has been the most challenging part of the Group's operations in 2018, absorbing more cash and management resources than anticipated. Trading did not improve as much as hoped in the second half and it continued to be loss making. Therefore, management decided to undertake further restructuring and limit activities to focus only on those areas with the most promising future growth prospects. This downsizing exercise commenced in the second half of 2018 and continued into early 2019. We believe the operations are now stable and while we have limited expectations for 2019, we do not expect it to be a drain on the overall performance of the Group.

Financial review

<u>Group</u>

In 2018 the total income for the continuing operations of the Group was £7.6 million (2017: £4.1 million).

For the 2018 financial year, the Group generated an operating loss of £0.67 million (2017: loss £0.69 million). This was after recognising one-off costs of £0.51 million, principally comprising integration costs in Singapore of the acquisition of approximately of £0.25 million, and rationalisation costs in Malaysia of approximately £0.26 million. The results for 2018 had been expected to benefit from a claim in excess of £0.3 million against a third party for disruption and expenses incurred in relation to flood damage at premises in Singapore. In relation to the damage caused, the company incurred £0.094 million of direct repair costs that were expensed in 2018 and have not been adjusted for in Note 4 to the financial statements. While some recovery has been made against rent in 2019, the claim is still being processed and the amount of any settlement remains uncertain. Therefore no recognition of claim has been made in the 2018 numbers and any recovered amount will therefore be included in the current year.

The Group has recognised a tax credit for the year of £0.15 million (2017: £0.005 million). This principally comprises a deferred tax credit that arose because Malvern House London is now trading profitably enabling its carried forward losses to be considered a deferred tax. The Group has also recognised a tax charge of £0.04 million, (2017: £Nil) for the profit made by Communicate English School.

Group loss after tax for the year was £0.57 million (2017: loss £0.70 million).

Hence the loss per share for the year was 0.31p compared to a loss of 0.66p for 2017.

The net assets of the Group as at 31 December 2018 were £5.46 million (2017: £1.20 million).

Net debt at the year-end was approximately £1.0 million (2017: £2.0 million) after taking account of a related party loan of £0.52 million (2017: £0.84 million) and convertible loan notes amounting to £0.30 million (2017: £1.1 million). The Company has no other debt. During the year the Company converted £0.77 million of convertible loan notes, which are held by KSP Investment Pte Limited ("KSP") into 15,437,960 new ordinary shares.

Trade receivables at the year-end were £1.04 million (2017: £0.40 million). Since the year end significant recoveries have been made and as at 31 March 2019 trade receivables were £0.91 million. In part the increase is due to the Group having to agree to longer payment terms than it has previously experienced with larger organisations to which it is offering corporate training and university degrees. This means that more of the Company's resources are being absorbed into working capital and this trend may continue as the levels of business undertaken with larger organisations increases. At the year end, these accounts represented approximately 20% of the trade receivables. Approximately 40% of the year end trades receivables were over six months old. These relate to individual students paying on an instalment basis. Management is working to reducing this amount and students will only receive their qualification upon full payment of all outstanding fees. The Company is currently in negotiation for additional debt funding to assist with potential increases and natural fluctuations in its working capital requirements.

As part of the year-end review and pursuant to rationalisation undertaken in Singapore during the year and particularly following the acquisition of SAAGE, KSP has agreed that certain costs previously incurred exclusively by Malvern will now be shared or wholly borne by KSP. These costs include certain premises and staffing costs. In aggregate the costs incurred in 2018 allocated to KSP amount to approximately £128,000 and these have either been settled in cash or will be offset against KSP's interest free loan to the Company. The independent directors, being the directors other than Messrs Pillai, Sithawalla and Khattar, consider, having consulted with the Company's nominated adviser, that the terms of the allocation to KSP are fair and reasonable insofar as shareholders are concerned.

By sector and subsidiaries

The Group reports two geographic segments being Europe (entirely UK) and Asia (being Singapore and Malaysia). In the UK, the Group operates through two subsidiaries, MH International Limited in London and Communicate English School Limited in Manchester. In Asia the Group operates in Singapore and Malaysia. In Singapore the Group operates three subsidiaries being SAA Global Education, Malvern International Academy Singapore and Malvern International Services. In Malaysia the Group operates one subsidiary being Malvern International Academy Malaysia.

United Kingdom

London (Malvern House)

The business in London has experienced another year of significant growth, reporting £3.7 million revenue in the period in comparison to the £2.02 million revenue in 2017 and £1.32 million revenue in 2016. The year on year growth for 2018 was around 85% and was the result of robust sales performance, opening new markets, and penetration in the existing markets, backed up by quality service offered to all customers. Due to the revenue improvement, EBITDA profit before head office costs and one-off costs was £0.31 million, as compared to the EBITDA profit of £0.017 million in 2017.

Manchester (Communicate School of English)

The acquisition of Communicate was a significant step in 2018 to allow Malvern to have more Language schools offering its products in the UK. The business joined the Group in early July 2018 and reported £0.68 million revenue and an EBITDA profit before head office costs and one-off costs of £0.22 million for the six months of operation in the Group.

Asia

The total revenue for Asian operations in 2018 was £3.20 million compared to £1.94 million in 2017. The Asian operations reported an EBITDA loss before head office costs and one-off costs of £0.018 million in 2018, an improvement on the £0.051 million loss reported in 2017.

In Singapore, revenue increased to £2.1 million in 2018 from its previously recorded revenue of £0.54 million in 2017. The business has reported an EBITDA loss before head office costs and one-off costs of £0.08 million. SAA Global Education Centre Pte Ltd showed an EBITDA profit before head office costs and one-off costs of £0.057 million. Malvern International Academy Pte Ltd and Malvern International Services Pte Ltd showed an EBITDA loss before head office costs and one-off costs of £0.140 million.

In Malaysia, revenue for the year decreased to £1.1 million (2017: £1.41 million). The business has reported an EBITDA profit before head office costs and one-off costs of £0.06 million.

Dividend

The Board does not propose the payment of a final dividend for the year ended 31 December 2018 *(2017: nil).*

Brexit

The Board is mindful of the general economic and political uncertainty that Brexit is causing. At present, the Board does not believe this uncertainty is impacting Malvern and regardless of the eventual outcome of Brexit it is not expected to significantly impact the Group's trading. The Board considers that the UK will remain an attractive centre for foreign students from Europe and the Rest of the World. This should be enhanced by recent initiatives announced by the UK government to attract more international students to the UK. The most significant policy announcements are 1) the inclusion of China and Brazil in the low-risk countries list which will make the visa process easier and lead to higher approval rate and 2) a new working right policy for degree graduates which will boost the number of students coming to UK universities.

Board and senior management changes

During the year Mr Sabin Joshi and Mr Nadir Zafar stood down as Non-Executive Directors and Mr Nirvana Chaudhary, who is Chief Executive Officer of the CG Corp Group, was appointed as a Non-Executive Director. Since the year end, Mr Wee Hock Kee has retired from the Board. The Company is actively looking to recruit an experienced independent non-executive and hopes to make an appointment shortly.

The senior management team has been strengthened with the Communicate acquisition and also with the appointments of Mr Bharat Guha as Group Chief Financial Officer and, since the year end, of Ms Wei Lin as Group Chief Operating Officer.

Acknowledgments

On behalf of the Board, I would like to thank all staff members for their continued dedication, commitment, and cooperation during what has been another period of significant change and activity. We would also like to extend our appreciation and thanks to all our business partners and advisers, students, associates and shareholders for their support throughout the year.

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.

Outlook and prospects

The Board is confident that the Group can make further substantial progress in 2019. The Group's operations are now not only larger in terms of revenue and number of students (almost twice the number in 2017), but it also has a greater range of products that can help deliver organic growth. In addition, 2019 will benefit from the now profitable operations of SAAGE, a first full year contribution from Communicate and a growing contribution from new revenue streams such as the foundation courses delivered at the University of East London.

Trading in the current financial year has started satisfactorily and is in line with the Board's expectations for the year as a whole. Trading up to the end of April was ahead of budget. Sales to the end of April plus sales booked for delivery in the remainder of the year stood at £6.9 million (2018: £3.9 million). As in 2018, trading in 2019 as a whole will be second half weighted as revenue in the second half will benefit from summer enrolments in London and Singapore, enrolment of the universities in the second half, and chartered accountants' courses in more demand through the second half of the year in Singapore.

Gopinath Pillai
Chairman
Date: 28 June 2019

STRATEGIC REPORT

Principal Activities

The principal activity of Malvern International PLC is to provide quality education services in multiple locations. In 2018 it has shown continuous growth in the number of clients offered such services.

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.

Organisation Overview

The Group's business is directed by the Board and managed by a senior management team as outlined in the Corporate Governance section. The board committees provide the oversight and monitoring on financial management, board effectiveness and governance, risk and controls.

Strategy and Business Plan

The following key matters are included within the Chairman's Statement on pages 1 to 5.

- Overview and Group Strategy
- Operational and business review
- Financial review
- Outlook and prospects

Principal Risks and Uncertainties Facing the Group

The Group is exposed through its operations to the following financial risks:

- Foreign currency risk;
- Liquidity risk; and
- Credit risk.

The policies for managing these risks are set by the Board following recommendations from the Group Finance Director. Certain risks are managed centrally, while others are managed locally following guidelines communicated from the centre. The policies for each of the above risks, and the nature and extent of those risks, are described in detail in note 31 to the financial statements. Other risks and uncertainties are discussed in the Operational and Financial Review on pages 2 and 3.

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.

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 2018, 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 58% 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.

Key Performance Indicators

	2018	2017
Financial		
Total Income from continuing operations	£7,593,947	£4,078,889
Growth/(Decrease)	86%	1%
Operating Profit/(Loss)	(£673,177)	(£692,022)
Profit/(Loss) before Taxation-continuing operations	(£717,773)	(£706,712)
Profit/(Loss) after Taxation-discontinuing operations	(£566,946)	(£701,328)
Profit/(Loss) per share-continuing operations	(0.31 pence)	(0.66 pence)

From FY2018, the Board is also tracking non-financial indicators as per below:

	2018	2017
Non-Financial		
Number of Courses offered	58	48
Students attending	8,506	7,430

Sam Malafeh
DIRECTOR
Date: 28 June 2019

BOARD OF DIRECTORS

Chairman

Mr. Gopinath Pillai

Ambassador Gopinath Pillai is Ambassador-at-Large in the Ministry of Foreign Affairs and Singapore's Special Envoy to Andhra Pradesh. He is the Chairman of the Institute of South Asian Studies. He has served as Singapore's Non-Resident Ambassador to Iran and Singapore's High Commissioner to Pakistan.

Ambassador Pillai has varied business interests which include investments in education, logistics and information technology. He is the Chairman of Playware Studios Pte Ltd, an EdTech Company focused on game-based learning and education.

Ambassador Pillai has received several awards, including the Friend of Labour (NTUC 1987); Meritorious Award (NTUC 1990); Friend of IT from Singapore Computer Society (2001); Distinguish Member of NUSS in 2011 and Outstanding Service Award (NUS 2015). The Singapore government has awarded Ambassador Pillai the Public Service Star Award (BBM) in 1999 and BBM (BAR) in the 2009 National Day Awards and The Meritorious Service Medal on National Day 2015.

The Indian government conferred the Padma Shri award on Ambassador Pillai at the 2012 Republic Day.

Deputy Chairman

Mr. Haider M Sithawalla

Sithawalla started his career in the Government service and rose to the position of Deputy Secretary in the Ministry of Finance. While in the Government Service he served on Tourist Promotion Board (Year 1972 – 1974), Sentosa Development Corporation (Year 1974 – 1976) and a number of boards of companies in which the Singapore Government had equity interest.

Mr Sithawalla resigned from Government service in 1978 and joined ACMA Ltd, a public listed Company, as its General Manager and later became its Managing Director. In 1994 he retired from ACMA Ltd and joined as Executive Director and a partner of KSP Investment Pte Ltd. He continues to be on the Board of a number of companies.

He is currently also Chairman of Warees Investments Pte Ltd, Education Trust Fund Committee of Mendaki and a member of Rahmatan Lil Alamin Foundation.

Mr Sithawalla also served as Singapore High Commissioner (Non-Resident) to Mauritius, Tanzania and Zimbabwe during the years 1994 to 2008. For his public service, Mr Sithawalla has received many awards, such as the MUIS Award Jasa Cemerlang (Outstanding Contributions to Muslim Community) in 2014, the Public Service Medal Award (PBM) in 1999, the Meritorious Service Award (NTUC) in 1990, the Rochdale Medal Award (National Co-Operative Federation Ltd) in 1984 and Friend of Labour Award (NTUC) in 1981.

Executive Director & CEO

Dr. Sam Malafeh

Sam Malafeh, PhD in Economics (The University of Auckland, New Zealand), is an innovative and results-driven leader in education focused on achieving exceptional results in highly competitive environments. Sam has a proven track record of building a strong team to deliver quality education. He is experienced in driving quality operations, processes, and customer service improvements while building partnerships with key business decision-makers. Sam is passionate about education and believes in empowering people, whether they are students, academics, colleagues or other individuals.

In his previous role as the Chief Executive Officer of a New Zealand education provider, Sam led the five schools operating in the Group to offer education for employment and enterprise. The schools were repeatedly rated highly by New Zealand Qualifications Authority. They are known as schools with exceptional support to students, maintaining the integrity, high-quality delivery and high employment outcomes for graduates.

Dr Malafeh is delighted to be part of an international high-performance Company. With the new strategy, Malvern International is improving its systems and processes, and teaming up with highly qualified and experienced people to enhance the ultimate learning experience. As a Global Partner in Learning and Skills Development, Malvern International is responsible for empowering individuals to become leaders of workforces and industries of the future.

Non-Executive Director

Mr. Ramasamy Jayapal

Jayapal was the CEO of Malvern International plc during listing and subsequently the Finance Director before becoming Non-Executive Director of Malvern International plc. He has more than 30 years' management experience of which 25 are in education.

Mr. Jayapal is a Fellow of the Chartered Association of Certified Accountants (FCCA) and the Fellow of the Institute of Chartered Accountants of Singapore (FCA).

Mr. Jayapal is one of the Founder Members and a Fellow of the Institute of Management Consultants (FCMC) and was its past president for a few years. He is currently the Deputy Chairman of a UK Accounting Group called McMillan Woods International and Chairman of Hallmark Capital Pte. Ltd., Singapore.

Non-Executive Director

Mr. Navin Khattar

Navin Khattar is an executive director with a global investment Company and is principally focused on sourcing and managing its UK and European portfolio of private equity and property investments. He is a founder director of Eastleaf Ltd, a property development and investment firm focused on luxury housing in prime areas in the UK. Navin is a qualified solicitor of the Law Society of England & Wales and previously practised within the City of London, specialising in corporate finance. He holds an LLB (Hons) degree from the University of Bristol. His legal background and multi-industry experience afford him a broad commercial perspective. This benefits him in the numerous board positions he takes in investee companies in order to provide strategic advice and guidance in order to stimulate growth and help achieve each entity's respective potential and goals.

Non-Executive Director

Mr. Nirvana Chaudhary

Nirvana Chaudhary, Managing Director of CG Corp Global, started working at institutes like Credit Suisse and American Express at the Age of 15. He was also working at Montys Restaurant as a waiter during his studies in London. Today CG Corp Global is a $2.5 Billion multinational headquartered in Nepal, with a portfolio of 136 companies and 76 brands spread over 30 different countries. Educated at Doon, Harrow and MIT/London Business School, Nirvana founded his own Company CG Finco when he was 19. He became the Managing Director of the Chaudhary Group before reaching 30. He was elected Vice President of Confederation of Nepalese Industries (CNI) in 2016. Today, CG Corp is a professionally driven Group that is amongst the most admired and respected companies in the region. With a work force of nearly 12,000 employees it has made a massive imprint on Nepal's business landscape, and is fast expanding in India, Asia, Europe and Africa as well. Chaudhary's are the first and only Forbes Billionaire listed family in Nepal.

Nirvana is well-known for his diverse interests and ventures—as a philanthropist, artist, curator, musician, spiritual seeker, avid trekker and a former national squash player. The philanthropic arm of his Group that he leads—Chaudhary Foundation—is busy building schools and homes for survivors of the April 2015 earthquake of Nepal. He's opened Nepal's largest spiritual institute and partnered with Bill & Melinda Gates on Health and Sanitation in Nepal. He is well known for his role in Social Impact Projects. He also runs his own private philanthropy initiative in the name of his parents.

Nirvana is a youth icon of Nepal and beyond. He is often sought by youth organizations, schools, universities and young entrepreneurs as a motivational speaker. He has authored several articles on leadership and management for prominent business magazines. He became the Chairman of ASSOCHAM Nepal Chapter and was nominated in the board of UN Business Advisory Council. He was also in the board of Cricket Association of Nepal. Lions Club International and Rotary International have recognized him with the President's Award for Social Contribution.

Nirvana is also the Honorary Consul General of Maldives to Nepal. He has served as the Personal Advisor to the Minister of Industries, Government of Nepal. He has also held offices of various bilateral chamber of commerce and industry. He has been the Brand Ambassador of WWF Foundation, Founder of Himalayan Climate Change, the youngest Founder Member of Entrepreneur Organization Nepal Chapter, and Founder member of Young Presidents Organization. He has led a campaign on "Spirit of Entrepreneurship" and just been featured as the First Nepalese in CNBC's Young Turks and Forbes NextGen Tycoons.

Nirvana has received numerous accolades and awards from various institutions and has been voted as the 50 Most Influential People in Nepal in 2011. He was awarded The Rajiv Gandhi Foundation award for Young Entrepreneur and Philanthropist in 2017. Nirvana has also been nominated on the Board of Trade for Ministry of Commerce, Government of Nepal.

DIRECTORS' REPORT

The Directors present their report and the audited accounts for the year ended 31 December 2018.

Principal activities
The principal activity of Malvern International PLC is to provide quality education services in multiple locations. In 2018 it has shown continuous growth in the number of clients offered such services.

Review of business and future developments
A review of the business and its outlook, including commentary on the key performance indicators of turnover, gross margin, contribution, debtor days and net debt, and the principal risks and uncertainties facing the Group is included in the Chairman's Statement. The Group's social, environmental and ethical policies are set out in section 5. A statement on the application of the going concern principle is set out below. Details of financial instruments are set out in note 32 to the financial statements. Each of the above is incorporated in this report by reference.

Group results
The Group loss from continuing operations before taxation for the year was £0.72 m (2017: loss £0.71 m). After a deferred tax credit of £0.19 m (2017: tax credit of £0.005 m), the retained loss of £0.57 m (2017: retained loss of £0.70m) has been transferred to reserves. The results for the year are set out in the consolidated income statement on page 35.

Dividends
The Directors do not recommend a final dividend (2017: nil pence per ordinary share). The total dividends for the year were nil pence per ordinary share (2017: nil pence per ordinary share).

Board of Directors
Biographical information on each of the Directors as at 1st of May 2019 is set out on pages 9 to 11, together with details of membership of the Board committees.

The Company's Articles of Association also require that each Director retire from office and seek reappointment at the third annual general meeting after the general meeting at which he was last appointed, or reappointed. Mr Gopinath Pillai, Mr Navin Khattar and Dr Sam Malafeh are due for re-election at the next AGM.

Directors' interests
The Directors' beneficial interests in the ordinary share capital of the Company are set out within the remuneration report in on page 24.

Principal shareholders
At the close of business on 1st of May 2019 (being the latest practical date prior to the signing of the Directors' Report) the Company had received notification of the following substantial interests representing over 3% of the issued share capital:

	Number of ordinary shares 1p	Percentage held
KSP Investments PTE Limited	*43,292,405*	*16.7%*
CG Corp	*40,091,122*	*15.5%*
HSBC GLOBAL CUSTODY NOMINEE (UK) LIMITED Des:800757	*23,750,000*	*9.2%*
VIDACOS NOMINEES LIMITED Des:IGUKCLT	*20,947,943*	*8.1%*
VIDACOS NOMINEES LIMITED Des:FGN	*14,031,894*	*5.4%*
SPREADEX LIMITED	*11,555,000*	*4.5%*
Dr Sam Malafeh	*9,000,000*	*3.5%*
Mr Ho Peng Cheong	*7,953,672*	*3.1%*
Mrs Marzena Mace	*6,900,000*	*2.7%*
Mr Richard Mace	*6,900,000*	*2.7%*

Capital structure
The Company has one class of share in issue, ordinary shares of 1p. The shares are listed on the Alternative Investments Market (AIM) of the London Stock Exchange and shareholders are entitled to vote at Company meetings, to receive dividends and to the return of their capital in the event of liquidation.

The Directors are not aware of any restrictions on transfers of shares in the Company or on voting rights or of any agreements between holders of the Company's shares which may result in such restrictions.

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.

In preparing the financial statements on a going concern basis, the Group have considered each of the following factors:

- The Group's main source of funds are internally generated funds and new capital injections.
- During 2018 the Group incurred losses as they continue to manage growth, make an acquisition in the UK, integrate parts of the business in Singapore and restructure their operations in Malaysia. All of these had a net cash outflow impact for the business in 2018 which in part was financed by trading and share issues.
- Profit and cash flow projections for the Group assume profitable growth in its key operating entities based in each of the key jurisdictions.
- There is challenge on the Group continuing to manage their working capital requirements of the business and its ability to meet liabilities as and when they fall due
- It is anticipated that there will continue to be a requirement for future raising of funds, through the issue of equity and other funding sources, to manage the growth and strategic plans for the business. Since the year end Malvern International plc undertook another fund raising in February 2019 which raised £606,000. These funds were used for working capital for the growth of the organisation.
- There has been 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.

After making appropriate enquiries, whilst accepting the above factors highlight some material uncertainty, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Corporate social responsibility
The Group recognises its corporate social responsibilities and reports on these in a separate statement of social, environmental and ethical policies in section 5. This statement covers the Group's Employment Policies, Environmental Policy and Health and Safety Policy.

Directors' and officers' liability insurance and indemnity
The Company has purchased insurance to cover its Directors and officers against their costs in defending themselves in any legal proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings.

Political donations
There were no political donations made by the Group during the year (2017: none).

Corporate Governance
The Corporate Governance Report in section 5 forms part of the Directors' Report.

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

- Malvern International PLC undertook another fund raising in February 2019 which raised £606,000. These funds were used for working capital for the growth of the organisation.

Auditor
Pursuant to section 489 of the Companies Act 2006, resolutions will be proposed at the 2019 Annual General Meeting to reappoint Crowe U.K. LLP as auditor to the Company and to authorise the Directors to determine their remuneration.

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.

Annual General Meeting
The resolutions to be proposed at the Annual General Meeting will appear in the Notice of the Annual General Meeting together with the explanatory notes. This will be circulated with the annual report when sent to all Shareholders.

ON BEHALF OF THE BOARD

Sam Malafeh
DIRECTOR
Date: 28 June 2019

CORPORATE GOVERNANCE

1. Introduction

Prior to 2018, the Company sought to model its corporate governance on the 2013 Quoted Companies Alliance Corporate (QCA) Governance Code for Small and Mid-Size Quoted Companies, as far as was practicable and appropriate, having regard to the size and resources of the Company. On 8 March 2018, the London Stock Exchange issued revised rules for AIM–listed companies, within which was a requirement (Rule 26) for AIM companies to apply a recognised corporate governance code from 28 September 2018.

Accordingly, in September 2018, the Company decided to apply the 2018 QCA Corporate Governance Code (the Code) and this Corporate Governance Report for the year ended 31 December 2018 is based upon the Code. The principal means of communicating our application of the Code are this Annual Report and our website (www.malverninternational.com).

2. Chairman's Statement

As Non-Executive Chairman, I am responsible for the leadership of the Board, ensuring its effectiveness on all aspects of its role, including good governance in dealing with all of our stakeholders. This includes ensuring that Board meetings are held in an open manner, that the Directors receive accurate, timely and clear information and allowing sufficient time for agenda items to be discussed. I am also responsible for ensuring the Company has effective communications with shareholders.

The Board is committed to applying high standards of corporate governance and evolving them as the business grows and has adopted the Code to provide a framework against which to do this. In the remainder of this report, I set out how the Group applies the ten key principles of the Code, which fall under three broad categories.

3. Deliver Growth – Principles 1 to 4

Principle 1: Establish a strategy and business model which promote long term shareholder value for shareholders

The Company's vision is to invest in and develop its operating businesses in the global education sector to deliver long term, sustainable growth in shareholder value to reflect Malvern's core values.

The Company aims to achieve this by:

a. Promoting Malvern's globally recognisable brand in education and training

b. Strengthening management and corporate/administrative systems to achieve world class delivery and quality standards

c. Innovating to improve and expand the range of products and services offered

d. Extending distribution through our agent network and collaborations and strategic alliance

e. Delivering organic growth through making training accessible to an increasingly mobile student population using multi-location and technology options

f. Making complementary/strategic acquisitions to broaden geographic reach and subject areas

g. A clearly laid out long term plan linked to performance driven culture challenges faced by the Group in executing its strategy include repositioning the business service offerings, changing the internal operating model, market competition and macro-economic factors.

Principle 2: Seek to understand and meet shareholder needs and expectations

The Board is aware of the need to protect the interests of minority shareholders and balancing these interests with those of any more substantial shareholders.

The Board regards regular communications with shareholders as one of its key responsibilities. The Company is committed to engaging with shareholders and this effort is led by the CEO. A clearly laid out investors' relationship strategy is in place.

In order to gauge shareholder sentiment, the Company meets with the key institutional shareholders typically every six months and when necessary solicits feedback from its larger shareholders via its nominated adviser. The Company holds an open Q&A session at every Annual General Meeting and attends investor events to engage with retail shareholders.

The communication allows the board to understand the shareholders' views, and to ensure that the strategies and objectives of the Group are aligned with shareholders. In its decision-making, the Board will have regard to the ascertained expectations and needs of its shareholders (as appropriate in accordance with its statutory and fiduciary duties).

The Company welcomes shareholder contact at any time and contact details can be found on the website.

Principle 3: Take into account Wider Stakeholder and Social Responsibilities and their implications for long-term success

The Directors are aware of the Company's responsibilities to the communities within which they operate and are keen to adopt a proactive approach towards community education-driven initiatives, particularly where they involve the education of those less fortunate members of the respective communities. The Company is currently involved with Refugee Aid agencies in the UK as well as community associations in Asia.

The Group's responsibilities to stakeholders including staff, suppliers and customers and wider society are also recognised.

The environmental impact of the Group's activities is carefully considered and the maintenance of high environmental standards is a priority. A sustainability plan with clear board oversight is in the pipeline.

The Board has regard to the feedback of relevant stakeholders in its decision-making and the formulation of strategy.

Principle 4: Embed effective risk management

The board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness and is assisted in this respect by the Audit Committee. The Group maintains an internal risk register which is updated quarterly and reviewed periodically by the Audit Committee.

The Group intends to establish a separate internal audit function to ensure appropriate and effective financial internal controls and appropriate financial transparency/accountability. This will give further assurance to the Board and Management that the operations of the business are conducted effectively and appropriately. The internal audit function will also highlight any areas for improvement alongside feedback received from its external auditors as part of the annual audit process.

The principal risks faced by the Group are presented in the strategic outline.

The Board is not aware of any significant failings or weaknesses in the system of internal control.

4. Maintain a Dynamic Management Environment – Principles 5 to 9

Principle 5: Maintain a well-functioning, balanced board

At the date of this report, the Board comprises me as Non-Executive Chairman, Non-Executive Directors and Malvern International PLC's Chief Executive Officer as an executive director. The CEO was appointed in December 2017 replacing Haider Sithawalla who was appointed as Non-Executive Deputy Chairman, a new board role, on the same date. The table on page 24 sets out the dates of tenure of the current Directors on the Board.

The Board has a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision making. The Board has a range of backgrounds and skills. The Board considers both non-executive Directors to be independent, with neither having a length of service of greater than three years. The Non-Executive Directors ensure that independent judgement is brought to Board discussions and decisions. The Board considers that there are no relationships or circumstances which are likely to affect the independent judgement of the Non-Executive Directors.

The Board has meetings scheduled regularly throughout the year to review and approve the Group's strategy and to monitor progress against set objectives. Additional meetings are also held as business dictates. The Board has a formal schedule of matters reserved for its specific approval which includes a review of Group strategic, operational and financial matters such as proposed acquisitions and divestments. All members of the Board are normally supplied in advance of meetings with the agenda and supporting papers covering the matters which are to be considered.

As Non-Executive Chairman, I am responsible for the leadership of the Board, ensuring its effectiveness on all aspects of its role. This includes ensuring that Board meetings are held in an open manner, that the Directors receive accurate, timely and clear information and allowing sufficient time for agenda items to be discussed. Annual appraisals are held of each Director, providing feedback and reviewing any training or development needs. I am also responsible for effective communications with shareholders and relaying any shareholder concerns to the Directors. During the year I met with the other Non-Executive Director without the Executive Directors being present.

Directors appointed since the last annual General Meeting, and those retiring by rotation will submit themselves for election or re-election at the next Annual General Meeting, as set out in the Directors' report in section 8 and in the separate Notice of Annual General Meeting sent to all Shareholders. I confirm that the performance of each Director continues to be effective and the individuals continue to demonstrate commitment to their role.

New Directors receive a comprehensive, formal and tailored induction to the Group's operations including corporate governance, the legislative framework and visits to Group premises.

The Board has meetings scheduled regularly throughout the year to review and approve the Group's strategy and to monitor progress against set objectives. Additional meetings are also held as business dictates. A table showing the number of meetings of the Board and its Committees held during the year, and attendance at those meetings by each Board member, is set out below.

Board Personnel	Board Title Designation	Audit and Risk Committee Title	Nomination & Remuneration Committee Title
Gopinath Pillai	Chairman	–	–
Haider Sithawalla	Deputy Chairman	Chairman	Member
Sam Malafeh	Executive Dir-CEO	–	–
Navin Khattar	Non -Executive Dir	–	Chairman
Jayapal Ramasamy	Non -Executive Dir	Member	Member
Nirvana Chaudhary	Non -Executive Dir	Member	–

During the year 8 scheduled Board meetings were convened as necessary to deal with various matters. Details of attendance at Board meetings is summarised below. Committee attendance is shown for Committee members only.

	Board	**Audit**	**Nomination and remuneration**
Number held	**8**	**4**	**1**
Date	**Attended**	**Attended**	**Attended**
22.2.18	7/7		
24.4.18	8/8		
16.5.18	7/8		
24.7.18	7/8		
12.9.18	8/8		
25.10.18	6/8		
22.11.18	7/8		
27.12.18	7/7		
18.10.18			3/4
11.5.18		3/4	
24.7.18		3/4	
12.9.18		3/4	
15.11.18		3/4	

Note: 5/8 Directors who were members of the Board at the time attended the Group's Annual General Meeting on 24 May 2018

The Board maintains close dialogue by email, telephone and conference calls between scheduled meetings. The Board has a formal schedule of matters reserved for its specific approval which was reviewed during the year and includes a review of Group strategic, operational and financial matters such as proposed acquisitions and divestments. It approves the annual accounts and interim report, the annual budget, significant transactions, major capital expenditure and reviews the effectiveness of the system of internal control and the risks faced by the Group. It covers all controls, including financial, operational, compliance and risk management. During 2018 the Board continued to regularly track potential risks associated with Brexit.

The Board delegates specific responsibilities to Two Committees: The Audit and Risk Management Committee, The Nomination and Remuneration Committee. The Audit and Risk Management, and Nomination and Remuneration Committees of the Board each have formal written terms of reference. These terms of reference are available on the Group's website (https://www.malverninternational.com/corporate-governance/).

The Audit Committee comprises the three non-executive Directors and is chaired by Mr Haider Sithawalla. The Audit Committee meets at least three times a year. Details of the responsibilities of the Audit and Risk Management Committee are set in page 26. Where necessary, specialist external consultants are used to assist the Committee.

The Nomination and Remuneration Committee comprises of three Non-Executive Directors and is chaired by Mr Navin Khattar. The Committee is responsible for proposing candidates for appointment to the Board, having due regard to the balance and structure of the Board, as well as succession planning.

The process for new Board appointments includes an initial search, preliminary interviews and discussions. Following this process, recommendations are then made by the Committee to the Board on merit against objective criteria. Where necessary external recruitment consultants are used to assist the process.

Principle 6: Ensure the board has the necessary up-to-date experience, skills and capabilities

Directors who have been appointed to the Group have been chosen because of the skills and experience they offer. The Directors' biographies, which are set out on pages 9 to 11, illustrate the range of business backgrounds, skills, independence and experience contributed by each Board member. The board are aware of the importance of attaining greater diversity amongst its members.

Each member of the Board takes responsibility for maintaining his skill set, which includes roles and experience with other boards and organisations. All Directors have the opportunity to undertake relevant training and attend relevant seminars and forums. Where the board considers specialist, advice is required to address matters reserved for the Board, it will seek to engage competent external advisors.

Mr Hock Kee Wee acted as the de facto Senior Independent Director during 2018. He was an additional contact point for shareholders if they had reason for concern, when contact through the normal channels of the Executive Directors and Chairman had failed to resolve their concerns, or where such contact was inappropriate.

All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures, applicable rules and regulations are observed. There is an agreed procedure for Directors to obtain independent professional advice, if necessary, at the Company's expense.

Principle 7: Evaluating board performance and development

The board undertakes an annual evaluation of its own performance and that of its Committees and individual Directors.

The Board undertook an annual evaluation of its own performance and that of its Committees and individual Directors for the year. My own performance was reviewed by the other Non-Executive Director. The outcome of the evaluation of the Board is reviewed by the Board as a whole and the results are used to assist the Board in developing its approach going forward. The results of the evaluation performed in 2018 were satisfactory.

Principle 8: Promoting ethical values and behaviours

The Group is committed to maintaining the highest standards of ethics, professionalism and business conduct as well as ensuring that we act in accordance with the law at all times. Further details are set out under the "Ethics" section of the Social, Environmental and Ethical Policies Report in section 5.

A critical aspect of the Group's strategy is to be perceived as a trusted partner of its clients. In order to achieve this objective, a culture of teamwork, openness, integrity and professionalism forms a key element of our Company principles and values which sets out the standards of behaviour we expect from all our employees. The board supports and promotes the principles of equal opportunities in employment and promotes a culture where every employee is treated fairly. The board and management conduct themselves ethically at all times and promote a culture in line with the standards set out in the employee handbook.

Principle 9: Maintain governance structures and processes that are fit for purpose

As the Non-Executive Chairman, I am responsible for the leadership of the Board, ensuring its effectiveness on all aspects of its role. This includes ensuring that Board meetings are held in an open manner, that the Directors receive accurate, timely and clear information and allowing sufficient time for agenda items to be discussed. Annual appraisals are held of each Director, providing feedback and reviewing any training or development needs. The Chairman is also responsible for effective communications with shareholders and relaying any shareholder concerns to the Directors.

Authority is delegated to senior operational management through Group authorisation limits on a structured basis, ensuring that proper management oversight exists at the appropriate level. During the year, the Group operated through a single division to offer education in Asia and UK. The operational board comprises the Group Chief Executive Officer, the Group Chief Operating Officer, and the Group Chief Financial Officer. The operational board meetings are held monthly and are attended by other senior management as appropriate. Regular updates are provided by the heads of different divisions and operations as Marketing, London, Manchester, Malaysia, Singapore. Any key issues from these meetings are reported to the main Board.

5. Build Trust – Principle 10

Principle 10: Communicate how the Company is governed and performing, maintaining a dialogue with shareholders and other relevant stakeholders

The Board attaches great importance to providing shareholders with clear and transparent information on the Group's activities, strategy and financial position. Details of all shareholder communications are provided on the Group's website (https://www.malverninternational.com/category/regulatory-news/).

The Company engages where possible in regular dialogue with its major Shareholders through presentations and meetings after the announcement of the Group's full year and interim results. Private and institutional shareholders are given an opportunity to communicate directly with the Board at the Annual General Meeting. Shareholders' queries received via the Company Secretary's email address at cosec@MalvernInternationalPLC.com or by telephone to the Group's head office are responded to in person by the Company Secretary or by another appropriate employee.

Most members of the Board usually attend the Annual General Meeting. The chairmen of the Audit, Remuneration and Nomination Committees will normally be available to answer Shareholders' questions at that meeting. Notice of the Meeting is posted to Shareholders with the report and accounts no fewer than 21 clear days prior to the date of the Annual General Meeting. The information sent to Shareholders includes a summary of the business to be covered at the Annual General Meeting, where a separate resolution is proposed for each substantive matter. The Group's annual report and accounts, interim report and other stock exchange announcements are published on the Group's website at https://www.malverninternational.com.

The Annual Report is designed to present a fair, balanced and understandable view of the Group's activities and prospects. The Operating & Financial Review provides an assessment of the Group's affairs and position. The Annual Report is sent to all Shareholders on the shareholder register. The Group's Annual and Interim Reports and Notices of the Annual General Meeting for the past 5 years are available on the Group's website.

The Group details how it is governed and performing both in this Annual Report and Accounts and on its website.

The reports to the shareholders of the Nomination and Remuneration, and Audit and Risk Management committees can be found in sections 6 and 7 respectively.

6. Corporate Social Responsibility

Employment policies

As a professional services business, Malvern International PLC's strength derives from the commitment, capability and cultural diversity of its employees. The Group aims to adopt a policy of diversity at all levels including selection, role assignment, teamwork and individual career development.

The Group encourages the participation of all employees in the operation and development of the business by offering open access to senior management, including the Executive Directors, and adopting a policy of regular communications through road shows and the intranet.

The Group also encourages all employees to participate in an annual employee survey. Results are communicated to staff with proposed actions to address any identified issues. The results from the 2018 survey reflected broadly average staff engagement and satisfaction.

The Group is planning to incentivise employees through share-based incentives and the payment of bonuses and commissions linked to performance objectives. Where appropriate these objectives are linked to profitability. The Group is currently reviewing its approach to performance appraisal and career progression, with a view to implementing an improved talent development programme.

Health & Safety

The Health and Safety of Malvern International PLC's employees is paramount. Group policy is to provide and maintain safe and healthy working conditions, equipment and systems of work for all employees and to provide such information, training and supervision as is needed for this purpose.

Appropriate written health and safety information outlining the Group's policy in each area is issued to all new employees. This includes:

- First aid — Each office has a person qualified in first aid. First aid boxes are readily accessible, and records kept of all accidents and injuries.
- Fire safety — Each office has an evacuation marshal who will liaise with building management or local emergency authorities, as appropriate. Evacuation assembly points are agreed for every location and a full evacuation carried out every six months. Fire alarms are tested regularly.
- Employees' health — Any employee who believes he/she is suffering from an illness or condition related to their working environment is encouraged to report this to his/her manager for investigation

In order to support any employees suffering from mental health issues, the Group is planning to roll out a Stress and Wellbeing Course across all of its locations with the aim of enabling managers to identify any early signs of concern and provide initial support to individuals.

Social responsibilities

It is Group policy to be a good corporate citizen wherever it operates. As part of the Group's social responsibility, it provides scholarships and free courses to those underprivileged applications and local communities. For instance, in London, free space is offered to the local refugee council for its members to attend English Language training classes.

Environmental policy

While Malvern International PLC's operations by their very nature have minimal environmental impact, the Group recognises its responsibilities to protect and sustain the environment and its resources. The Group's policy is to meet or exceed the statutory requirements in this area and it has adopted a code of good environmental practice, particularly in its main areas of environmental impact, namely energy efficiency, use and recycling of resources and transport.

Recycling

The Group makes every effort to recycle office paper and envelopes. Appropriate containers are provided at all offices and all paper collected is sent to recycling plants. The Group also recycles as much other material, such as toner cartridges, as is economically viable.

Paper usage
The Group constantly strives to implement paper-saving practices to reduce wastage. Examples include electronic timesheets, E-invoicing, E-pays lips, electronic expense claims, electronic books and notes to students.

Ethics
Malvern International PLC is committed to maintaining the highest standards of ethics, professionalism and business conduct as well as ensuring that we act in accordance with the law at all times. The Group supports and promotes the principles of equal opportunities in employment and promotes a culture where every employee is treated fairly. A culture of teamwork, openness, integrity and professionalism forms a key element of our Company principles and values which sets out the standards of behaviour we expect from all our employees.

Anti-Bribery Act
Malvern International PLC's Anti-Bribery and Corruption policy is written to follow the UK regulatory requirements in relation to the Anti-Bribery Act. The policy has Executive Director ownership and is available on the Group's intranet. Client and supplier arrangements are regularly reviewed and guidance forms part of each employee's induction.
During the year under review the policy was updated, with amendments including incorporation of the Company's responsibilities in respect of tax evasion under the Criminal Finance Act 2017. The Professionals division maintains a preferred supplier list (PSL) for payroll companies used by its contractors and undertakes tax due diligence before allowing companies on to its PSL.

Modern Slavery Policy
Malvern International PLC has a zero-tolerance approach to modern slavery and is committed to acting ethically and with integrity in all its business dealings and relationships, and to implement and enforce effective systems and controls to ensure modern slavery is not taking place anywhere in its own business, or its supply chain. The following actions have been taken during 2018.

- Supply Chain Review - we continue to take positive steps to improve supply chain transparency. Following the annual review of our policy and supply chain, we continue to believe that we operate a supply chain with a very low inherent risk of slave and human trafficking potential. Our supply chain is mainly made up of UK based suppliers of professional services, computer software and equipment, office supplies and our contractor and associate workers. Nevertheless, this assessment is kept under continual review and due diligence is conducted with any new suppliers.

- Staff Training - during 2018 we have continued to provide training to all new employees on the Modern Slavery Act 2015 and our Modern Slavery Policy as part of our onboarding program to ensure all employees are aware of their responsibilities.

During 2018 no instances of modern slavery were reported or identified.

General Data Protection Regulations (GDPR)
The Company takes its data protection obligations seriously and commenced preparations for GDPR in 2017, establishing a working party with executive director sponsorship in order to ensure compliance.
During the year under review we have updated our Data Protection, Privacy, Information Security, Cookies and Data Breach policies to comply with the new regulations. We have also undertaken a review of the internal processing of personal data and have implemented a number of measures including a purge of obsolete data and a tightening of our IT security. We have provided training and guidance on the new regulations to all staff and the guidance will form part of each new employee's induction.

Gopinath Pillai
Chairman
Date: 28 June 2019

REMUNERATION REPORT

Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises Navin Khattar as Chairman and fellow non-executive Directors Haider Sithawalla and Jayapal Ramasamy.

The committee's primary objectives are to ensure that remuneration arrangements are aligned with the strategy and culture of the Company and its subsidiaries. To this end, it ensures the Group's remuneration policy encourages and rewards the right behaviours, values and culture. The committee also ensures that there is a robust process for the appointment of new board Directors and senior management positions. It works closely with the Company's Board of Directors and external advisers to identify the skills, experience, personal qualities and capabilities required for the next stage in the Company's development, linking the Company's strategy to future changes on the Board.

Within the Terms of Reference for the Nomination and Remuneration Committee as approved by the Board, the responsibilities of the committee are stated as follows: -

a) To consider the nomination and appointment, increments and bonus plans of the Group CEO, Group CFO, subsidiary General Manager and Group senior management team members;
b) To review any letter of resignation from the Group CEO and Group CFO, and any questions of resignation or dismissal;
c) To review whether there is reason (supported by grounds) to believe that the Senior Managers of the Group or its subsidiaries are not suitable for continued employment;
d) Review the statement with regard to the Remuneration and Nomination polices of the Group for inclusion in the Annual Report and report the same to the Board;
e) To consider any other functions as may be agreed between the Committee and the Board.
f) Review the Board and Board Committee effectiveness.

The committee members keep themselves fully informed of all relevant developments and best practice by reference to the QCA's Remuneration Committee guide.

Remuneration policy

Malvern International plc aims to recruit, motivate and retain high calibre executives capable of achieving the objectives of the Group and to encourage and reward appropriately superior performance in a manner which enhances shareholder value. Accordingly, the Group operates a remuneration policy which ensures that there is a clear link to business strategy and a close alignment with shareholder interests and current best practice and aims to ensure that senior executives are rewarded fairly for, and commensurate to, their respective individual contributions to the Group's performance.

Details of all emoluments paid to Directors of the Company are set out in page 24.

Share Option Scheme

The Company is currently looking to create an Executive Share Option Plan and is taking advice from external advisers in this respect to incentivise and reward high-performing executives and employees who achieve their respective goals and targets.

Non-Executive Directors' Remuneration

The Board determines the remuneration of all independent Non-Executive Directors with the fees being set at a level to attract individuals with the necessary experience and ability to contribute to the Group.

The Non-Executive Directors do not receive bonuses or pension contributions and are entitled to be reimbursed for reasonable expenses incurred by them in carrying out their duties as Directors of the Company.

The Board, with the assistance of the Nomination and Remuneration Committee, reviews the remuneration level of Non-Executive Directors on an annual basis to ensure it remains competitive in attracting suitable talent.

All Board appointments are made subject to the Company's articles of association.

Contractual arrangements for current Directors are summarised below:

Director	Contract date	Notice period	Contractual termination payment
Mr Gopinath Pillai	20 October 2016	n/a	n/a
Mr Haider Sithawalla	11 June 2018	n/a	n/a
Mr Nirvana Chaudhry	13 September 2018	n/a	n/a
Mr Navin Khattar	21 October 2016	n/a	n/a
Mr Jayapal Ramasamy	11 June 2018	n/a	n/a
Dr Sam Malafeh	21 October 2016	n/a	n/a

1 Unless otherwise specified, the appointment of Non-Executive Directors is terminable at the will of the parties.

Directors' remuneration

The remuneration of the Directors who served during the year is set out below:

	Salary/ fees	**Benefits**	**Total emoluments**	**Company pension contributions**	**Share-based payments**
Directors	**2018 £'000**	**2018 £'000**	**2018 £'000**	**2018 £'000**	**2018 £'000**
Mr Gopinath Pillai	0	0	0	0	0
Mr Haider Sithawalla	0	0	0	0	0
Mr Nirvana Chaudhry	0	0	0	0	0
Mr Navin Khattar	0	0	0	0	0
Mr Jayapal Ramasamy	0	0	0	0	0
Dr Sam Malafeh	103	0	103	0	0
Mr Hock Kee Wee	11	0	11	0	0
Total emoluments	114	0	114	0	0

Executive Directors' share options

	As at 1 January 2018	Lapsed/ surrendered in the year	Exercised in the year	Awarded in the year	**As at 31 December 2018**	Exercise period	Exercise price per share
Malvern International PLC							
Executive share option plan n/a	0	-	-	-	**0**	n/a	0
Sub-total	0	-	-	-	**0**		
Total	0	-	-	-	**0**	n/a	0

Directors' interests in shares
The beneficial interests of the Directors who served during the year and their families in the ordinary share capital of the Company are shown below:

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 £0.01 each
Malvern International plc		
Direct interests:		
Gopinath Pillai *(Chairman)**	-	400,000
Sithawalla Haider Mohamedally*	-	1,500,000
Sam Malafeh	9,000,000	9,000,000
Ramasamy Jayapal	633,131	1,453,131
Nirvana Chaudhary**	-	-
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	-	-
KSP Investments PTE Limited*	31,883,117	43,292,405
CG Corp**	31,391,122	40,091,122

*Mr Gopinath Pillai and Mr Sithawalla Haider Mohamedally have an indirect interest through KSP Investments Pte Ltd.
**Mr Nirvana Chaudhary has an indirect interest through CG Corp.

Navin Khattar
Chairman - Nominations & Remuneration Committee
Date: 28 June 2019

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

Audit and Risk Management Committee

The Audit and Risk Management Committee is a sub-committee of the Board and comprises Mr Haider Sithawalla as Chairman (Mr Wee Hock Kee was Chairman for entire 2018 year), and two other non-executive board members.

The Audit and Risk Management Committee meets at least three times a year. The external auditors and Executive Directors attend when appropriate at the invitation of the Committee. The external auditors meet separately with the Audit Committee on request, without the presence of the Executive Directors, to ensure open communication.

The primary objectives of the Committee are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and financial reporting practices of the Group and to assist the Board in their responsibilities to identify, assess and monitor key business risks to mitigate adverse impacts on achieving strategic objectives with a view to safeguard shareholders' investments and the Group's assets.

In addition, the Committee shall assist the Board:

a) In complying with specified accounting standards and required disclosure as administered by AIM, relevant accounting standards bodies, and any other Laws and regulations as amended from time to time.
b) In presenting a balanced and understandable assessment of the Group's position and prospects.
c) In establishing a formal and transparent arrangement for maintaining an appropriate relationship with the Company's auditors and overseeing, appraising the quality of audited conducted by the Company's external auditors and reviewing the independence of the external auditors; and
d) In determining the adequacy of the Group's administrative, operating, accounting & financial controls and internal controls.

Meetings

Attendance at the meetings can be found in the table on page 18.

Matters Considered

During the year, the Committee:

- review of the monthly management accounts.
- reviewed the annual and interim report and financial statements of the Group, and the clarity of disclosures made;
- oversaw the relationship with the external auditor, including a review of the external auditor's findings during the audit in relation to the year ended 31 December 2017;
- reviewed the Group's Risk Register;
- reviewed the external auditor's Audit Plan in relation to the year ended 31 December 2018.

External Auditor

In order to ensure an appropriate balance between audit quality, objectivity and independence, and cost-effectiveness the Audit and Risk Management Committee reviews the nature of all services, including non-audit work, provided by the external auditor each year. Through the review, it was recommended to the board and the Company to continue with the existing auditors. This was based on the consideration of price, efficiency and the quality of the work done by the existing external auditors.

Internal Audit

The Group intends to establish a separate internal audit function to enhance existing internal controls. This will give assurance to the Board and Management that the operations of the business are conducted effectively and appropriately. The internal audit will also highlight any areas for improvement.

Significant Issues Relating to the Financial Statements

The Audit Committee reviewed the following issues in relation to the financial statements for the year under review:

Going Concern
The Committee reviewed a paper prepared by executive management in support of the Going Concern statement and agreed to the point raised in the paper.

Haider Sithawalla
Chairman - Audit & Risk Committee
Date: 28 June 2019

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 Group and parent Company financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs 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 their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Group and parent Company financial statements;
- 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 parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for safeguarding the assets of the Group and parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

They are further responsible for ensuring that the Strategic report and the Directors' report and other information included in this annual report and financial statements is prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of the Malvern International Plc website is the responsibility of the Directors; the work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

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 2018, which comprise:

- the Group consolidated income statement for the year ended 31 December 2018;
- the Group consolidated statement of comprehensive income for the year ended 31 December 2018;
- the Group and parent Company statements of financial position as at 31 December 2018;
- 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 2018 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

We draw attention to note 3 (iv) in the financial statements, which indicates the factors considered in the preparation of the financial statements on a going concern basis. As stated in note 3 (iv), these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group or Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter. 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 and Company financial statements as a whole to be £60,000 (2017: £47,500) and £16,000 (2017: £15,000) respectively. In determining this, we considered a range of benchmarks with specific focus on approximately 0.75% of Group revenue, approximately 8% of Group losses before tax, and, 8% Company profit before tax 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, undertaking three countries (UK, Singapore and Malaysia) in which the Group has operations. Operations in UK and Singapore were considered to be significant components.

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 significant components in Singapore, where the work was performed by 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. We also directed review work required by component auditors in Malaysia for the non-significant components.

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

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 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 3 (xxix).

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. Other than the Communicate English School Limited acquisition during the year, 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	
The Group operating revenues arise from the provision of education services and has a number of related income streams that are recognised as outlined in note 3 (xvi). The key revenue recognition risks are in respect of the following: • Appropriate recognition of revenue in accordance with the stated policies ensuring appropriate cut-off is applied for the recognition in the correct period and of accrued and deferred revenue; • Completeness of revenue; and • The transition to IFRS 15 and the application of the revenue in accordance with satisfaction of the respective performance obligations of each revenue stream.	We obtained an understanding of the revenue agreements and evaluated the Group's processes and controls in place to calculate the amount and timing of education services and related income stream revenue transactions. We performed the following audit procedures on a sample basis, having regard to satisfaction of performance obligations, to assess the appropriateness of revenue recognition for individual transactions: • Assessed the appropriateness of the allocation of various revenue elements with reference to the terms of the contractual terms and accounting policy outlined in note 3 (xvi) (page 48); • Ensured revenue recognised from education services and related income streams was aligned with delivery of such services within the year; • Assessed the existence of debtors through testing to contracts, cash received where applicable and a review of credit notes issued after year-end; • Assessed that revenue was recognised in the correct period, agreeing back to supporting documentation the contract price and the period in which the services were delivered. We also examined the recognition of amounts in deferred income where the contractual terms has not been met at the year end; • Where appropriate we directed focus on and reviewed the work undertaken by the component auditors on revenue recognition and deferred income; and • Reviewed the Group's assessment of the impact of IFRS 15 on the revenue streams in the business.
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 (using discounted cash flow models) 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.
Business combinations and acquisition accounting (Including the carrying value of goodwill and separately identifiable intangible assets)	
During the year, the Group completed the acquisition of Communicate English School Limited as disclosed in note 33.	Our procedures included the following: • Assessing the competence and independence of third party engaged in undertaking the PPA valuation for Management;

Key audit matter	*How the scope of our audit addressed the key audit matter*
The Group has determined this acquisition to be a business combinations, the accounting for which can be complex. For this acquisition the Group has determined the amounts to be recognised for fair value of both the consideration paid and the acquired assets and liabilities. This can involve significant estimates and judgments including, at the acquisition date, determining how purchase price is to be allocated between acquired assets and liabilities and identified intangible assets, and leading to the resultant recognition of goodwill at their respective fair values. There is a risk that inappropriate assumptions could result in material errors in the acquisition accounting. The Group used projected financial information in the purchase price allocation (PPA) exercise. Management use their best knowledge to make estimates when utilising the Group's valuation methodologies. In order to determine the fair value of the separately identifiable intangible assets on a business combination, the valuation methodologies require input based on assumptions about the future and use discounted cash flows and cash flow forecasts. Due to the Group's estimation process in the PPA Exercise and the work effort from the audit team, business combinations is considered a key audit matter.	• Reviewing the share purchase agreement in respect of each business combination to understand the nature and terms of the acquisition and to agree fair value of the consideration paid; • Assessing whether the acquisition during the year met the criteria of a business combination in accordance with IFRS 3; • Validating whether the date of acquisition was correctly determined by scrutinising the key transaction documents to understand key terms and conditions; • Assessing the fair value of assets and liabilities recorded in the purchase price allocation, by performing procedures including considering the completeness of assets and liabilities identified and the reasonableness of any underlying assumptions in their respective valuations and this would also include assessment on the reasonableness of the useful lives of the intangible assets and the consideration given; • Assessing and challenging the valuation techniques, assumptions (including those relating to growth rates and discount rates), models and calculations used to determine the fair value of the separately identifiable intangible assets and goodwill recognised on date of acquisition; and • Assessing the disclosures in respect of the business combination.

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 U.K. LLP

Statutory Auditors

London

28 June 2019

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017
		£	***£***
Revenue			
Sale of services	5	**7,410,641**	*3,959,506*
Other income	6	**183,306**	*119,383*
Total Revenue		**7,593,947**	*4,078,889*
Cost of services sold		**4,429,826**	*1,847,062*
Salaries and employees' benefits	7	**1,328,941**	*1,124,708*
Amortisation of brand, licences and trademarks	14	**217,940**	*158,583*
Depreciation of plant and equipment	12	**129,050**	*63,880*
Development Expenditure Written Off		**2,230**	*-*
Other operating expenses	9	**2,212,455**	*1,744,500*
Impairment of intangible assets	14	**-**	*(150,000)*
Impairment of loans and receivables	17	**(53,318)**	*(17,822)*
Operating Profit/(Loss)		**(673,177)**	*(692,022)*
Finance costs	8	**(44,596)**	*(14,690)*
Profit/(Loss) before income tax		**(717,773)**	*(706,712)*
Income tax credit / (charge)	10	**150,827**	*5,384*
Profit/(Loss) after income tax for the year		**(566,946)**	***(701,328)***
Attributable to:			
Equity holders of the Company		**(566,946)**	*(701,328)*
Non-controlling interest		**-**	*-*
		(566,946)	*(701,328)*

	2018	2017
Profit/(Loss) per share attributable to equity holders of the Company (in pence)		
Basic	**(0.31)**	*(0.66)*
Diluted	**(0.31)**	*(0.66)*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	*2017*
	£	*£*
Profit/(Loss) after income tax for the year	**(566,946)**	*(701,328)*
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation movements	**(150,165)**	*(266,067)*
Total comprehensive income for the year	**(717,111)**	*(967,395)*
Attributable to:		
Equity holders of the parent	**(717,111)**	*(967,395)*
Non-controlling interest	**-**	*-*
Total comprehensive income for the year	**(717,111)**	*(967,395)*

STATEMENT OF FINANCIAL POSITION

	Note	Group 2018	Group 2017	Company 2018	Company 2017
		£	*£*	**£**	*£*
TOTAL ASSETS					
Non-Current Assets					
Property, plant and equipment	12	**544,888**	*245,956*	**-**	-
Investment in subsidiary Companies	13	**-**	-	**8,100,495**	*4,490,081*
Intangible assets - Software		**5,946**	-	**-**	-
Intangible assets	14	**2,878,616**	*2,382,291*	**-**	-
Intangible assets – Development assets	14	**261,736**	*1,505*	**-**	-
Goodwill	15	**2,250,018**	*474,207*	**-**	-
Deferred tax asset	10	**190,000**	-	**-**	-
		6,131,204	*3,103,959*	**8,100,495**	*4,490,081*
Current Assets					
Inventories	16	**6,220**	*6,100*	**-**	-
Trade receivables	17	**1,041,712**	*398,642*	**-**	-
Other receivables and prepayments	18	**1,263,360**	*948,938*	**61,368**	*13,775*
Tax recoverable		**-**	-	**-**	*6,374*
Amounts due from subsidiary companies		**-**	-	**2,591,269**	*1,655,286*
Amounts due from related parties	19	**56,679**	-	**58,667**	-
Cash and cash equivalents	20	**105,380**	*479,565*	**2,134**	*403*
		2,473,351	*1,833,245*	**2,713,438**	*1,675,838*
Total Assets		**8,604,555**	*4,937,204*	**10,813,933**	*6,165,919*

STATEMENT OF FINANCIAL POSITION *(Continued)*

	Note	Group 2018	Group *2017*	Company 2018	Company *2017*
		£	*£*	£	*£*
EQUITY AND LIABILITIES					
Non-Current Liabilities					
Financial liabilities-Leasing	25	**63,957**	*20,320*	-	-
Financial Liabilities-Term Loan		**140,135**	*159,178*	-	-
Financial liabilities-Convertible Loan Notes	32	**299,280**	*995,813*	**299,280**	*995,813*
		503,372	*1,175,311*	**299,280**	*995,813*
Current Liabilities					
Trade payables	21	**380,677**	*277,151*	-	-
Contract liabilities	22	**653,220**	*668,775*	-	-
Other payables and accruals	23	**569,361**	*748,072*	**129,983**	*113,947*
Amounts due to a subsidiary		-	-	**601,348**	*80,625*
Amounts due to related parties	24	**554,694**	*835,853*	**297,197**	*489,748*
Financial liabilities	25	**29,846**	*31,524*	-	-
Provision for income tax		**92,225**	-	-	-
		2,280,023	*2,561,375*	**1,028,528**	*684,320*
Total Liabilities		**2,783,395**	*3,736,686*	**1,327,808**	*1,680,133*
Equity attributable to equity holders of the Company					
Share capital	26	**9,211,736**	*7,919,356*	**9,211,736**	*7,919,356*
Share premium	27 (i)	**5,016,849**	*896,111*	**5,016,849**	*896,111*
Retained earnings	27 (iii)	**(9,196,097)**	*(8,629,151)*	**(4,771,282)**	*(4,433,867)*
Translation reserve	27 (iv)	**589,290**	*739,455*	-	-
Capital reserve	27 (v)	**170,560**	*170,560*	-	-
Convertible loan reserve	32	**28,822**	*104,187*	**28,822**	*104,186*
		5,821,160	*1,200,518*	**9,486,125**	*4,485,786*
Total equity		**5,821,160**	*1,200,518*	**9,486,125**	*4,485,786*
Total Equity and Liabilities		**8,604,555**	*4,937,204*	**10,813,933**	*6,165,919*

The Loss for the financial year dealt with in the financial statements of the Parent's Company as of the 31 December 2018 was a Loss of £337,415 (2017: Loss £306,157).

The financial statements were approved by the Board of Directors on 28 June 2019 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 2018

	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 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*		*104,187*
Profit / (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 Issue	*1,095,518*	-	-	-	-	-	*1,095,518*	-	*1,095,518*
Balance at 31 December 2017 / 1 January 2018	**7,919,356**	**896,111**	**(8,629,151)**	**739,455**	**170,560**	**104,187**	**1,200,518**	**-**	**1,200,518**
Convertible loan reserve						**(75,365)**	**(75,365)**		**(75,365)**
Profit / (Loss) for the year			**(566,946)**				**(566,946)**		**(566,946)**
Direct costs relating to issue of shares		**(324,780)**					**(324,780)**		**(324,780)**
Other comprehensive income				**(150,165)**			**(150,165)**		**(150,165)**
Total comprehensive income for the year			**(566,946)**	**(150,165)**			**(717,111)**		**(717,111)**
New Share Issue	**1,292,380**	4,445,518					**5,737,898**		**5,737,898**
Balance at 31 December 2018	**9,211,736**	5,016,849	**(9,196,097)**	**589,290**	**170,560**	28,822	**5,821,160**		**5,821,160**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	*2017*
	£	*£*
Cash Flows from Operating Activities		
Loss after income tax from continuing activities	**(566,946)**	*(706,712)*
Adjustments for:		
Amortisation of intangible assets	**217,940**	*158,583*
Depreciation of property, plant and equipment	**129,050**	*63,880*
Impairment of property, plant and equipment	**-**	*2,169*
Impairment of intangible assets	**-**	*(150,000)*
Interest expense	**-**	*(14,693)*
	(219,956)	*(646,773)*
Changes in working capital:		
Receivables	**(994,594)**	*2,014*
Payables	**(633,272)**	*(347,588)*
Inventories	**(120)**	*(2,970)*
Related parties and associated companies	**-**	*1,173,550*
Taxation	**(150,827)**	*-*
Net cash used from operating activities	**(1,998,769)**	*178,233*
Cash Flows from Investing Activities		
Interest received	**-**	*3*
Purchase of software	**(5,946)**	
Purchase of development assets	**(260,231)**	
Purchases of property, plant and equipment	**(302,058)**	**(28,654)**
Acquisition of Subsidiary, net of cash acquired	**(1,387,244)**	*82,531*
Net cash used in investing activities	**(1,955,479)**	*53,880*
Cash Flows from Financing Activities		
Interest paid	**-**	*14,694*
Term loan	**(20,721)**	*185,708*
Finance leases	**(19,371)**	*(3,956)*
Convertible Loan Note	**-**	*-*
New Share Issues[1]	**3,675,220**	*250,000*
Net cash generated by/(used in) financing activities	**3,635,128**	*446,446*
Net decrease in cash and cash equivalents	**(319,120)**	*678,559*
Cash and cash equivalents at the beginning of the year	**479,565**	*116,541*
Exchange losses on cash and cash equivalents	**(55,065)**	*(315,535)*
Cash and cash equivalents at the end of the year	**105,380**	*479,565*

[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 (2018: £1,461,898; 2017: £845,518) 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 2018

	Share Capital £	Share Premium £	Retained Earnings £	Convertible loan reserve £	Total £
Balance at 1 January 2017	*6,823,838*	*896,111*	*(4,127,710)*	-	*3,592,239*
Convertible loan reserve				*104,186*	*104,186*
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/ 1 January 2018	**7,919,356**	**896,111**	**(4,433,867)**	**104,186**	**4,485,786**
Convertible loan reserve	-	-	-	**(75,365)**	**(75,365)**
Profit / (Loss) for the year	-	-	**(337,415)**	-	**(337,415)**
Direct costs relating to issue of shares	-	**(324,780)**	-	-	**(324,780)**
Total comprehensive income for the year	-	**(324,780)**	**(337,415)**	-	**(662,195)**
New Share Issues	**1,292,380**	**4,445,518**	-	-	**5,737,898**
Total transactions with owners	-	-	-	-	-
Balance at 31 December 2018	**9,211,736**	**5,016,849**	**(4,771,282)**	**28,821**	**9,486,124**

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 2018

	2018	*2017*
	£	*£*
Cash Outflows from Operating Activities		
Loss before income tax	**(337,415)**	*(306,157)*
Adjustments for:		
Adjustment made in prior year retained earnings		
Taxation	**6,374**	
	(331,041)	*(306,157)*
Change in working capital		
Receivables	**(47,592)**	*25,381*
Payables	**16,036**	*(171,806)*
Subsidiaries	**(1,660,892)**	-
Related parties		*202,134*
Net cash used in operating activities	**(2,023,489)**	*(250,448)*
Cash Flows from Financing Activities		
Interest received	**-**	-
Convertible Loan Notes	**-**	-
New Share Issues[1]	**3,675,220**	*250,000*
Net cash used in financing activities	**3,675,220**	*250,000*
Cash Flows from Investing Activities		
Acquisition of subsidiaries	**(1,650,000)**	-
Investment in Subsidiary		-
Net cash generated from investing activities	**(1,650,000)**	-
Effect of foreign exchange rate changes on consolidation		
Net increase in cash and cash equivalents	**1,731**	*(448)*
Cash and cash equivalents at the beginning of the year	**403**	*851*
Cash and cash equivalents at the end of the year	**2,134**	*403*

[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 (2018:£1,461,898; 2017: £845,518) 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 2018

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

2. Changes in significant accounting policies

This is the first set of the Group's annual financial statements in which IFRS 15 Revenue from Contracts with Customers (in respect of the revenue recognition for revenues) and IFRS 9 Financial Instruments (in respect of the impact of the expected loss model on the impairment of receivables) have been applied. The Group has initially applied IFRS 15 and IFRS 9 from 1 January 2018 although the adoption of these standards has not had a material impact on the Group's financial statements.

(i) IFRS 15 Revenue from Contracts with Customers

Under IFRS 15 (in respect of the revenue recognition for revenues), revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. Due to the nature of the Education business being the delivery of a programme over a period of time, the revenue recognition is the same prior to the adoption of IFRS 15 for the previous years.

The customer being the student obtains the start of the service when they sign their application form and pay the appropriate fees as detailed below:

- 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 at a point in time and spread over the length of the stay.
- Publication sales are recognised upon sale of study guides.
- Registration fees and application fees are recognised upon approval of respective applications. These fees have been recognised over the period of the programme. In the event that the student does not undertake the programme of student, the fee will then be recognised at that point in time.
- 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.

(ii) IFRS 9 Financial Instruments

IFRS 9 supersedes IAS 39 Financial Instruments: Recognition and Measurement with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. IFRS 9 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in IAS 39. This determines the recognition of impairment provisions as well as interest revenue.

The Group and Company's principal financial assets are cash and cash equivalents and receivables.

The Group and Company has assessed the impact of IFRS 9 on the impairment of its financial assets, including the trade receivables balance. The Group revised its impairment methodology to the simplified approach of the expected credit loss model based on default rate percentage of similar product type assets (provision matrix) and grouped the trade receivables based on shared characteristics, including line of business, and days past due. Based on the Group and Company's historical credit loss experience the adoption of IFRS 9 caused no material impact on the financial statements.

3. 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.

(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 2018. 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.

The consolidation of the acquisition of Communicate English School Limited in Manchester, UK, was prepared in accordance to IFRS 3.

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

This is the first set of the Group's annual financial statements in which IFRS 15 Revenue from Contracts with Customers (in respect of the revenue recognition for revenues) and IFRS 9 Financial Instruments (in respect of the impact of the expected loss model on the impairment of receivables) have been applied.

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.

IFRS 16- Leases

IFRS 16 supersedes IAS 17 Leases and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. IFRS 16 will primarily affect the accounting for the Group's operating leases and is effective for the next accounting period. As at the reporting date, the Group has non-cancellable operating lease commitments of £5.064m as disclosed in note 29. Under IFRS 16, the obligations to pay the future leases rentals over the outlined expected lease term will be recognised as a lease liability (current and non-current) discounted at the incremental borrowing rate with a corresponding right of use asset also being recognised in the statement of financial position. The adoption of IFRS 16 will have a material change in gross assets and liabilities recognised, as a result of recognising the leases as right-of-use assets and liabilities, for the change in accounting policy. Additionally, as the depreciation on the right of use asset and the interest on the finance liability would be different to the present operating lease charge, it is anticipated that this may have a material impact on the reported result in the income statement in the earlier years of adoption based upon the relative timing of the interest element of the financial liability together with the depreciation charge on the asset in comparison to the current accounting for the operating lease commitment as a rental charge in operating income. Management are presently in the process of fully evaluating this impact. The Group and Company will adopt the standard in the financial year ending 31 December 2019.

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and, in some cases, have not yet been adopted by the EU. There are no other standards issued not yet effective that will have a material effect on the financial statements.

(iv) 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.

In preparing the financial statements on a going concern basis, the Group have considered each of the following factors:

- The Group's main source of funds are internally generated funds and new capital injections.
- During 2018 the Group incurred losses as they continue to manage growth, make an acquisition in the UK, integrate parts of the business in Singapore and restructure their operations in Malaysia. All of these had a net cash outflow impact for the business in 2018 which in part was financed by trading and share issues.
- Profit and cash flow projections for the Group assume profitable growth in its key operating entities based in each of the key jurisdictions.
- There is challenge on the Group continuing to manage their working capital requirements of the business and its ability to meet liabilities as and when they fall due
- It is anticipated that there will continue to be a requirement for future raising of funds, through the issue of equity and other funding sources, to manage the growth and strategic plans for the business. Since the year end Malvern International plc undertook another fund raising in February 2019 which raised £606,000. These funds were used for working capital for the growth of the organisation.
- There has been 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.

After making appropriate enquiries, whilst accepting the above factors highlight some material uncertainty, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

(v) 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.

(vi) 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.

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.

(vii) 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.

(viii) 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:

	2018	*2017*
1 Pound Sterling to Singapore Dollar		
Closing rate	**1.737**	*1.794*
Average rate	**1.795**	*1.778*
1 Pound Sterling to Malaysian Ringgit		
Closing rate	**5.280**	*5.423*
Average rate	**5.375**	*5.530*
1 Pound Sterling to Euro		
Closing rate	**1.111**	*1.212*
Average rate	**1.128**	*1.141*

(ix) 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 are 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.

(x) 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 following two subsidiaries:
SAA Global Education -- Brand value of £150,000 which will be amortised over 10 years, and the Customer Listing Asset value of £88,223, which will amortised over a 10 year period. This was initially stated as being amortised over a 5-year period. However, upon reflection by Management, it was deemed that Customer Listing is a relationship-based value with agencies that has a significant longer life than five years. It was deemed appropriate to change this from 5 years to 10 years.
Communicate English School -- Brand value of £427,386, the Customer Listing Asset value of £274,637, and the Domain Name value of £12,242 which will all be amortised over a 10-year period.
Software is amortised over a period of 3-5 years.

(xi) Intangible assets – development assets

Development assets represent expenditure incurred on internally generated assets in respect of programme development. Development assets are amortised using a straight-line method over a period of 3 to 5 years once they are brought into use.

(xii) 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.

(xiii) 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.

(xiv) 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.

Financial assets at amortised cost

Financial assets held within a business model whose objective is to collect contractual cash flows which are solely payments of principals and interest are classified as subsequently are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The Group's financial assets at amortised cost comprise 'trade and other receivables' and cash and cash equivalents included in the Consolidated Statement of Financial Position.

(xv) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses for all debt instruments (other than those categorised at fair value through profit or loss),

An impairment loss in respect of loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

The Group has adopted the simplified expected credit loss model for its trade receivables and contract assets, as required by IFRS 9 to assess impairment, for further information see Note 17.

(xvi) 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 at a point in time and spread over the length of the stay.
- Publication sales are recognised upon sale of study guides.
- Registration fees and application fees are recognised upon approval of respective applications. These fees have been recognised over the period of the programme. In the event that the student does not undertake the programme of student, the fee will then be recognised at that point in time.
- 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.

(xvii) 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.

(xviii) 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.

(xix) 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.

(xx) 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.

(xxi) 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.

(xxii) 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.

(xxiii) 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.

(xxiv) 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.

(xxv) 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.

(xxvi) 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.

(xxvii) 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.

(xxviii) 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.

(xxix) 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 the estimate of 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 number of brands, licences and trademarks is determined from value in use calculations. The key assumptions for the value in use calculation are the estimates 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 the estimates 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. Judgement is made in the evaluation in respect of the fair value of any deferred tax asset recognised in respect of taxable losses carried forward.

Evaluation of contract liabilities (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 estimate and evaluate the amount of contract liabilities/deferred income to be recognised in a future period.

Impairment of receivables
The Group and Company reviews the impairment of its financial assets, including the trade receivables balance. The Group estimates and evaluates impairment methodology using the simplified approach of the expected credit loss model based on default rate percentage of similar product type assets (provision matrix) and grouped the trade receivables based on shared characteristics, including line of business.

Contingent assets
The Group makes a judgement in its review of the position in respect of the potential inflow of economic benefits and whether in the circumstances that arise, the realisation of the income is virtually certain, whereby recognition arises, or, if due to an uncertainty, the inflow of economic benefit is probably, whereby a contingent asset is disclosed.

4. 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
2018	**£**	**£**	**£**
Revenue from external customers	**4,379,667**	**3,030,975**	**7,410,642**
Depreciation, write-offs and amortisation	**171,975**	**177,245**	**349,220**
Profit/(Loss) before taxation	**155,167**	**(872,940)**	**(717,773)**
Taxation credits	**150,827**	**-**	**150,827**
Profit/(Loss) for the year	**305,994**	**(872,940)**	**(566,946)**
Segmental assets	**3,924,136**	**4,316,129**	**8,240,265**
Segmental liabilities	**1,099,408**	**1,683,988**	**2,783,396**
Additions to non-current assets	**2,524,028**	**138,927**	**2,662,955**
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/Loss for the year	*(258,565)*	*(442,763)*	*(701,328)*
Segmental assets	*1,207,264*	*3,729,940*	*4,937,204*
Segmental liabilities	*(1,263,560)*	*(2,473,166)*	*(3,736,726)*
Additions to non-current assets	*36,000*	*768,057*	*804,057*

Alternative Performance Measures reconciliation (EBITDA and adjusted EBITDA measures)

	Europe	**Asia**	**Total**
2018 (including Communicate acquisition in the year)	**£**	**£**	**£**
Profit/(Loss) for the year	**305,994**	**(872,940)**	**(566,946)**
Interest	**14,347**	**30,249**	**44,596**
Taxation Credits	**(150,827)**	**-**	**(150,827)**
Depreciation	**50,004**	**79,046**	**129,050**
Amortisation	**121,142**	**96,798**	**217,940**
Impairment reversal	**-**	**-**	**-**
EBITDA	**340,660**	**(666,847)**	**(326,187)**
One-off integration costs*	**-**	**247,104**	**247,104**
One-off restructuring costs**	**-**	**259,549**	**259,549**
Total Integration and Restructure One-off Costs	**-**	**506,653**	**506,653**
Adjusted EBITDA (excl One-off integration and restructuring costs)	**340,660**	**(160,194)**	**180,466**
Others – HQ Costs allocation***	**195,075**	**142,340**	**337,415**
Further adjusted EBITDA (excl One-off integration and restructuring costs and HQ Costs)	**535,735**	**(17,854)**	**517,881**
2017	**£**	**£**	**£**
Loss for the year	(258,565)	(442,763)	(701,328)
Interest	19	14,691	14,710
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	**(176,046)**	**(443,493)**	**(619,559)**
*One-off integration costs**	-	-	-
*One-off restructuring costs***	-	-	-
Total Integration and Restructure One-off Costs	-	-	-
Adjusted EBITDA (excl One-off integration and restructuring costs)	**(176,046)**	**(443,493)**	**(619,559)**
*Others – HQ Costs allocation****	193,178	392,114	585,292
Further adjusted EBITDA (excl One-off integration and restructuring costs and HQ Costs)	**17,132**	**(51,399)**	**(34,267)**

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.

* One-off integration costs relate to the integration of operations in Singapore during 2018 following the SAAGE acquisition in late 2017. These costs include cover property, people, systems and termination of contracts.

** One-off restructuring costs relate to the restructuring and streamlining of operations in Malaysia during 2018. These costs cover people, property and termination of contracts.

*** Group HQ costs of £337,415 (2017-£585,292) were allocated to each segment based on the revenue for each segment. In 2018, the allocation was 58% (2017-33%) for Europe and 42% (2017-67%) for Asia.

5. Sale of Services

	2018	2017
	£	£
Course fees	**5,151,480**	*2,678,699*
Accommodation fees	**1,898,420**	*773,984*
Application fees, registration and examination fees	**85,923**	*104,652*
Training fees, Sales of system support, course materials and others	**274,818**	*402,171*
	7,410,641	*3,959,506*

6. Other Income

	2018	2017
	£	£
Govt grants	**15,799**	*36,098*
Interest income	**2,097**	*-*
Rental and related income	**43,135**	*50,162*
Consultancy Income	**80,034**	*691*
Write off provisions	**42,241**	*32,432*
	183,306	*119,383*

7. Salaries and Employees' Benefits

	2018	2017
	£	£
Staff salaries and related costs	**1,054,110**	*1,313,082*
Social security costs – staff	**127,295**	*166,678*
Directors' remuneration	**103,078**	*165,508*
Directors' fees	**10,916**	*6,089*
Social security costs – Directors	**10,944**	*150*
Others	**22,597**	*-*
Less: reported as cost of services sold	**-**	*(526,799)*
	1,328,940	*1,124,708*
Highest paid director		
Remuneration and benefits	**103,078**	*163,540*

Average number of employees	**Number**	*Number*
Lecturers	**105**	*74*
Marketing staff	**24**	*16*
Operational and administration staff	**72**	*60*
	201	*150*

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 2018 and 31 December 2017 no pension payments were paid or accrued.

8. Finance Costs

	2018	2017
	£	£
Interest payable to related parties	-	-
Interest on finance leases	2,698	14,676
Interest on Term Loan	21,749	-
Interest on Convertible Loan Note	20,149	-
Other Charges	-	14
	44,596	14,690

9. Operating Expenses

	2018	2017
	£	£
Auditors' remuneration:		
- Fees payable to the Company's auditors for statutory audit	34,000	34,000
- Fees payable to the Company's auditors and associates for statutory audit of subsidiary Companies	31,773	23,975
Exchange loss/(gain)	-	6,329
Impairment for trade receivables charge	92,306	118,041
Office and equipment rental	1,187,709	910,672
Other Operating Expenses	866,667	651,483
Bad Debts allowance made during the year	2,212,455	1,744,500

10. Income Tax

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

	2018	2017
	£	£
Current income tax	-	5,384
PY income tax adjustment	-	-
Current year tax	(39,173)	5,384
Deferred taxation Credit	190,000	-
	150,827	5,384

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:

	2018		*2017*	
	£	%	£	%
Profit/(Loss) before income tax	**(566,946)**		*(706,712)*	
Income tax at the statutory rate of 17%	**96,381**	**17.0**	*120,141*	*17.0*
Effect of different tax rate in foreign Jurisdictions	**-**	**-**	-	-
Non-deductible income and expenses	**-**	**-**	*(15,803)*	*2.7*
Singapore statutory stepped income Exemption				
Adjustments of income tax in respect of prior years	**54,446**	**9.6**		
Deferred tax asset not recognised	**-**		*(98,954)*	*(13.5)*
(Over)/under-provision for prior year deferred tax	**-**	**-**	-	-
Other effects not separately identified	**-**	**-**	-	-
	150,827	**26.6**	*5,384*	*(0.8)*

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.

	2018	*2017*
	£	£
Analysis of provision for deferred taxation:		
Balance at the beginning of the year	**-**	-
Deferred taxation for the year	**190,000**	-
Balance at the end of the year	**190,000**	-
Deferred tax asset	**190,000**	-
Deferred tax liability	**-**	-
Balance at the end of the year	**190,000**	-

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

	2018	*2017*
	£	£
Un-utilised capital allowance c/f	**552,474**	*552,474*
Un-utilised tax losses	**3,715,124**	*4,148,178*
	4,267,598	*4,700,652*

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.

11. Earnings/(Loss) Per Share

The basic and diluted earnings/(loss) per share attributable to equity holders of the Company was based on the loss attributable to shareholders of £566,946 *(2017: loss of £701,328)* and the weighted average number of ordinary shares in issue during the year of 243,426,293 shares *(2017:105,708,809 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 2018.

12. Property, Plant, and Equipment

	Leasehold property and improvements	Classroom and office equipment	Motor Vehicle	Total
	£	£	£	£
Cost As at 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/ 1 January 2018	**500,076**	**2,228,160**	**40,958**	**2,769,194**
Additions	**284,444**	**19,014**	**-**	**303,458**
Disposals	**(2,322)**	**-**	**-**	**(2,322)**
Impairments	**-**	**-**	**-**	**-**
Acquisition-Subsidiary	**-**	**178,603**	**-**	**178,603**
Exchange differences	**-**	**-**	**-**	**-**
As at 31 December 2018	**782,197**	**2,425,777**	**40,958**	**3,248,933**
Accumulated depreciation				
As at 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/ 1 January 2018	***471,909***	***2,037,169***	***14,160***	***2,523,238***
Charge for the year	**16,747**	**104,010**	**8,293**	**129,050**
Disposals	**(922)**	**-**	**-**	**(922)**
Impairments	**-**	**-**	**-**	**-**
Acquisition-Subsidiary	**-**	**52,679**	**-**	**52,679**
Exchange differences	**-**	**-**	**-**	**-**
As at 31 December 2018	**487,734**	**2,193,858**	**22,453**	**2,704,045**
Net book value **At 31 December 2018**	**294,464**	**231,919**	**18,505**	**544,888**
At 31 December 2017	*28,167*	*190,991*	*26,798*	*245,956*

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
2018	**£**	**£**	**£**
Classroom and office equipment	**19,014**	**104,010**	**231,926**
Motor vehicle	**-**	**8,293**	**18,505**
	19,014	**112,303**	**491,516**
2017	£	£	£
Classroom and office equipment	-	-	-
Motor vehicle	*28,264*	*14,160*	*22,168*
	28,264	*14,160*	*22,168*

13. Investment in Subsidiary Companies

Company	**2018**	*2017*
	£	£
Investment in subsidiaries		
Unquoted equity shares, at cost		
As at the beginning of the year	**7,115,081**	*7,087,273*
Additions*	**2,980,290**	*281,518*
Loan Capitalisation of SAAGE	**630,124**	
Disposals**	**-**	*(253,710)*
As at the end of the year	**10,725,495**	*7,115,081*
Provision against the cost of investment in subsidiaries		
As at the beginning of the year	**2,625,000**	*2,878,709*
Disposal	**-**	-
Impairment		*(253,709)*
As at the end of the year	**2,625,000**	*2,625,000*
Net book value at the end of the year	**8,100,495**	*4,490,081*

**No disposal of subsidiaries was undertaken in 2018.
During the 2017 financial year, a dormant subsidiary, AEC Bilingual, was closed and struck off from the Company registers in Singapore.

*During the 2018 financial year, a new subsidiary in Manchester (UK), Communicate English School Limited, was acquired. (See note No: 33 for more details).
During the 2017 financial year, a new subsidiary in Singapore, SAA Global Education Centre Pte Ltd, was acquired for £281,518. During 2018 there was an increase in this investment arising from the loan capitalisation for equity.

Malvern International Academy Pte Ltd (Singapore), Malvern House Group Limited, Malvern Language Academy Pte Ltd and SAA Global Education Centre 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 2018 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: TripleOne Somerset, #04-25, 111 Somerset Road, Singapore 238164)

- 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.

14. Intangible Assets

Intangible assets are summarised as follows:

	Licences	**Brands**	**Trademark**	**Customer List**	**Domain Name**	**Total**
	£	£	£	£	£	£
Group 2018						
Cost						
As at 1 January 2017	*868,006*	*3,750,000*	*22,579*	-	-	*4,640,585*
Additions -	-	*150,000*	-	*88,223*	-	*238,223*
Exchange differences	-	-	-	-	-	-
As at 31 December 2017/ 1 January 2018	***868,006***	***3,900,000***	***22,579***	***88,223***	-	***4,878,808***
Additions – acquisition of subsidiary (note 33)	**-**	**427,386**	**-**	**274,637**	**12,242**	**714,265**
Exchange differences	**-**	**-**	**-**	**-**	**-**	**-**
As at 31 December 2018	**868,006**	**4,327,386**	**22,579**	**362,860**	**12,242**	**5,593,073**
Accumulated amortisation						
As at 1 January 2017	*128,094*	*2,345,648*	*22,579*	-	-	*2,496,321*
Charge for the year	*8,583*	*150,000*	-	-	-	*158,583*
Charge for impairment	-	*(150,000)*	-	-	-	*(150,000)*
Exchange differences	*(8,387)*	-	-	-	-	*(8,387)*
As at 31 December 2017/ 1 January 2018	***128,290***	***2,345,648***	***22,579***	-	-	***2,496,517***

	Licences	Brands	Trademark	Customer List	Domain Name	Total
	£	**£**	**£**	**£**	**£**	**£**
Charge for the year	**8,405**	**186,369**	**-**	**22,554**	**612**	**217,940**
Exchange differences	**-**	**-**	**-**	**-**	**-**	**-**
As at 31 December 2018	**136,695**	**2,532,017**	**22,579**	**22,554**	**612**	**2,714,457**
Net book value At 31 December 2018	**731,311**	**1,795,369**	**-**	**340,306**	**11,630**	**2,878,616**
Analysed as follows:						
Indefinite life	**725,445**	**-**	**-**	**-**	**-**	**725,445**
Definite life	**5,866**	**1,795,369**	**-**	**340,306**	**11,630**	**2,153,170**
	731,311	**1,795,369**	**-**	**340,306**	**11,630**	**2,878,616**
Net book value At 31 December 2017	**739,716**	**1,554,352**	**-**	**88,223**	**88,223**	**2,382,291**
Analysed as follows:						
Indefinite life	*733,850*	-	-	-	-	*733,850*
Definite life	*5,866*	*1,554,352*	-	*88,223*	*88,223*	*1,648,441*
	739,716	*1,554,352*	-	*88,223*	*88,223*	*2,382,291*

Licences
At 31 December 2018, 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 2018, the Group's principal acquired brand, Malvern House was regarded as having a remaining definite useful economic life of 16 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.

a. As at 31 December 2018 the accumulated amortization on brands was £2,532,017. This is made as follows: a. Malvern Brand being £1,500,000 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.
b. SAA Global Education Brand in Singapore being amortised over ten years starting 1 January 2018 for £15,000 for the full year.
c. Communicate Brand in Manchester (UK) being amortised from 1 July 2018 for ten years for £21,369 for the six months ending 31 December 2018.

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 further impairment would be required for the 2018 financial year.

Trademarks
At 31 December 2018, the Group's trademarks were all considered to have fixed lives for accounting purposes although would be renewable when they expire.

Customer List
a. SAA Global Education Pte Ltd has a determined Customer List of £88,223. It was initially planned to amortise this over a period of 5 years. However relationships with Educational Agents that are from the Customer List have a relationship life of over ten years. Amortisation of £8,822 has been charged for the full year for 2018 based on a ten-year amortisation period.
b. Communicate English School Limited has a determined Customer List of £274,637 to be amortised over ten years. An amortisation for the six months from 1 July 2018 of £13,732 has been applied.

Domain Name
Communicate English School Limited has a determined Domain Name value of £12,242 to be amortised over ten years. An amortisation for the six months from 1 July 2018 of £612 has been applied.

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 8% for both 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 9.19% (2017: 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.
The following sensitivity analysis was carried out on the detailed ten-year cashflow model:
a. Reducing the growth by 15%
b. Applying a weighted average cost of capital of 11% and 14%.
Based upon these sensitivity analyses, the Group does not incur any material impairment for any of the categories of intangibles and goodwill.

Development assets
During the year development assets of £260,231 (£1,505) were capitalised relating to internally generated intangibles for programme development. The carrying value of these amounts of £261,736 (£1,505) will be amortised once the assets are brought into use.

15. Goodwill

	2018	*2017*
	£	£
Cost		
Balance as at the beginning of the year	**474,207**	*1,312*
Additions – acquisition of subsidiary (note 33)	**1,775,811**	*450,000*
Exchange differences	**-**	*22,895*
Balance as at the end of the year	**2,250,018**	*474,207*

On the 1st July 2018, Malvern International plc acquired 100% of the shareholding of Communicate English School Limited in Manchester, UK. In reviewing the consolidation of the subsidiary for the first time under IFRS3, a resultant intangible asset of £1,775,811 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 33 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 in the table below:

	2018	2017
	£	£
Education		
Europe	**1,775,811**	-
Asia	**474,207**	*474,207*
	2,250,018	*474,207*

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

	2018	2017
	£	£
Publications and books	**6,220**	*6,100*

17. Trade Receivables

	2018 £	2017 £
Trade Receivables	**1,041,712**	*398,642*

At 31 December 2018, the exposure to credit risk for trade receivables by geographic region/currency was as follows:

Trade receivables are denominated in the following currencies:		
Singapore - Singapore Dollar	**273,681**	*47,668*
UK - Pound Sterling	**363,161**	*103,466*
Malaysia - Malaysian Ringgit	**404,870**	*220,757*
Euro	**-**	*26,751*
Other	**-**	-
	1,041,712	*398,642*

		2018	2017
		£	£
Not yet due and impaired		**183,492**	*108,603*
Past due but not impaired			
- Past due 0 to 3 months		**404,436**	*157,876*
- Past due 3 to 6 months		**20,441**	*54,087*
- Past due over 6 months		**433,343**	*78,076*
		1,041,712	*290,039*
Impaired trade receivables		**141,027**	*102,040*
Less: Allowances for impairment loss		**(141,027)**	*(102,040)*
		1,041,712	*398,642*

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables as at 31 December 2018:

	Weighted average loss rate	Gross carrying amount	Loss Allowance	Net carrying amount	Credit impaired
Not yet due and impaired	%	**183,492**	-	**183,492**	No
Past due but not impaired					
- Past due 0 to 3 months	%	**404,436**	-	**404,436**	No
- Past due 3 to 6 months	%	**20,441**	-	**20,441**	No
- Past due over 6 months	**25%**	**574,370**	**(141,027)**	**433,343**	Yes
		1,182,739	**(141,027)**	**1,041,712**	

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

	2018	*2017*
	£	£
Balance at the beginning of the year	**102,040**	*241,946*
Allowances reversed during the year	**-**	*(122,084)*
Allowances made during the year	**92,305**	-
Allowances written-off during the year	**(53,318)**	*(17,822)*
Currency realignment	**-**	-
Balance as at the end of the year	**141,027**	*102,040*

These are no contract assets within trade and other receivables.

18. Other Receivables and Prepayments

	Group		**Company**	
	2018	*2017*	**2018**	*2017*
	£	£	**£**	£
Deposits	**344,242**	*359,865*	**-**	-
Prepayments	**722,205**	*401,320*	**11,839**	*13,775*
Staff loan	**12,043**	*12,220*	**-**	-
Others	**184,869**	*175,534*	**49,528**	-
	1,263,359	*948,939*	**61,367**	*13,775*

19. Due from Related Parties

	Group		Company	
	2018	*2017*	**2018**	*2017*
	£	£	**£**	£
Due from related parties				
Non-trade	**56,679**	-	**58,667**	-

Balances with related parties are denominated in the following currency:

	Group		Company	
	2018	*2017*	**2018**	*2017*
	£	£	**£**	£
Trade receivables are denominated in the following currencies:				
Singapore Dollar	**(1,988)**	-	-	-
Pound Sterling	**58,667**	-	**58,667**	
Malaysian Ringgit	**-**	-	**-**	-
Euro	**-**	-	**-**	-
Other	**-**	-	**-**	-
	56,679	-	**58,667**	-

20. Cash and Cash Equivalents

	Group		Company	
	2018	*2017*	**2018**	*2017*
	£	£	**£**	£
Cash at bank and in hand	**96,573**	*471,036*	**2,134**	*403*
Fixed deposits with bank	**8,807**	*8,529*		-
Cash and cash equivalents	**105,380**	*479,565*	**2,134**	*403*
Cash and cash equivalents are denominated in the following currencies:				
Singapore Dollar	**36,562**	*180,248*	**-**	-
Pound Sterling	**53,076**	*105,712*	**2,134**	*403*
Malaysian Ringgit	**15,742**	*189,238*	**-**	-
Euro	**-**	*4,367*	**-**	-
Other	**-**	-	**-**	-
	105,380	*479,565*	**2,134**	*403*

21. Trade Payables

	Group		Company	
	2018	*2017*	**2018**	*2017*
	£	£	**£**	£
Trade payables are denominated in the following currencies:				
Singapore Dollar	**181,194**	*90,003*	**-**	-
Pound Sterling	**199,483**	*105,052*	**-**	-
Malaysian Ringgit	**-**	*82,096*	**-**	-
Euro	**-**	-	**-**	-
Other	**-**	-	**-**	-
	380,677	*277,151*	**-**	-

22. Contract liabilities

Contract liabilities is deferred revenue representing amounts billed on account of revenues where performance obligations have not been met for recognition of revenue. Contract liabilities relates to course fees received in advance and recognised in the income statement based on classes and examinations conducted.

The amount of £668,775 (2017: £386,039) recognised in contract liabilities at the beginning of the period has been recognised as revenue for the period ended 31 December 2018

	2018	*2017*
	£	£
Contract liabilities denominated in the following currencies:		
Singapore Dollar	**451,133**	*453,538*
Pound Sterling	**194,440**	*179,689*
Malaysian Ringgit	**7,646**	*35,548*
Euro	**-**	-
Other	**-**	-
	653,219	*668,775*

23. Other Payables and Accruals

	Group		**Company**	
	2018	*2017*	**2018**	*2017*
	£	£	**£**	£
Other payables	**268,008**	*179,778*	**96,805**	*58,150*
Accrued expenses	**301,353**	*568,294*	**33,178**	*55,797*
	569,361	*748,072*	**129,983**	*113,947*

24. Due to Related Parties

	Group		Company	
	2018	*2017*	**2018**	*2017*
	£	£	**£**	£
Due to related parties				
Non-trade	**554,694**	*835,853*	**262,436**	*489,748*
Trade payables are denominated in the following currencies:				
Singapore Dollar	**218,824**	*367,624*	**-**	-
Pound Sterling	**335,870**	*468,229*	**262,436**	*489,748*
Malaysian Ringgit		-		-
Euro		-		-
Total	**554,694**	*835,853*	**262,436**	*489,748*

During the year,

a) KSP Investments Pte Ltd, a Company of which two of the Directors are also shareholders, advanced loans to the Group and have also received repayment for their advances resulting in a year-end balance of an amount of £516,021 (2017: £583 k).
b) CG Corp, a major shareholder of the Company, received their repayments and there is £ Nil amount owing as at 31 December 2018. (2017: £538 k).
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	
	2018	*2017*	**2018**	*2017*
	£	£	**£**	£
Due to related parties				
KSP Investments Pte Ltd	**516,021**	*487,978*	**262,436**	*239,748*
C G Corp	**-**	*347,875*	**-**	*250,000*
Others	**38,673**	-	**-**	-
	554,694	*835,853*	**262,436**	*489,748*

During the 2018 reported year, the Company has agreed that

a) £157,000 of its outstanding balance with KSP Investments Pte Limited and £348,000 of its outstanding balance with CG Corp were paid as part of June 2018 Fund Raising for 3,925,000 and 8,700,000 1p ordinary shares respectively in the Company at a price of 4p per share.
b) KSP Investments Pte Ltd exercised its right to convert £771,898 of its Convertible Loan Notes into 15,437,960 new Ordinary Shares at an exercise price of 5 pence per share. With the balance of the Convertible Loan Notes of £328,102, KSP Investments Pte Ltd distributed the full amount to Mr. Ho Peng Cheong. Mr. Ho is a director and shareholder of KSP and is now leaving KSP Investment Pte Ltd. (note 32)

25. Financial Liabilities

	Group		Company	
	2018	*2017*	**2018**	*2017*
	£	£	**£**	£
Non-current liabilities				
Finance lease obligations	**63,957**	*20,320*	**-**	-
Convertible Loan Notes	**299,280**	*995,813*	**299,280**	-
Term Loan	**140,135**	*159,178*	**-**	-
	503,372	*1,175,311*	**299,280**	-
Current liabilities				
Finance lease obligations	**-**	*4,994*	**-**	-
Convertible Loan Notes	**-**	*-*	**-**	-
Term Loan	**29,846**	*26,530*	**-**	-
	29,846	*31,524*	**-**	-
Total	**533,319**	*1,206,835*	**299,280**	-

Finance Lease Obligations
At 31 December 2018, the Group has no material lease obligations under finance leases that are payable:

Convertible Loan Notes

At 31 December 2018, the Group has obligation for £299,280. (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 2018 1p ordinary shares and 1p deferred shares	**243,426,293**	**7,001,797**	**44,198,781**	**2,209,939**	**9,211,736**
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**

During 2018, 124,600,000 1 p ordinary shares were issued. The movement in share capital during the year can be summarised as follows:

- June 2018 – 100,000,000 1 p ordinary shares were issued as a Fund Raising at 4 p each
- June 2018 – 15,437,960 1 p ordinary shares were issued at the exercise price of 5 p per share to KSP Investments Pte Limited as part of a capitalisation of convertible loan notes issued (note 32) totalling £771,898.
- July 2018 – 13,800,000 1 p ordinary shares were issued at 5 p each for part settlement of the acquisition of Communicate English School Limited

27. Reserves

The Company has the following types of reserves:

(i) Share premium reserve

	2018	2017
	£	£
Balance as at the beginning of the year	**896,111**	*896,111*
Issue of new shares	**4,445,518**	-
Fund raising expenses	**(324,780)**	-
Balance as at the end of the year	**5,016,849**	*896,111*

The share premium reserve arises where shares have been issued at a price in excess of the nominal value of 1 p (formerly 5 p 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	
	2018	2017	2018	2017
	£	£	£	£
At the beginning of the year	**(8,629,151)**	*(7,927,823)*	**(4,433,867)**	*(4,127,710)*
Profit / (Loss) for the year	**(566,946)**	*(701,328)*	**(337,415)**	*(306,157)*
Unclaimed dividends returned	-	-	-	-
At the end of the year	**(9,196,097)**	*(8,629,151)*	**(4,771,282)**	*(4,433,867)*

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

(iv) Translation reserve

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
At the beginning of the year	**739,455**	*1,005,522*	-	-
Currency translation differences	**(150,165)**	*(266,067)*	-	-
At the end of the year	**589,290**	*739,455*	-	-

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	
	2018	2017	2018	2017
	£	£	£	£
At the beginning of the year	**170,560**	*170,560*	-	-
Financial Liability reserve	-	-	**209,536**	-
At the end of the year	**170,560**	*170,560*	**209,536**	-

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	
	2018	*2017*	**2018**	*2017*
	£	£	**£**	£
At the beginning of the year	**104,187**	-	**104,187**	-
Additions in the year	**(75,365)**	*104,187*	**(75,365)**	*104,187*
At the end of the year	**28,822**	*104,187*	**28,822**	*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:

	2018	*2017*
	£	£
Key management personnel		
Directors' remuneration:		
- Salaries and bonuses	**103,078**	*165,658*
- Directors' fees	**10,916**	*6,089*
	113,994	*171,747*

Analysis of Directors' fees and emoluments:

	Salary & Bonus	**Fees**	Total
2018	**£**	**£**	£
Sam Malafeh	**103,078**	**-**	**103,078**
Wee Hock Kee	**-**	**10,916**	**10,916**
	103,078	**10,916**	**113,994**
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***

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: -

	2018	*2017*
	£	£
Expiring:		
Within one year	1,160,415	*1,351,689*
Between two to five years	3,655,597	*2,763,957*
Over five years	247,900	*592,524*
	5,063,912	***4,708,170***

30. Subsequent events

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

- Malvern International PLC undertook another fund raising in February 2019 which raised £606,000. These funds were used for working capital for the growth of the organisation.

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. 86% *(2017: 55%)* of the Group's accounts receivables are made up of individual students, 2% *(2017: 37%)* relates to large funding organisations such as government related bodies and the balance of 11% *(2017: 8%)* 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.

2018	**On demand or within one year**	**Within 2 to 5 years**
	£	£
Trade payables	**380,678**	
Other payables	**569,361**	**-**
Due to related parties	**554,694**	**-**
Financial liabilities	**29,846**	**63,957**
Convertible Loan Notes	**-**	**299,280**
	1,534,579	**363,237**

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 analysis illustrate the effect that specific changes could have had on our income and equity for exchange movements. This analysis is for illustrative purposes only and is based on the 2018 actual results, 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 31.12.2018				
Singapore Dollar	**270,240**	**38,001**	**(270,420)**	**(38,001)**
Malaysian Ringgit	**5,770**	**26,230**	**(5,770)**	**(26,230)**
At 31.12.2017				
Singapore Dollar	*71,465*	*36,918*	*(71,465)*	*(36,918)*
Malaysian Ringgit	*26,891*	*15,448*	*(26,891)*	*(15,448)*

(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 31.12.2018			
Assets			
Trade and other receivables	-	**2,305,072**	**2,305,072**
Cash and bank balances	-	**105,380**	**105,380**
Non-financial assets	-	**5,795,046**	**5,795,046**
Total assets	-	**8,205,498**	**8,205,498**
At 31.12.2018			
Liabilities	-	**1,504,732**	**1,504,732**
Borrowings	-	**533,218**	**533,218**
Non-financial liabilities	-	**745,445**	**745,445**
Total liabilities	-	**2,783,395**	**2,783,395**

(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) Reconciliation of liabilities arising from financing activities

	1 January 2018	*Net Financing Contributions*	*Interest paid*	*Fair value movement/ interest accrued*	*Acquisition of subsidiary*	*Loan note conversion*	*31 December 2018*
Leasing	25,314	(27,063)	2,698	-	63,008	-	63,957
Term loan	185,708	(37,475)	21,749	-	-	-	169,982
Convertible loans notes	995,813	(20,149)	20,149	-	-	(696,533)	299,280

	1 January 2017	*Net Financing Contributions*	*Interest paid*	*Fair value movement/ interest accrued*	*Acquisition of subsidiary*	*Foreign exchange movement*	*31 December 2017*
Leasing	29,270	(18,632)	14,676	-	-	-	25,314
Term loan	-	185,708	-	-	-	-	185,708
Convertible loans notes	-	1,100,000	-	(104,187)	-	-	995,813

(vii) 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.

The Group monitors its debt to equity ratio which was calculated as follows.

	Group		**Company**	
	2018	2017	2018	2017
	£	£	£	£
Total debt	2,748,635	3,736,686	928,575	1,680,133
Less: Cash and cash equivalents	96,573	479,565	2,134	403
Net debt	**2,652,062**	**3,257,121**	**926,441**	**1,679,730**
Total equity	5,456,870	1,200,518	9,210,125	4,485,786
Debt to equity	48.60%	271.31%	10.05%	37.45%

Financial assets are disclosed in notes 17 to 20. The Group's principal financial assets are bank balances, trade and other receivables.

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	
Amount converted in year (note 26)	(£771,898)	
Amount Transfer to Reserve	28,822	
Balance at 31/12/2018	299,280	

Of the £1,100,000 Loan Notes brought forward to 2018, £771,898 were converted in June 2018 leaving a balance of £328,102 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 £328,102 were recorded in the financial report as follows:

Non-Current Liabilities - £299,280
Reserves -£28,822

33. New Acquisition for the Malvern Group

On 2nd July 2018, The Group announced the acquisition of Communicate English School Limited for a total consideration of £2,340,000. The Sale and Purchase Agreement was concluded to acquire the entire issued share capital of Communicate English School Limited through the issue of 13,800,000 new ordinary shares of 1 p each in Malvern plc at an exercise price of 5 p per share being £690,000 and the balance of £1,650,000 in cash.

The Share Price on 2nd July 2018 closed at 7.00 p per share. This means that the 13,800,000 had a fair value of £966,000. This increased the fair value of the consideration from £2,340,000 to £2,616,000.

As agreed in the Sales Purchase Agreement, an excess cash payment was made for £364,290 from the cash of £627,046. This increased the fair value of the consideration from £2,616,000 to £2,908,290 (note 13).

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

	Fair Value Consideration £
Fair value of assets and liabilities acquired:	
Property, plant and equipment	125,924
Intangible assets	
Brand[1 & 2]	427,386
Domain Name[1 & 2]	12,242
Customer List[1 & 2]	274,637
Trade and other receivables	77,681
Cash and bank balances	627,046
Trade and other payables	(340,437)
Net Assets acquired	1,204,479
Consideration/Purchase Price[1]	2,980,290
Goodwill arising on acquisition	1,775,811

[1] In accordance with IFRS 3, a fair value review of the intangible asset acquired 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 fair value consideration is a pro-rata calculation based on the fair value consideration of £2,980,290. The breakdown of the intangible asset on the consolidation of the new business is as follows:

[2] Charges for amortization of Customer List, Domain Name and Brands acquired will commence from 1 July 2018. Communicate is an established English Language School in Manchester, UK. It has a very established market in the Middle East.

The summary financial reporting for Communicate under the Malvern Group is summarized below.

Consolidated Income Statement	**July 18 to Dec 18**
	£
Total Income	680,975
Total Costs	472,105
Profit Before Tax	**208,870**
Tax	39,173
Profit for the Year	**169,697**

Statement of Financial Position	**31 Dec 2018**
	£
Total Assets	511,803
Total Liabilities	301,488
Net Assets	**210,315**
Share Capital	100
Total Reserves	577,135
Net Equity	**577,235**

34. Contingent Asset

During 2018 the Group suffered a flood at one of its premises in Singapore which led to a disruption of business, damage to fixtures and fittings and impact on the trading activity of the business. The Directors' have evaluated the impact and are seeking remedy through appropriate channels and insurance. They have evaluated their claim at £330,000. At this stage, no amount has been recognised as an asset and income within the financial statements on the basis that, whilst an inflow of economic benefit is considered probable, the claim is being pursued through legal processes, and therefore the outcome is uncertain and therefore, in accordance with IAS37, the realization of income at this stage is not virtually certain.