Malvern International Plc Annual Report and Accounts 2019

Malvern International Plc

ANNUAL REPORT AND ACCOUNTS 2019

malvern international

Malvern International
is a global learning and skills development partner preparing learners to meet the demands of a professional life.

Visit our website for further information
https://www.malverninternational.com

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Overview

For the year ended 31 December 2019

Malvern International is a learning and language skills development partner. Courses are delivered on sites in London, Brighton, and Manchester, at partner campuses, and online through the Malvern Online Academy.

Continuing operations[1]

	UK (£)	SINGAPORE (£)	**TOTAL 2019 (£)**	TOTAL 2018 (£) *RESTATED*
Revenue	4,703,864	1,802,451	**6,506,315**	6,337,321
Impairment of intangibles	2,211,471	664,786	**2,876,257**	–
Amortisation[2]	232,939	91,322	**324,261**	209,536
Operating loss	(3,413,621)	(1,859,887)	**(5,273,508)**	(340,673)
Loss for the year	(3,849,431)	(2,036,082)	**(5,885,513)**	(212,692)

- Loss from discontinued operation (Malaysia) £2.48m (2018: £0.35m).
- Loss for the year including discontinued operations £8.37m (2018: loss of £0.57m).
- Loss per share for the year of 3.26p (2018: 0.31p)[3].
- Cash as at 31 December 2019 was £83,264 (2018: £105,380).

1 As at 31 December 2019, continuing operations included activities in the UK and Singapore, following the disposal of Malaysia operations during the year.
2 Of which £23,822 relates to the amortisation of the brand, licences and trademarks relating to SAA Singapore.
3 Calculated using weighted average number of shares in issue during the period 256,453,628 (2018: 185,344,459).

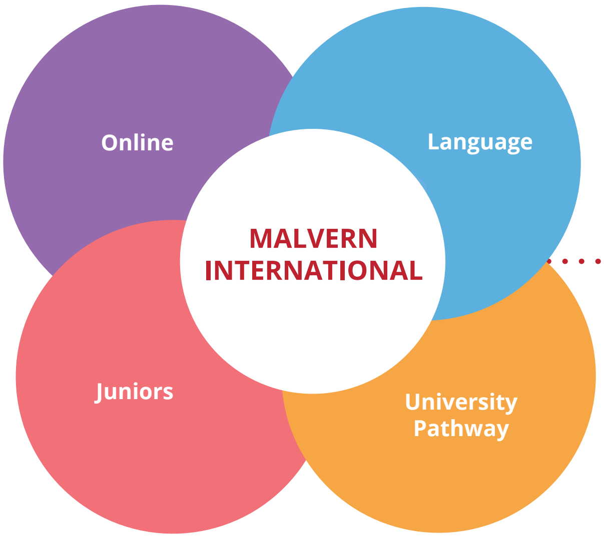
At a **glance**

MALVERN INTERNATIONAL is a learning and language skills development partner. Courses are delivered on sites in London, Brighton, and Manchester, at partner campuses, and online through the Malvern Online Academy.

We focus on teaching English as a foreign language and preparing overseas students for university courses in the UK. Courses are delivered on five sites in the UK – London, Manchester, Brighton, University of East London and Wrexham Glyndwr University. Students have the option of studying across multiple campuses over the duration of the same course and online through the Malvern Online Academy.

Our mission is to support our students in their journey to success

Our vision is to be a global learning and skills development partner



50,000+ Students Trained

120+ Nationalities Taught

30+ years Experience

Professional and Higher Education

Following the decision to close SAA Singapore in August 2020, the Company has agreed with the regulatory education board in Singapore that the majority of existing students will continue to be taught to the end of their course, or transferred to other institutions.

4

Destinations

London | Manchester | Brighton | Online

OUR PORTFOLIO

Pathway:

Pre-university, foundation and pre-master level courses for foreign students joining UK universities

Language:

English language teaching in the UK

Online:

Language, higher education, and professional education

Junior:

Summer residential language camps in the UK for secondary school students

Locations and brands

UK: Malvern House London, Communicate School Manchester, Malvern House Brighton, University of East London, and Wrexham Glyndwr University

Key partnerships and accreditations:

Accreditations: British Council, English UK, Education Oversight (Private Further Education)

University partners (Pathway): University of East London, Wrexham Glyndwr University

Strategic Report






Chairman's statement

For the year ended 31 December 2019

Malvern is in the business of providing people with English language skills and preparing overseas foreign-language students for UK university courses.

In 2019, the Company made considerable strides in pursuing its strategy, securing more partnerships, offering more courses, and increasing sales, while continuing to strengthen its administration function and improving the systems linked to product quality.

The unprecedented impact of Covid-19 derailed the Company's growth plans for 2020, despite starting the year with a strong forward order book. The closure of schools in the UK and Singapore had a profound impact on the Company's revenues and cash flows. As a result of this, the Company had to seek additional funding in June 2020, to provide sufficient liquidity and flexibility to allow the Company to manage through the period of expected disruption caused by Covid-19.

At the time of this report, following the closure of Singapore in August 2020, Malvern's operations are now based solely in the UK. The business comprises three language schools - London, Manchester, and Brighton, the delivery of on-site pre-university courses on behalf of university partners, online courses and summer language camps for juniors in a variety of settings.

SALE OF MALAYSIA OPERATIONS

Given the prolonged challenging environment in its Malaysia activities, which absorbed considerable management time and financial resources, the Board took the decision to close activities, selling the remaining assets of the operation post year-end. As such, Malaysia activities are treated as discontinued activities within the financial accounts to 31 December 2019.

CLOSURE OF SINGAPORE OPERATIONS

For the purposes of the accounts for the year ended 31 December 2019, the Singapore operations are treated as continuing operations. In August 2020, because of the impact of Covid-19, and following a review, the Board decided to close its Singapore operations. The Company agreed with the regulatory education board in Singapore that the majority of existing students will either be taught to the end of their course, or transferred to other institutions. The impact of Covid-19 on the school in Singapore accelerated and confirmed management's view of its decision to close the school. The impairments booked reflect the impairment indicators present at year end and have not arisen as a result of Covid-19 or the decision to close the school.

RESULTS

Total revenue from continuing operations, which as at 31 December 2019, included the UK and Singapore, for the full year was £6.51m (2018: £6.34m).

UK revenues grew from £4.38m to £4.70m, while revenues from SAA Singapore reduced from £1.96m to £1.80m.

The operating loss from UK and Singapore operations was £5.27m (2018 restated: loss £0.34m). The results were significantly impacted due to:

- the Board's decision to apply significant write downs to the value of intangible assets and goodwill of SAA Singapore, Malvern House London and the Communicate School of English, Manchester, totalling £2.88m; and
- the amortisation of brand, licences and trademarks of £324,261, of which £23,822 relates to SAA Singapore and £67,500 relates to Malvern International Academy Singapore.

The financial performance of the continuing operations of the Company as at 31 December 2019 can be summarised as follows:

	UK (£)	SINGAPORE (£)	TOTAL (£)
Revenue	4,703,864	1,802,451	6,506,315
Impairment of intangibles	2,211,471	664,786	2,876,257
Depreciation & amortisation	656,964	515,367	1,172,331
Operating loss	(3,413,621)	(1,859,887)	(5,273,508)
Loss for the year	(3,849,431)	(2,036,082)	(5,885,513)

The loss from discontinued operations (Malaysia) was £2.48m (2018: £354,254), resulting in a total loss after tax, including discontinued operations, of £8.37m (2018: loss of £566,946).[2]

The loss per share for the year was 3.26p (2018 : loss 0.31p).

In addition to write-offs of goodwill and intangible assets the major balance sheet movements in the period were a new loan of £2.60m from Boost & Co. and the adoption of IFRS 16 Leases which has resulted in lease liabilities being recognised together with right-of-use assets. Further details regarding the adoption of IFRS 16 are set out in note 2.

Cash as at 31 December 2019 was £83,264 (at 31 December 2018: £105,380).

FUNDRAISING AND FINANCING

In August 2019, the Company entered into a loan agreement with Boost & Co., with £2.60m drawn at the time of the announcement.

Since the year end, and as a result of Covid-19, the Company raised a further £1.15m (net) ("the Fundraising") by way of placing and subscription to strengthen the balance sheet, and to provide sufficient working capital to support Malvern's operations until the Company reaches cash flow break even.

In parallel, the Company agreed a restructuring of its existing debt facility with Boost & Co. which provides for a two-year capital repayment holiday, and interest free period subject to certain performance conditions.

BOARD CHANGES

During 2019, a number of Board changes took place. Two independent Non-Executive Directors were appointed, Mark Elliott, as Chairman, and Alan Carroll. In addition, Mr Pillai stood down as a Director.

Further changes were made in the first half of 2020, with Messrs Chaudhary, Jayapal and Sithawalla resigning as Non-Executive Directors. In addition, Sam Malafeh stood down as CEO and has subsequently been succeeded by Richard Mace.

The Board currently comprises of one Executive Director, Richard Mace, and two independent Non-Executive Directors, Mark Elliott and Alan Carroll.

APPOINTMENT OF RICHARD MACE, CEO

I would like to take this opportunity to formally welcome Richard Mace as CEO of the Company. Richard agreed to join Malvern at the end of June 2020, investing a further £100,000 into the business by way of subscription, as part of the Fundraising. He was previously the founder of the Communicate English School Limited, which operated the Company's school in Manchester, and which was acquired by Malvern in 2018. Richard continued to run the Manchester school until leaving the Group in March 2020.

Since his appointment, Richard has been working hard to re-open the language schools in line with government guidelines regarding social distancing measures and hygiene controls. He has also been in regular dialogue with the Company's university pathway partners, and Malvern Junior customers. In addition, Richard has been reviewing the online offering in order to ensure it is well positioned to take advantage of the opportunities available in the current market climate.

Given his recent appointment, Richard will be in a position to set out his strategic priorities for the Company in the announcement of the Company's interims results of the six months ended 30 June 2020. As permitted by the inside AIM published on 9 June 2020, the Company will utilise the one-month extension period for the publication of its interim results which will now be announced no later than 30 October 2020.

GOVERNANCE

Malvern adheres to the QCA Corporate Governance Code, which the Directors feel is the most appropriate governance framework for the Company's size and structure.

The Board instigated a number of changes to its governance structures in 2019 including the instigation of more regular and structured Board meetings and the revision of information presented to the Board.

More information can be found in the Corporate Governance section of this report, and on the Company's website.

PEOPLE

On behalf of the Company, I would like to take this opportunity to thank all staff for their dedication in 2019, and their support and understanding in 2020 during these very challenging times.

RESPONSE TO COVID-19 AND OUTLOOK

Since the outbreak of Covid-19 in 2020, which resulted in the temporary closure of schools in both UK and Singapore, the Non-Executive Directors have been in very regular contact with the Company, and the Board has been receiving weekly updates with regards to the Company's operational process and financial position.

In order to preserve cash, a cost cutting exercise was implemented, including a reduction in salaries for the vast majority of employees and all Directors. The majority of the Company's operating staff were furloughed, while many teaching staff were redeployed to deliver classes online. The Board continues to monitor cash balances and apply strict cost controls.

Manchester, London and Brighton language schools are now open with around 50 students across the centres, and enquiries and bookings are starting to pick up. The governments of the Gulf Cooperation Council countries are now allowing sponsored and self-funded students to travel to the UK, and students are beginning to arrive. All things being equal, we expect student numbers for the language centres to return to normal levels from summer 2021.

The summer bookings for the Italian cohort for Malvern Juniors, which represents a significant proportion of revenues for the business, have been postponed until 2021.

Bookings from the Company's university partner, University of East London ("UEL)") are currently ahead of expectations. The two-week English Kickstarter course for international students went ahead online and began on 21 September. The bookings for this course were ahead of budget. The foundation year students have until 19th October to enrol, based on deposits the current indications are that student numbers will be above forecast and are already considerably higher than 2019 figures.

Wrexham Glyndwr University has also reopened in September offering blended online and in-class teaching, with a small number of students starting at this time and the balance in January.

While the Board remains cautious in its outlook, the return of students following the easing of travel restrictions is encouraging and demonstrates the underlying demand for the services we offer.

Mark Elliott

Chairman

7 October 2020

Our **business model**

By investing in our staff, assets and technology we are providing the skills that our students need to support them throughout their lives.

GROUP INPUTS

People

The Company employs over 65 professional educators and support staff, and an additional 40 teachers during the summer months.

Premises

Malvern's education centres provide the focus point for our student body.

Technology

The Company has developed its own online education platform, offering online courses and additional learning support. The Company also invested in a student management system and accounting system in the last 2 years.

Financial investment

Access to the capital markets enables the Company to grow the business through internal investment on new products, new locations and acquisitions.

HOW WE OPERATE

1. Provide excellent quality, accredited education

Malvern's success and growth is reliant on maintaining its reputation as a quality educator. We ensure all our staff have access to training and development and we continually look for ways to improve our educational services.

2. Form long-term partnerships

The Company looks to improve and expand the range of products and services offered directly or in collaboration with its prestigious partners, including universities, corporate customers and accreditors. Its partnerships with regional distribution and sales agent networks are key to student recruitment.

3. Offer flexibility for students

Malvern's courses are available in multiple locations so that students can have a variety of experiences during their learning. Students can also choose the time they commit to their education, whether it is part-time, full-time or evening classes.

4. Promote an inclusive community

Many of Malvern's customers are students living and learning in a foreign country. They therefore look to Malvern to help guide them, find accommodation, organise outings and social events, and to make the most of their cultural experience. Malvern education centres aim to be a hub for its student and staff bodies.

5. Grow the student body sustainably

The Company aims to grow its student body organically by building its reputation as a quality educator, and by acquiring established complementary education providers.

6. Control our costs

The Group maintains tight cost controls across all its operations to ensure efficient use of the resources available.

STAKEHOLDER OUTCOMES

Students

We create value for students by offering them qualifications and language skills that support them throughout their lives.

Partners

Our education products and services are an important student recruitment tool for our partners and expands their own geographic reach. We are able to ensure that students are better prepared and have the right qualifications and skills in order to embark on their chosen courses.

Shareholders

Our aim is to deliver long-term shareholder value through capital gain and, in time, through the payment of dividends.

Staff

We offer long-term career opportunities for our staff in a rewarding and innovative environment.

Strategic **priorities and market**

As a global learning and skills development partner, the Group's vision is to invest in and develop its operating businesses in the education sector, to establish centres of excellence, and to deliver long-term growth and sustainable profit.

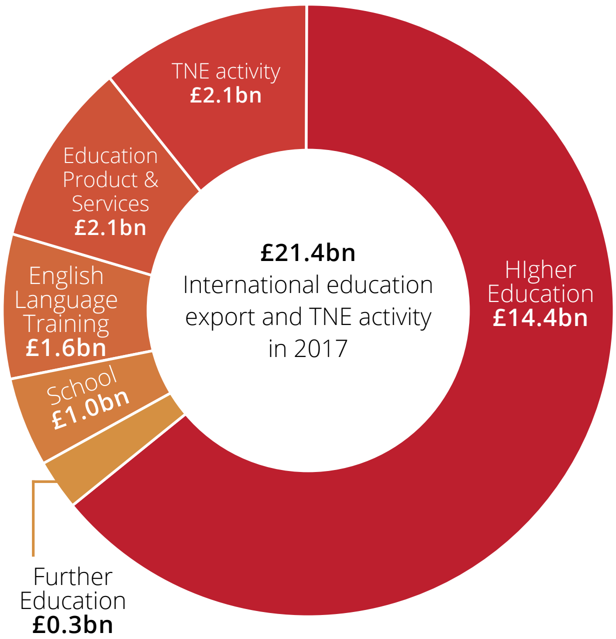
In light of recent events, the Company's strategic priorities are to:

- re-build student numbers and enrolments in the UK following the re-opening of schools in early August 2020 and after a long period of closure resulting from the Covid-19 pandemic;
- safeguard the health and safety of staff and students, following government guidelines regarding social distancing;
- strengthen the management structure and appoint a Chief Financial Officer to the Board of Directors of the Company;
- continue to improve internal systems including sales, student-bookings, customer relationship management, finance, and marketing;
- build on the online education platform and refine sales and marketing strategies;
- work with existing university partners to deliver pre-university courses in line with university re-openings; and
- complete the closure of the Singapore school.

MARKET DYNAMICS

Latest figures from the Department for Education show that in 2017, revenue from education-related exports and transnational education (TNE) was worth around £21bn to the United Kingdom economy. Higher education and English Language Training, Malvern's areas of focus, account for roughly three quarters of that total export value, or £16bn.

Source: [Department for Education]



There were more than 485,000 international students enrolled in UK higher education institutions in 2018/19, an increase of 6% over the previous year. Around 70% of these students were from non-EU countries, with China being the largest market outside of the EU, and the largest market overall.

Around 57% of English language students currently originate from the EU. It remains unclear exactly how the continuing Brexit process will affect the number of ELT students originating from the EU. However, the Home Office has indicated that it wishes to increase student numbers and, from 1 January 2021, 6 month or 11 month short-term study visa (STS) will be required by EU language students.

Source: https://monitor.icef.com/2020/01/foreign-enrolment-in-uk-higher-education-up-6-for-2018-19/

In September 2019, the UK government restored post-study work rights, which provides that foreign students who graduate from a recognised UK university are now eligible to stay on in the country for two years.

The university sector had long been campaigning for this important policy shift, being acutely aware that both Canada and Australia have become much more competitive in recent years because of their more welcoming immigration policies. This should benefit Malvern, in that we would expect an increased in foreign student enrolments into UK universities, creating greater demand for our University Foundation courses.

Impact of COVID-19

Covid-19 has had a profound impact on foreign student exports around the world, affecting Malvern's operations. UK schools are starting to reopen under strict government guidelines. During the stoppage in face-to-face teaching, teaching was delivered online where possible. For international students who are currently in the UK, the UK government announced a visa extension and teaching centres are required to provide advice and support to those students unable to return home.

Universities are now reopening with courses streamed online and through online learning. Universities are expecting to reopen fully from Spring 2021.

Operating review

For the year ended 31 December 2019

HIGHLIGHTS

- Expanded UK language schools with opening of Malvern House Brighton.
- Launched Malvern Academy Online.
- Increased the number of programmes offered by University Pathway for University of East London, and formed a new partnership with Wrexham Glyndwr University, Wales.
- Sold Malaysian school, resulting in operations being considered discontinued activities for the purposes of the financial statements.
- Continued to strengthen central office functions, including sales and marketing.
- Started 2020 with strong forward bookings, before the impact of Covid-19.
- Increased the number of students and student weeks delivered.

ENGLISH LANGUAGE SCHOOLS

Malvern has three English language schools in the UK, giving international students the choice to study in the capital, or in one of its two regional centres. If they so decide, students have the option of changing locations during their studies, giving them a wider cultural experience of England. In addition to teaching English, the schools also arrange accommodation, arrange cultural excursions, and provide a hub for information, familiarisation and socialising.

Manchester

Revenues from Communicate, which contributed its first full year to the Company, following its acquisition in 2018, showed modest year-on-year growth, reflecting the increased marketing and sales support. The centre has sufficient capacity to grow for the foreseeable future.

London

The performance in London remained flat for the full year despite a healthy performance during the summer months. This was the result of lower than expected enrolments in September – the start of the Autumn education term – due to unexpectedly reduced bookings from Europe and South America, following heavy discounting from competitors in these regions. As soon as management became aware of the situation, they worked with the regional sales partners to improve marketing and offered courses at more competitive prices. Sales towards the end of the year and into early 2020 saw an improvement, although it was too late to recover fully the shortfall experienced.

Brighton

The new Brighton school opened its doors to its first students in July 2019 following an investment of £208,000. Starting from a nil base, Q4 2019 focused efforts on building sales, delivering a modest number of student weeks during the period.

PROFESSIONAL EDUCATION

Singapore

In 2019, the Singapore operation continued to serve the "big four" accountancy firms as well as offer a range of professional and higher education courses. Students continued to perform highly in the SAA Global Education Singapore Chartered Accountant qualification, solidifying its teaching reputation in this area.

The net loss for SAA Singapore was £0.68m (2018: £0.22m) on revenues of £1.80m (2018: £1.96m).

In August 2020, the Board took the decision to close the Singapore operations. The activities in Singapore had been loss making for some time, and due to the impact of Covid-19, the business was unlikely to turn a profit in the medium term. Therefore, the Board took the decision to focus resources on the strongest performing areas of the Company in the UK. The Company agreed with the regulatory education board in Singapore that the majority of existing students would be taught to the end of their course or transferred to other institutions.

Malaysia

At the end of 2019 the Group sold the remaining assets of the Malaysia business, and as part of the transaction, the purchaser took over £75,000 loan with AmBank.

UNIVERSITY PATHWAY

In 2019, the Company started offering pre-university and foundation level courses for foreign students joining UK universities through its partnership with University of East London ("UEL"). The courses are designed to help foreign students familiarise themselves with their new surroundings ahead of the start of the academic year, address potential language barriers that they may encounter in their chosen subjects, and fill any course-specific knowledge expectations, having come from a different education system.

Whilst management had an expectation to receive a reasonable number of students for the first year, student arrivals were not at the levels expected due to the delayed approval of student visas. The courses that were delivered were very well received and more programmes were added for the next student enrolments. To aid the growth, Malvern agreed to support UEL in the student application process going forward.

This area of the business is expected to grow as a result of a partnership with Wrexham Glyndwr University, Wales, to deliver the onsite International Foundation Year and pre-sessional English classes. The first cohort of students began the foundation programme at Wrexham Glyndwr on 5th October 2020.

MALVERN JUNIORS

In the first half of 2019, the Company took full operational control for a nine-year period of a summer holiday and language camps offering for teens.

Student weeks for 2019 were slightly below expectations due to the challenges in securing accommodation. With the sole management of the centres, the Company was well prepared for 2020 with forward booking at increased levels than 2019. These bookings have now been postponed into 2021.

ONLINE

Online education is a key part of Malvern's diversification plan, currently offering English language training and ACCA qualifications to the remaining Singapore students.

Covid-19 provided the impetus to develop Malvern Online Academy ("MOA") rapidly into a fully functioning online school with live classes and student support. Daily sales are now being recorded and are being supported both by the Company's sales and marketing staff, and its sales agent network.

New student contracts now include a provision for online learning in the event that schools are forced to close once again, ensuring that teaching and student numbers will be able to continue at normal levels.

CENTRAL SERVICES

The Company continued to make improvements to its central shared services, which includes both back-office and sales and marketing. The efficiencies gained have improved internal reporting processes and sales-lead conversion rates to the benefit of all Malvern's product channels.

Sales and marketing

The marketing department operates out of London, with regional marketing officers covering all the major territorial regions. In addition to delivering direct sales, these officers are responsible for managing independent sales agents, a key part of the Company's sales strategy. Although sales agents offer their services for a percentage commission, they offer a breadth of knowledge and reach into geographies that the Company would not otherwise be able to access unless it were to make a significant investment in people and infrastructure.

Key performance indicators

For the year ended 31 December 2019

FINANCIAL KPIs

	UK (£)	SINGAPORE (£)	**TOTAL 2019 (£)**	TOTAL 2018 (£) *RESTATED*
Revenue on continuing operations[1]	4,703,864	1,802,451	**6,506,315**	6,337,321
Operating loss on continuing operations	(3,413,621)	(1,859,887)	**(5,273,508)**	(340,673)
Loss for the year on continuing operations	(3,849,431)	(2,036,082)	**(5,885,513)**	(212,692)
Loss from discontinued operations[2]			**(2,482,788)**	(354,254)
Loss for the year including discontinued operations			**(8,368,301)**	(566,946)

LOSS PER SHARE[3]

2019: 3.26p (2018 : 0.31p)

NON-FINANCIAL KPIs

Student weeks delivered (UK only)

2019: 15,239 (2018: 12,609)

Number of students (UK only)

2019: 3,202 (2018: 2,861)

1 As at 31 December 2019, continuing operations included activities in the UK and Singapore.

2 Discontinued operations relate to Malaysia school.

3 Calculated using weighted average number of shares in issue during the period 256,453,628 (2018: 185,344,459).

Financial review

For the year ended 31 December 2019

RESULTS

The revenue performance for the Company is described in the Chairman's statement.

LOSS AFTER TAXATION AND LOSS PER SHARE

The loss for the year, totalled £8.37m (2018 restated: loss £0.57m), resulting in a loss per share of 3.26p (2018 : loss 0.31p).

DISPOSALS AND INVESTMENTS

During the year, the Company invested £31,000 in the Malvern Online Academy, undertaking several functionality tests, learning from failures and making improvements.

The Company also invested £208,000 in the opening of its Brighton school, which took around nine months to set up and gain all the necessary approvals. The school opened its doors to the first students from late July 2019.

At the end of 2019, the Group sold the remaining assets of the Malaysia business for a value of £75,000, in response to the continued difficult trading conditions and substantial financial resources the business required.

The Company has since closed its Singapore operations following similar challenges, which were compounded further by the impact of Covid-19.

FINANCIAL POSITION

The Company's financial position has been impacted by impairments, and increased levels of trade payables. Impairments include:

IMPAIRMENTS	UK	SINGAPORE	TOTAL
Impairment of goodwill	356,461	474,207	**830,668**
Impairment of brand value	747,630	120,000	**867,630**
Impairment of customer list	233,441	70,579	**304,020**
Impairment of domain name	10,406		**10,406**
Impairment of contract and development assets	863,533		**863,533**
Total	**2,211,471**	**664,786**	**2,876,257**

In August 2019, the Company entered into a loan agreement with Boost & Co., resulting in the Company borrowing £2.60m, which remains outstanding.

Pursuant to recent discussions and to facilitate an equity fundraise, Boost & Co. agreed to a restructuring of the repayments of its loan. The key features of the agreement are that Boost & Co. has agreed that in the period between March 2020 and March 2022 (the "Standstill Period") to grant a capital and interest repayment holiday subject to improved revenue performance triggers. As part of the agreement, the option of the second tranche of up to £4.0m, which was available to fund potential permitted acquisitions, was cancelled.

The loan will continue to amortise on its original terms, however, all capital payments not paid in the Standstill Period, up to an amount equal to £450,000, are to be paid as a bullet payment on 31 July 2024, or can be paid earlier by the Company with no penalty.

Pursuant to the Debt Restructuring, the Company has agreed to issue warrants to Boost & Co. over 33,333,333 New Ordinary Shares at an exercise price of 0.15p, at which the price of at which the fundraising in June 2020 was undertaken. In addition, the exercise price on the warrants granted at the time of the original loan agreement will be adjusted to an exercise price of 0.15p.

At the same time, the Company raised a further £1.15m (net) by way of Placing and Subscription to strengthen the balance sheet, and to provide sufficient working capital to support Malvern's planned operations until the Company reaches cash flow break even.

GOING CONCERN

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described above.

In assessing the Group's ability to continue as a going concern, the Board reviews and approves the annual budget and longer-term strategic plan, including forecasts of cash flows.

The Board also reviews the Group's sources of available funds and the level of headroom available against its committed borrowing facilities and associated covenants.

Whilst there remain significant uncertainties, current trading has given the Board confidence that it is appropriate to prepare the accounts on a going concern basis, as outlined in the Director's Report and in note 3(iv).

Operations reopened on a phased basis in August 2020. However, there is no certainty as to how long the Covid-19 will persist and how quickly business will return to normal levels. The Board has sought deferral agreement with all major creditors and has been pleased with the support received.

Risk management

For the year ended 31 December 2019

The Board, through the Audit and Risk Management Committee assesses the Company's risks on an on-going basis and maintains a risk register which is updated quarterly. Risk governance culture is embedded across the Company. There are four main types of risks faced by the Company:

- financial exposures;
- regulatory and compliance changes;
- competition and commercial changes; and
- reputational risks.

There are, from time to time, unprecedented risks that the Company faces outside of normal operations that can become material, such as health, safety and environmental risks. The current world-wide health risk presented by Covid-19 presents a significant risk to Malvern's operations and has therefore been added to the Company's risk register as a potential high-impact risk.

FINANCIAL EXPOSURES — RISK LEVEL: HIGH

Description

The Company faces a number of financial risks which could potentially impact future operations. These include liquidity risk, credit risk, and foreign currency risk.

Mitigation

Liquidity and credit risk

The Board monitors options available to the Company to access borrowing facilities and fundraising activities. These might be attractive in certain circumstances such as to underpin expansion plans, and provide additional working capital.

The Company is exposed to credit risk primarily in respect of its trade receivables, which are stated net of provision for estimated impaired receivables as set out in note 16 to the financial statements. Exposure to credit risk is mitigated by evaluation of the granting of credit, close monitoring, and the management of collections from trade receivables.

Foreign currency risk

The Company reports in UK Sterling with 70% of revenue in 2019 denominated in UK Sterling. For the majority of the territories in which the Company operates, costs are generally denominated in UK Sterling, providing a natural hedge.

The Board remains vigilant regarding exchange rate movements. Net asset exposures arising on conversion are assessed each year and at the time of reporting the Board has concluded that, for the time being, 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.

Following the closure of SAA Singapore, from 1 January 2021, 100% of revenue will be denominated in UK sterling, and therefore foreign currency exchange risk will no longer apply.

REGULATORY AND COMPLIANCE CHANGES — RISK LEVEL: MEDIUM

Description

Over the last few years, Malvern has witnessed regulatory changes and enforcement, which have had serious implications to the Company through diminished student enrolments.

The Board is mindful that its partners and governing bodies can potentially withdraw accreditation if the Company does not meet the required standards.

Mitigation

The management regularly assess exposures in each territory and for each product offering.

The Company ensures it has the correct accreditations in place in order to operate. A register of accreditations and renewal dates is maintained.

The management regularly reviews the standards required for each accreditation and receives updates on any future changes to make plans and adjustments in order to reach the standards required.

An ongoing program of internal assessment is carried out in order to ensure the Company maintains standards in an 'always-ready' approach for planned and un-planned assessments by governing bodies. Each centre has an individual responsible for quality assurance.

The Company has worked towards diversification of its courses and target groups to reduce the risk of regulatory changes in the operating or marketing regions.

COMPETITION AND COMMERCIAL CHANGES — RISK LEVEL: MEDIUM

Description

Given the size of the word-wide market for educational courses, the geographies in which the Group operates, and the percentage of the Company's revenue derived from English language and professional qualifications which are consistently demanded for employment, it is not perceived by the Board that there is any abnormal risk from the dominance of competitors.

However, the Company can face stronger short-term competition in the form of intermittent price discounting by its competitors, which can have an immediate and negative impact on forward bookings.

Mitigation

The Board regularly assess the portfolio of products available in each territory and its exposure to changes in consumer demands.

The Board has concluded that in the normal course of operations, the demand for the vast majority of its courses offered are not subject to volatility in consumer tastes and that this stability allows for diversification into new areas of education, should consumer tastes change.

The management monitors closely forward bookings to identify any changes to anticipated sales. For short-term fluctuations in competition, the Company maintains close dialogue with its sales agent partners and monitors competitor pricing, in order to adjust its own pricing and remain competitive.

REPUTATIONAL RISKS — RISK LEVEL: LOW

Description

Maintaining Malvern's reputation as a quality education provider is vital to the success of the Company. A loss in confidence from accreditors, partners and customers could have an immediate and profound impact on the business and its ability to recruit and retain staff.

Mitigation

The Board ensures it has the required accreditation and licenses to operate (see above for regulatory and compliance changes).

The Company has clear policies on responsible and ethical behaviour and has a zero-tolerance policy on corruption and bribery. These policies are displayed in every school and online. The Company provides induction training and regular training to all staff.

The Company has clear incident management and crisis management strategies and procedures.

HEALTH, SAFETY OR ENVIRONMENTAL INCIDENT: COVID-19 — RISK LEVEL: HIGH

Description

Covid-19 has affected all areas of the Company and the impact and mitigation of the risk presented to the Company is reported in the Chairman's statement of this report.

The impact and risk to the Company includes:

- infection of its staff or students, potentially spreading the disease;
- a fall in forward-bookings, cancellations, and delays to course start-dates, resulting in a negative impact on the Company's financial performance in 2020; and
- the closure of its schools and operations preventing normal business activities to resume, placing significant cash constraints on the business and leading to the failure of the business.

Mitigation

The Board is monitoring and following national and international health guidelines and is providing regular updates to its staff and student body.

The following cost-saving plans have been implemented:

- the majority of staff and all Directors have agreed to salary reductions;
- the majority of administrative staff in the UK have been furloughed;
- rental payments have been delayed and, where possible, renegotiated; and
- existing debt with Boost & Co. has been restructured providing for a two year capital repayment holiday and interest free period.

In order to provide sufficient working capital and strengthen the balance sheet, the Company has raised net proceeds of £1.15m by way of a Placing and Subscription.

The Board has made the assumption that normal levels of business will return in Summer 2021.

Directors' section 172(1) statement

For the year ended 31 December 2019

The Section 172(1) of the Companies Act obliges the Directors to promote the success of the Company for the benefit of the Company's members as a whole.

The section specifies that the Directors must act in good faith when promoting the success of the Company and in doing so have regard (amongst other things) to:

a. the likely consequences of any decision in the long term;

b. the interests of the Company's employees;

c. the need to foster the Company's business relationship with suppliers, customers and others;

d. the impact of the Company's operations on the community and environment;

e. the desirability of the Company maintaining a reputation for high standards of business conduct; and

f. the need to act fairly as between members of the Company.

The Board of Directors are collectively responsible for the decisions made towards the long-term success of the Company and how the strategic, operational and risk management decisions have been implemented throughout the business is detailed in this Strategic Report on p. 19 to 21.

The Company's main stakeholders are identified in the Business Model on p. 11, being staff (employees), students (customers), partners (either customers or joint venture partners) and shareholders.

We value the feedback we receive from our stakeholders and we take every opportunity to ensure that where possible their wishes are duly considered in the Company's decision making, and the formulation of its strategy.

EMPLOYEES

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 2019 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 will be 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.

The Nomination and Remuneration Committee oversees and makes recommendations of executive remuneration. The Board encourages management to improve employee engagement and to provide necessary training in order to use their skills in the relevant areas in the business. The Board periodically reviews the health and safety measures implemented in the business premises and improvements are recommended for better practices.

CUSTOMERS, AGENTS AND PARTNERS

The Board acknowledges that a strong business relationship with customers, sales agents and partners is a vital part of the growth. Whilst day-to-day business operations are delegated to the executive management, the Board sets directions with regard to new business ventures and initiatives.

OTHER

Suppliers: The Board upholds ethical business behaviour across all suppliers and encourages management to seek comparable business practices from all suppliers doing business with the Company.

Community and environment: The Board recognises its responsibility towards the community and environment and it is Group policy to be a good corporate citizen wherever it operates.

The Company adopts a proactive approach towards community education-driven initiatives particularly where they involve the education of those less fortunate. The Company is currently involved with Refugee Aid agencies in the UK, offering English language courses.

The Group's environmental impact is managed at a school level, with each operation responsible for applying the required standards and reducing their own impact. The Company's biggest environmental impacts are the use of energy through the use of electricity and the management of waste. Each school encourages its students and staff to reduce the use of energy by switching off unused appliances and electricity in empty rooms. All schools have their own recycling sorting points.

More detail can be found in the corporate social responsibility statement in this report on p. 30.

SHAREHOLDERS

The Board places equal importance on all shareholders and recognises the significance of transparent and effective communications with shareholders. As an AIM listed company there is a need to provide fair and balanced information in a way that is understandable to all stakeholders and particularly our shareholders. Details of how the Company communicates with its shareholders can be found in the Chairman's Corporate Governance Statement on p. 28.

MAINTAINING HIGH STANDARDS OF BUSINESS CONDUCT

The Company is incorporated in the UK and governed by the Companies Act 2006. The Company has adopted the Quoted Companies Alliance Corporate Governance Code 2018 (the "QCA Code") and the Board recognises the importance of maintaining a good level of corporate governance, which together with the requirements to comply with the AIM Rules, ensures that the interests of the Company's stakeholders are safeguarded.

The Board has prompted that ethical behaviour and business practices should be implemented across the business. Anti-corruption and anti-bribery training are compulsory for all staff and contractors and the anti-bribery statement and policy is contained in the Company's Employee Manual. The Company's expectation of honest, fair and professional behaviour is reflected by this and there is zero tolerance for bribery and unethical behaviour by anyone relating to the Company.

The importance of making all employees feel safe in their environment is maintained and a Whistleblowing policy is in place to enable staff to confidentially raise any concerns freely and to discuss any issues that arise. Strong financial controls are in place and are well documented.

On behalf of the Board,

Mark Elliott
Chairman
7 October 2020

Board of Directors

For the year ended 31 December 2019

THE BOARD

The Board is responsible for formulating, reviewing and approving the Company's strategy, budget and corporate actions.

Mark Elliott, Non-Executive Chairman

Date of appointment: 1 July 2019

Committees: Audit and Risk (Chairman) and Nomination and Remuneration

Mark has had a long executive career in the education, technology and corporate finance sectors, including finance and management roles operating in Europe, the USA and South Africa. He has extensive AIM experience having brought two technology companies to the market together with associated fund raises. He brings with him a strong knowledge in governance, public markets and investor relations.

External appointments: Chairman of AIM Listed Journeo plc, Chairman of Trustees of Union Discount Retirement Benefit Scheme and trustee of two charities, the National Benevolent Society of Watch and Clockmakers and the Metropolitan Drinking Fountain and Cattle Trough Association.

Richard Mace, Chief Executive Officer

Date of appointment: 30 June 2020

Committees: none

Richard Mace was formerly the co-owner of the Communicate School of English, Manchester which he co-founded in 2013 before it was acquired in July 2018 by Malvern. He was responsible for overseeing year-on-year growth in the business in terms of student numbers, revenue and EBITDA. In addition he successfully built a well-trusted brand, established an international B2B sales agency network, set up digital marketing strategies, introduced and developed IT systems, and successfully gained British Council and Independent Schools Inspectorate accreditations.

Prior to founding Communicate, Richard worked in telecoms for large organisations such as Vodafone.

External appointments: none

Alan Carroll, Non-Executive Director

Date of appointment: 1 October 2019

Committees: Nomination and Remuneration (Chairman) and Audit and Risk

Alan has over 25 years' experience in the information systems industry, including working in a senior capacity in the development of the Ministry of Defence's Information System Strategy and as a senior sales manager and advisor to a number of major software and systems integration companies. He is the founder and Managing Director of Ultris Limited, a niche software and services organisation, operating in the confidential government sector. In addition, he is the senior independent Non-Executive Director at Ideagen plc, a fast growing UK based international software company. He has been a Board member since Ideagen listed on AIM in July 2012 and has chaired the audit and remuneration committees throughout this time. He is also a Non-Executive Director at Goal Group Limited, a private UK listed company. Alan was voted Non-Executive Director of the year in the May 2019 Money Week Mello awards.

External appointments: Ideagen plc and Goal Group Limited

Chairman's corporate governance statement

For the year ended 31 December 2019

DEAR SHAREHOLDER,

As Non-Executive Chairman, I am responsible for instilling high standards of corporate governance within the Company. It is my responsibility to ensure the effectiveness of the Board on all aspects, 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 and relaying any shareholder concerns to fellow Directors.

The Board is committed to applying high standards of corporate governance and evolving them as the business grows and has adopted the Quoted Companies Alliance Code ("QCA") to provide a framework against which to do this, it being the most appropriate recognised governance code for the size and structure of the Company.

WORKINGS OF THE BOARD

The Directors consider seriously the effectiveness of the Board, its Committees and individual performance. The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate actions.

As at the date of the report, the Board has three members, comprising two Non-Executive Directors, and one Executive Director. Biographies and roles of the Directors are set out on p.24.

The Directors believe that the Board, as a whole has a range of commercial and professional skills which enable it to discharge its duties and responsibilities effectively. The independent Non-Executive Directors ensure that independent judgement is brought to Board discussions and decisions. All Directors are encouraged to use their independent judgement and to challenge all matters whether strategic or operational.

In 2019 the Board committed itself to being based in the UK, it now being the country in which operations are conducted, with meetings taking place in London.

The Board recognises the need to strengthen the UK Board with another full-time Executive Director and is currently seeking a Financial Director.

The Board meets at least 12 times a year, with ad hoc Board meetings as the business demands, setting and monitoring Group strategy, reviewing trading performance and formulating policy on key issues. The time commitment formally required by the Group is an overriding principle that each Director will devote as much time as is required to carry out the roles and responsibilities that the Director has agreed to take on.

There is a strong flow of communication between the Directors, and in particular between the CEO and Chairman. Board meeting agendas are set in consultation with both the CEO and Chairman, with consideration being given to both standing agenda items and the strategic and operational needs of the business. Comprehensive Board papers are circulated well in advance of meetings, giving Directors ample time to review the documentation and enabling an effective meeting. Minutes are drawn up to reflect a true record of the discussions and decisions made. Resulting actions are tracked for appropriate delivery and follow up. The Board maintains close dialogue by email, telephone and conference calls between scheduled meetings.

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 Non-Executive Directors endeavour to ensure that their knowledge of best practices and regulatory developments is continually up to date by attending relevant seminars and conferences. In addition, advice can be sought from the Company Secretary.

ATTENDANCE AT MEETINGS DURING 2019

DIRECTOR	BOARD MEETINGS (13 MEETINGS HELD)	AUDIT AND RISK COMMITTEE (8 MEETINGS HELD)	NOMINATION AND REMUNERATION COMMITTEE (1 MEETING HELD)
Mark Elliott[1]	5	3	–
Sam Malafeh[2]	13	–	–
Haider Sithawalla[3]	11	7	1
Ramasamy Jayapal[4]	13	7	–
Nirvana Chaudhary[5]	4	–	–
Alan Carroll[6]	3	1	1
Gopinath Pillai[7]	10	–	–
Navin Khattar[8]	9	–	1
Wee Hock Kee[9]	–	–	–

1 Appointed on 1 July 2019

2 Resigned on 25 June 2020

3 Resigned on 30 June 2020

4 Resigned on 14 May 2020

5 Resigned on 8 July 2020

6 Appointed on 1 October 2019

7 Resigned on 1 October 2019

8 Resigned on 31 August 2019

9 Resigned on 18 February 2019

STRATEGY AND RISK MANAGEMENT

A description of the Company's business model and strategic priorities can be found on pages 10 to 12 and the key challenges in their execution are detailed in the Chairman's Statement on pages 7 to 9 and Operational Review on pages 14 to 15. The Board is responsible for establishing and maintaining the Company's systems of internal financial controls and importance is placed on maintaining robust operational controls.

The Audit Committee (see page 40) has the delegated responsibility for the oversight of the Company's risk management and internal controls and procedures, and for determining the adequacy and efficiency of internal control and risk management systems on behalf of the Board. The Board continuously monitors and upgrades its internal control procedures and risk management mechanisms and conducts an annual review, where it assesses both for effectiveness. This process enables the Board to determine if the risk exposure has changed during the year and these disclosures are included in the Annual Report. In setting and implementing the Company's strategies, the Board, having identified the risks, seeks to limit the extent of the Company's exposure to them having regard to both its risk tolerance and risk appetite. Further details on the Company's risk management and internal controls can be found on pages 19 to 21.

MATTERS RESERVED FOR THE BOARD

The Board has a formal schedule of matters reserved for its specific approval which includes:

- Strategy and management: review and approval of long-term Group strategic, operational, and financial matters such as proposed acquisitions and divestments.
- Financial reporting and controls: approval of the annual accounts and interim report, the annual budget, significant transactions, major capital expenditure.

- Internal controls: ensuring maintenance of a sound system of internal control and risk management.
- Finance: raising new capital or major financing facilities, operating and capital expenditure budgets.
- Communications: approval or resolutions put forward to shareholders, approval of circulars and approval of press releases concerning matters decided by the Board.
- Board membership and other appointments.
- Delegation of authority: division of responsibilities between the Chairman and Chief Executive officer, including the Chief Executive's authority limits. Establishment of Board committees and approval of terms of reference of Board committees.

The Board delegates specific responsibilities to two Committees:

- the Audit and Risk Management Committee; and
- the Nomination and Remuneration Committee.

Both committees have formal written terms of reference. These terms of reference are available on the Group's website.

THE AUDIT AND RISK COMMITTEE

Following the resignation of Nirvana Chaudhary, the Audit and Risk Committee comprises the two Non-Executive Directors, Mark Elliott (Chairman) and Allan Carroll. The Audit and Risk Committee meets at least three times a year. Details of the responsibilities of the Audit and Risk Management Committee are set on page 40. Where necessary, specialist external consultants are used to assist the Committee. The Audit and Risk Committee report is set out on p 40.

THE NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee comprises of two Non-Executive Directors, Mark Elliott, and Alan Carroll. Details of the responsibilities of the Nomination and Remuneration Committee are set out on p. 36. Where necessary external recruitment consultants are used to assist the process. The Nomination and Remuneration Committee report is set out on p 36.

ELECTION AND RE-ELECTION OF DIRECTORS

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 on p.32 and in the separate Notice of Annual General Meeting sent to all Shareholders.

BOARD EVALUATION

Annual appraisals are held of each Director, providing feedback and reviewing any training or development needs. Each member of the Board takes responsibility for maintaining his skill set. All Directors have the opportunity to undertake relevant training and attend relevant seminars and forums at the Company's expense.

The Board undertakes a Board evaluation at least once a year. Following the evaluation in 2019, the Board committed itself to being based in the UK, with meetings taking place in London. The Board also instigated more regular and structured Board meetings, a revision of information presented to the Board, as well as agreed measures to help further facilitate Non-Executive and Executive Director dialogue.

The Board are aware of the importance of attaining greater diversity amongst its members, which includes roles and experience with other boards and organisations. This will form a part of any future recruitment consideration if the Board concludes that replacement or additional Directors are required.

CORPORATE CULTURE AND SOCIAL RESPONSIBILITY

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave.

The corporate governance arrangements that the Board has adopted are designed to ensure that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

The Company's activities are centred on addressing customer needs. Therefore, the importance of sound ethical values and behaviours, as well as open and respectful dialogue with employees, customers and other stakeholders, is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great importance on these aspects of corporate governance and seeks to ensure that it flows through all the Company's activities.

The Board's assessment of the culture within the Company at the present time is one where there is respect for all individuals, open dialogue amongst all levels of staff and individuals, and where there is a commitment to provide the best service possible to the Company's customers.

The Company is fully committed to ensuring that the highest quality of teaching and education standards are embedded in the services it provides. The Company aims to provide the highest of service standards in order to maintain long-term partnerships with its customers and sales agents. This is reflected in the growth of the customer base, and the ability to maintain existing and form new partnerships that support the overall growth of the business.

The Company has in place a range of policies to ensure the highest standards are maintained and that the Company's corporate culture is well understood by all individuals and adopted into everyday behaviours. These policies form part of the Company's Employee Handbook and are updated and reviewed on a regular basis.

Details on corporate social responsibility can be found on p.30.

INTERNAL CONTROLS

The Directors are responsible for the Group's system of internal control and for reviewing its effectiveness. Internal control systems and procedures are reviewed annually and are designed to meet the needs of the Group and the risks to which it is exposed. The procedures are designed to manage rather than eliminate risk faced by the Group, and can only provide reasonable but no absolute assurance against material misstatement or loss. The key procedures which the Directors have established with a view to providing effective internal controls are as follows:

Management structure and delegated authority

Authority is delegated to the executive management team through Group authorisation limits on a structured basis, ensuring that proper management oversight exists at the appropriate level. The executive management team comprises the CEO, and other senior management. Full details and biographies of the executive management team can be found at https://www.malverninternational.com/executive-team/ executive-team-details/. 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. Any key issues from these meetings are reported to the Group Board.

Control environment

The Group's control environment is the responsibility of the Directors and managers at all levels. A review of the key risks facing the business and the effectiveness of the Group's internal controls was last performed in July 2020. During the year, the Board reviewed and updated its internal control arrangements to ensure they remained appropriate.

Monitoring systems used by the Board

The Board reviews the Group's performance against budgets on a monthly basis. The Group's cash flow is monitored monthly by the Board.

SHAREHOLDER COMMUNICATIONS

The Board attaches great importance to providing shareholders with clear and transparent information on the Group's activities, strategy and financial position, and 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 Chairman and CEO.

A clearly laid out investor relationship strategy is in place. The primary communication tool with shareholders is through the Regulatory News Service, ("RNS") on regulatory matters and matters of material substance.

The Company's website provides details of the Company's Annual Report and Notices of Annual General Meetings (AGM) are available to all shareholders along with the Interim Report and investor presentations.

In order to gauge shareholder sentiment, the Company meets with the key institutional shareholders typically every six months, normally at the time of the final and interim results and when necessary. The Company solicits feedback from its larger shareholders via its NOMAD.

The Board is aware of the need to protect the interests of minority shareholders, and balancing these interests with those of more substantial shareholders. 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 at www.malverninternational.com.

Mark Elliott
Chairman
7 October 2020

Corporate social responsibility

For the year ended 31 December 2019

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 2019 survey reflected broadly average staff engagement and satisfaction.

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.

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 underprivileged applicants 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 practise, 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.

- *Electricity:* the Group aims to reduce its energy use by encouraging staff and students alike to switch off lights and computers when not in use. Signs and reminders are posted in rooms requesting that energy sources are switched off by the last person leaving a room. In communal areas, movement sensors, and timed switches have been fitted as appropriate so that electricity is used only when required.

ETHICS

Malvern 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 the Company's principles and values which sets out the standards of behaviour expected from all employees. 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.

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 is the responsibility of the CEO and is available on the Group's intranet. Client and supplier arrangements are regularly reviewed and guidance forms part of each employee's induction.

The Company 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

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 2019.

- *Supply chain review:* the Group continues to take positive steps to improve supply chain transparency. Following the annual review of the policy and supply chain, the Group believes that it operates a supply chain with a very low inherent risk of slave and human trafficking potential. The supply chain is mainly made up of UK based suppliers of professional services, computer software and equipment, office supplies, and contractor and associate workers. Nevertheless, this assessment is kept under continual review and due diligence is conducted with any new suppliers.
- *Staff training:* during 2019 the Group has continued to provide training to all new employees on the Modern Slavery Act 2015 and its own Modern Slavery Policy as part of its on-boarding program to ensure all employees are aware of their responsibilities.

No instances of modern slavery were reported or identified in 2019.

GENERAL DATA PROTECTION REGULATIONS (GDPR)

The Company takes its data protection obligations seriously. The Company has maintained and makes available policies on Data Protection, Privacy, Information Security, Cookies and Data Breach policies to comply with the regulations. The processing and maintenance of personal data is managed in line with GDPR regulations with strict controls and IT security. Data is regularly updated and obsolete data removed. Training and guidance on the regulations is provided to all staff and forms part of each new employee's induction.

Directors' report

For the year ended 31 December 2019

The Directors present their report and the audited accounts for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activities of Malvern International Plc are to provide quality education services, and preparing students and learners to meet the demands of a professional life. Courses are delivered in the UK and online, and focus on English language teaching and preparing students for higher education.

A detailed explanation of the Company's principal activities can be found on p. 4 and p. 5.

BUSINESS MODEL

The Company's business model is to provide:

- language teaching direct to its students through its three UK based language schools and grow its language student base through direct sales and via third party agents; and
- form long-term partnerships with higher education institutions to deliver pre-university foundation classes on behalf of its partners. We aim to offer our services more efficiently than our partners can themselves.

The Company competes in the market by offering excellent quality and competitive education. The Company's growth is driven by organic growth through the acquisition of new customers and, when appropriate acquiring established business operating in the same or related markets.

Additional detail of the Company's business model can be found on p. 10. The Company benefits from operating in a market which has historically shown long-term growth. More information on the Company's markets can be found on p. 11.

STRATEGIC PRIORITIES

As a global learning and skills development partner, the Group's vision is to invest in and develop its operating businesses in the education sector, to establish centres of excellence, and to deliver long-term growth and sustainable profit.

Each year the Board and management set strategic priorities and monitor performance against them throughout the year. In light of recent events, the Board has reviewed its strategic priorities, which are set out on p. 12.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

A review of the business and its outlook, including commentary on the key performance indicators can be found in the Strategic Report on p. 14 to 18. The principal risks and uncertainties facing the Company is included on p. 19. The Company's social, environmental and ethical policies are set out in the Chairman's corporate governance statement on p. 27. A summary of the outlook for the Group is given within the Chairman's statement on p. 9.

GROUP RESULTS

The Group loss including discontinued operations before taxation for the year was £8.37m (2018: loss £0.57m).

DIVIDENDS

The Directors do not recommend a final dividend (2018: nil).

CAPITAL STRUCTURE

The Company has one class of share in issue, ordinary shares of 1p. The shares are listed on AIM, a sub market 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, nor on voting rights, nor of any agreements between holders of the Company's shares which may result in such restrictions.

GOING CONCERN

The financial statements have been prepared on a going concern basis.

The Board consider the going concern basis to be appropriate having paid due regard to the Group and Company's projected results during the twelve months from the date the financial statements are approved and the anticipated cash flows, availability of loan facilities and mitigating actions that can be taken during that period.

In making their assessment of going concern the directors have considered the current and developing impact on the business as a result of the Covid-19 pandemic. Whilst this had an immediate impact on the Company's operations, with closure of its schools in March and April 2020, the business has sought to adapt its service offering through on-line learning and the re-opening of schools. However, there is no certainty as to how long the Covid-19 will persist and how quickly business will return to normal levels.

The directors have taken a range of mitigating actions to protect and manage the short, medium and long term interests of the business, its employees and students during this pandemic. Specifically, the directors have considered the following in the preparation of the financial statements on a going concern basis:

Profitability

- In late 2019, due to difficult trading conditions and substantial financial resources the business required, a decision was made to discontinue the Group's loss-making operations in Malaysia, with the aim being to improve the Group's future profitability.
- Following the closure of the UK and Singapore schools in March/April 2020, operations reopened on a phased basis in August 2020.
- In August 2020, also due to difficult trading conditions (amplified further by the impact of Covid-19) combined with the continuing financial resources required for the business, a further decision was made to close the Group's Singapore operations, with the aim being to improve the Group's future profitability.
- The group has now refocused its activity on the UK operations having reduced its operational presence and financial obligations overseas.
- Profit and cash flow projections for the Group assume profitable growth in its key operating entities once operations return to normal.
- The Group is working on the assumption that levels of business will return to normal during 2021.

Cash flow

- The Group's main source of funds are internally generated funds and new capital injections. It is possible that the Group may continue to require further funding and capital injections in the future and there will be some reliance placed on their ability to do so, if required.
- The Group undertook a Placing in February 2019 raising £606,000 before expenses. A further £1.15m (net) was raised by way of a Placing and Subscription in June 2020. The proceeds of the Fundraising in June 2020 are being used to supplement the Company's working capital resources and strengthen the Company's balance sheet with a view to providing sufficient liquidity and flexibility to allow the Company to manage through the period of expected disruption caused by Covid-19.
- The Group entered into a loan agreement with Boost & Co Ltd. in August 2019 with £2.60m drawn at 31 December 2019. The funds were used to repay a shareholder loan and provide working capital for the growth of the organisation. In May 2020, the existing debt with Boost & Co. has been restructured providing for a two year capital repayment holiday and interest free period. As part of the restructuring agreement, the option of the second tranche of up to £4.0m, which was available to fund potential permitted acquisitions, was cancelled.
- The Board has sought deferral agreement with all major creditors and has been pleased with the support received.

The above factors, combined with the continued risk of Covid-19, highlight a material uncertainty as to the company's ability to continue as a going concern. Whilst these material uncertainties exist, current trading has given the Board confidence that it is appropriate to prepare the accounts on a going concern basis. The financial statements do not include any adjustments that may be required in the event that the company could not continue as a going concern.

SUBSEQUENT EVENTS

Details of the subsequent events can be found in note 28 of the financial statements.

DIRECTORS

Biographical information for each of the Directors is set out on p.24, together with details of the date of appointment, membership of the Board committees and any external appointments.

The Company's Articles of Association requires that each Director retire from office and seek reappointment at the third AGM after the general meeting at which they were last appointed.

DIRECTORS' INTERESTS IN SHARES

The Directors' beneficial interest in the ordinary share capital of the Company are set out within the remuneration report on p. 39.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019 the Company was aware of the following major shareholders representing 3% or more of voting rights attached to the issued Ordinary Share capital of the Company.

	NUMBER OF ORDINARY SHARES 0.1P	PERCENTAGE HELD
AURORA NOMINEES LIMITED Des:2234100	126,784,998	10.52%
PERSHING NOMINEES LIMITED Des:WRCLT	116,485,767	9.67%
Mr Richard Mace	86,361,334	7.17%
HSBC CLIENT HOLDINGS NOMINEE (UK) LIMITED Des:731504	78,902,700	6.55%
SPREADEX LIMITED	68,074,983	5.65%
HARGREAVES LANSDOWN (NOMINEES) LIMITED Des:HLNOM	61,302,066	5.09%
HARGREAVES LANSDOWN (NOMINEES) LIMITED Des:15942	44,477,079	3.69%
KSP INVESTMENTS pte ltd	43,292,405	3.59%
CG Corp	40,091,122	3.32%

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.

CORPORATE SOCIAL RESPONSIBILITY

The Group recognises its corporate social responsibilities and reports on these in a separate statement of social, environmental, and ethical policies on p. 30.

This statement covers the Group's Employment Policies, Environmental Policy and Health and Safety Policy.

POLITICAL DONATIONS

There were no political donations made by the Group during the year (2018: none).

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; and
- 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 and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors 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 also 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

AUDITOR

Pursuant to section 489 of the Companies Act 2006, resolutions will be proposed at the 2020 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. Each Director has confirmed that they have 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,

Mark Elliott
Chairman
7 October 2020

Nomination and Remuneration Committee report

For the year ended 31 December 2019

The Nomination and Remuneration Committee is a standing committee of the Board of the Company and is comprised of two Non-Executive Directors, Alan Carroll (Chairman) and Mark Elliott.

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:

- to consider the nomination and appointment, increments and bonus plans of the Group CEO, subsidiary General Manager and Group senior management team members;
- to review any letter of resignation from the Group CEO or Directors of the Company, and any questions of resignation or dismissal;
- 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;
- 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;
- to consider any other functions as may be agreed between the Committee and the Board; and
- review the Board and Board Committees effectiveness. The Committee members keep themselves fully informed of all relevant developments and best practice by reference to the QCA's Remuneration Committee guide.

ATTENDANCE AT MEETINGS

Details of attendance at meetings by the committee members can be found on page 26.

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 on p. 38.

SHARE OPTION SCHEME

The Company's plans to create an Executive Share Option Plan 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 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.

DIRECTORS' SERVICE CONTRACTS

Contractual arrangements for current Directors are as follows:

	CONTRACT DATE	NOTICE PERIOD
Richard Mace	30 June 2020	6 months

Contractual arrangements for current Non-Executive Directors are as follows:

	DATE OF LETTER OF APPOINTMENT	NOTICE PERIOD	APPOINTMENT TERM
Mark Elliott	1 July 2019	1 Month	3 years
Alan Carroll	1 October 2019	1 Month	3 years

The Directors are required to retire by rotation and the appointment of new Directors has to be approved at the next AGM subsequent to their appointment by the Board. No Directors are retiring by rotation in 2020.

Other than the notice periods afforded to some of the Directors, there are no special provisions for compensation in the event of loss of office. The Remuneration Committee considers the circumstances of individual cases of early termination and determines compensation payments accordingly.

DIRECTORS' REMUNERATION

Details of individual Directors emoluments and remuneration who served in 2019 are as follows:

	SALARY AND FEES £	BENEFITS £	PENSION £	SHARE BASED PAYMENTS £	**TOTAL 2019 £**	TOTAL 2018 £
Mark Elliott[1]	18,250	–	–	–	**18,250**	–
Sam Malafeh[2]	200,000	–	–	–	**200,000**	103,000
Haider Sithawalla[3]	–	–	–	–	**–**	–
Ramasamy Jayapal[4]	–	–	–	–	**–**	–
Nirvana Chaudhary[5]	–	–	–	–	**–**	–
Alan Carroll[6]	5,750	–	–	–	**5,750**	–
Gopinath Pillai[7]	–	–	–	–	**–**	–
Navin Khattar[8]	–	–	–	–	**–**	–
Wee Hock Kee[9]	–	–	–	–	**–**	11,000
					224,000	114,000

1 Appointed on 1 July 2019
2 Resigned on 25 June 2020
3 Resigned on 30 June 2020
4 Resigned on 14 May 2020
5 Resigned on 8 July 2020
6 Appointed on 1 October 2019
7 Resigned on 1 October 2019
8 Resigned on 31 August 2019
9 Resigned on 18 February 2019

EXECUTIVE DIRECTORS' SHARE OPTIONS

As at 31 December 2019 the Company did not have any share option schemes.

NON-EXECUTIVE DIRECTORS' ANNUAL FEES

The below presents the annual fees to be paid to the current Non-Executive Directors

	FEES £
Mark Elliott	50,000
Alan Carroll	30,000

DIRECTORS' INTEREST 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:

DIRECT INTERESTS

NAME OF DIRECTOR	AT BEGINNING OF THE YEAR/ AT DATE OF APPOINTMENT	AT END OF THE YEAR
Alan Carroll	700,000	700,000
Sithawalla Haider[1]	1,500,000	1,519,000
Sam Malafeh[2]	9,000,000	9,000,000
Ramasamy Jayapal[3]	1,453,131	1,453,131
Nirvana Chaudhary[4]	–	–
Gopinath Pillai[5]	400,000	400,000

1 Resigned on 30 June 2020

2 Resigned on 25 June 2020

3 Resigned on 14 May 2020

4 Resigned on 8 July 2020

5 Resigned on 1 October 2019

INDIRECT INTERESTS

NAME OF DIRECTOR / COMPANY	AT BEGINNING OF THE YEAR/ AT DATE OF APPOINTMENT	AT END OF THE YEAR
KSP Investments PTE Limited[1]	43,292,405	43,292,405
CG Corp[2]	40,091,122	40,091,122

1 Gopinath Pillai and Mr Sithawalla Haider have an indirect interest through KSP Investments Pte Ltd.

2 Nirvana Chaudhary has an indirect interest through CG Corp.

Alan Carroll

Chairman of the Nomination and Remuneration Committee
7 October 2020

Audit and Risk Committee report

For the year ended 31 December 2019

The Audit and Risk Management Committee is a sub-committee of the Board and comprises two Non-Executive Directors, with Mark Elliott as Chairman.

The Audit and Risk Management Committee meets at least three times a year. The external auditors and Executive Director 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 Director, 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 assists the Board 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;
- presenting a balanced and understandable assessment of the Group's position and prospects;
- establishing a formal and transparent arrangement for maintaining an appropriate relationship with the Company's auditors and overseeing, appraising the quality of audit conducted by the Company's external auditors and reviewing the independence of the external auditors; and
- determining the adequacy of the Group's administrative, operating, accounting and financial controls and internal controls.

ATTENDANCE AT MEETINGS

Attendance at the meetings can be found in the table on p.26.

MATTERS CONSIDERED

During the year, the Committee considered the following matters:

- 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 2019;
- reviewed the Group's Risk Register; and
- reviewed the external auditor's Audit Plan in relation to the year ended 31 December 2019.

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.

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 points raised in the paper. The details of the paper have been laid out in the directors' report.

Mark Elliott

Chairman of the Audit and Risk Committee
7 October 2020

Auditor’s report

For the year ended 31 December 2019

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 2019, which comprise:

- the Group consolidated statement of comprehensive income for the year ended 31 December 2019;
- the Group and parent Company statements of financial position as at 31 December 2019;
- 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, and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2019 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 £55,000 (2018: £60,000) and £18,000 (2018: £16,000) 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 £2,750. 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 the component auditor, covering two countries (UK and Singapore) in which the Group has operations. Operations in UK and Singapore were considered to be significant components. In addition, we considered appropriate audit procedures in relation to the discontinued activity in Malaysia following the sale of the business in December 2019.

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 component 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.

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 team 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 reviewed the work of the component auditor in Singapore and discussed matters with management. 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 (xxvi).

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. Whilst in the year ended 31 December 2018 there was the acquisition of the Communicate English School Limited, there have been no acquisitions during 2019, and other than the discontinuance of the business in Malaysia during 2019, there have been no other changes in the Group's overall operations during the current year that significantly impacted our audit. Therefore, other than there being no acquisition related audit risk considerations in 2019, 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; and • Completeness of revenue	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); • 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 had not been met at the year end; and • Where appropriate we directed focus on and reviewed the work undertaken by the component auditors on revenue recognition and deferred income
Carrying value of goodwill, investments and intangible assets	
When assessing the carrying value of goodwill, investments and intangible assets, management make judgements regarding the appropriate cash generating unit, strategy, future trading and profitability and the assumptions underlying these. We considered the risk that goodwill, investments and/or intangible assets were impaired and where appropriate reviewed the impairment charges made by management in the year.	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. We reviewed the appropriateness and reasonableness of impairment charges made by management in the year.

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 35, 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

7 October 2020

Consolidated statement of comprehensive income
for the year ended 31 December 2019

	NOTE	2019 £	2018 RESTATED* £
Revenue			
Sale of services	5	**6,506,315**	6,337,321
Total Revenue		**6,506,315**	6,337,321
Cost of services sold		**(4,070,600)**	(3,729,089)
Gross Profit		**2,435,715**	2,608,232
Other income	6	**177,423**	53,777
Salaries and employees' benefits	7	**(1,881,606)**	(988,423)
Amortisation	14	**(324,261)**	(209,536)
Depreciation of plant and equipment	12	**(848,070)**	(92,344)
Other operating expenses	9	**(1,956,452)**	(1,712,379)
Impairment of intangible asset & goodwill	14, 15	**(2,876,257)**	–
Operating Loss		**(5,273,508)**	(340,673)
Finance costs	8	**(422,005)**	(22,847)
Loss before tax		**(5,695,513)**	(363,520)
Income tax (charge)/credit	10	**(190,000)**	150,828
Loss for the year from continuing operations		**(5,885,513)**	(212,692)
Discontinued Operation		**(2,482,788)**	(354,254)
Loss for the year		**(8,368,301)**	(566,946)
Attributable to:			
Equity holders of the Company		**(8,368,301)**	(566,946)
		(8,368,301)	(566,946)

* 2018 comparatives have been restated to exclude Malaysia operations following the disposal in 2019

Consolidated statement of comprehensive income (continued)

for the year ended 31 December 2019

	2019 £	2018 RESTATED* £
Loss after tax for the year	**(8,368,301)**	(566,946)
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation movements	**(316,716)**	(150,165)
Total comprehensive income for the year	**(8,685,017)**	(717,111)
Attributable to:		
Equity holders of the parent	**(8,685,017)**	(717,111)
Non–controlling interest	**–**	–
Loss per share from continuing operations attributed to equity holders of the Company (in pence)		
Basic	**(3.26)**	(0.31)
Diluted	**(3.26)**	(0.31)
Loss per share from discontinued operations attributed to equity holders (in pence)		
Basic and diluted	**(0.97)**	(0.19)

* 2018 comparatives have been restated to exclude Malaysia operations following the disposal in 2019

Consolidated statement of financial position
as at 31 December 2019

	NOTE	GROUP 2019 £	GROUP 2018 £	COMPANY 2019 £	COMPANY 2018 £
TOTAL ASSETS					
Non-Current Assets					
Property, plant, and equipment	12	**367,999**	544,888	**–**	–
Investment in subsidiaries	13	**–**	–	**1,419,350**	8,100,495
Intangible assets	14	**–**	2,884,562	**–**	–
Intangible assets – Development assets	14	**–**	261,736	**–**	–
Goodwill	15	**1,419,350**	2,250,018	**–**	–
Deferred tax asset	10	**–**	190,000	**–**	–
Right-of-use assets	2	**4,912,511**	–		
		6,699,860	6,131,204	**1,419,350**	8,100,495
Current Assets					
Inventories		**6,154**	6,220	**–**	–
Trade receivables	16	**751,333**	1,041,712	**–**	–
Other receivables and Prepayments	17	**665,035**	1,263,360	**85,378**	61,368
Amounts due from subsidiaries		**–**	–	**–**	2,591,269
Amounts due from related parties	18	**–**	56,679	**–**	58,667
Cash and cash equivalents	19	**83,264**	105,380	**864**	2,134
		1,505,786	2,473,351	**86,242**	2,713,438
Total Assets		**8,205,646**	8,604,555	**1,505,592**	10,813,933

Consolidated statement of financial position (continued)

as at 31 December 2019

	NOTE	GROUP 2019 £	GROUP 2018 £	COMPANY 2019 £	COMPANY 2018 £
EQUITY AND LIABILITIES					
Non-Current Liabilities					
Leasing	24	**–**	63,957	**–**	–
Term loan	24	**2,438,573**	140,135	**2,438,573**	–
Warrants	24	**75,640**	–	**75,640**	–
Convertible loan notes	24	**–**	299,280	**–**	299,280
Lease liabilities	2	**4,580,165**	–	**–**	–
		7,094,378	503,372	**2,514,213**	299,280
Current Liabilities					
Trade payables	20	**985,056**	380,677	**–**	–
Contract liabilities	21	**756,425**	653,220	**–**	–
Other payables and accruals	22	**689,169**	569,361	**292,815**	129,983
Amounts due to subsidiary		**–**	–	**957,402**	601,348
Amounts due to related parties	23	**46,646**	554,694	**32,691**	297,197
Convertible loan notes	24	**316,587**	–	**316,587**	–
Financial Liabilities		**–**	29,846		
Provision for income tax		**10,279**	92,225	**–**	–
Lease liabilities	2	**604,863**			
		3,409,025	2,280,023	**1,599,495**	1,028,528
Total Liabilities		**10,503,403**	2,783,395	**4,113,708**	1,327,808
Equity attributable to equity holders of the Company					
Share capital	25	**9,363,236**	9,211,736	**9,363,236**	9,211,736
Share premium	26 (i)	**5,431,449**	5,016,849	**5,431,449**	5,016,849
Retained earnings	26 (ii)	**(17,564,398)**	(9,196,097)	**(17,431,623)**	(4,771,282)
Translation reserve	26 (iii)	**272,574**	589,290	**–**	–
Capital reserve	26 (v)	**170,560**	170,560	**–**	–
Convertible loan reserve	30	**28,822**	28,822	**28,822**	28,822
Total equity		**(2,297,757)**	5,821,160	**(2,608,116)**	9,486,125
Total Equity and Liabilities		**8,205,646**	8,604,555	**1,505,592**	10,813,933

The Loss for the financial year dealt with in the financial statements of the **Parent's** Company as of the 31 December 2019 was a Loss of £12,660,341 (2018: Loss £337,415).

The financial statements were approved by the Board of Directors on 7 October 2020 and were signed on its behalf by:

Richard Mace
Director

Consolidated statement of changes in equity
for the year ended 31 December 2019

	SHARE CAPITAL £	SHARE PREMIUM £	RETAINED EARNINGS £	TRANSLATION RESERVE £	CAPITAL RESERVE £	CONVERTIBLE LOAN RESERVE £	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY £	TOTAL £
Balance at 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)
Direct costs relating to issue of shares		(324,780)					(324,780)	(324,780)
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 / 1 January 2019	**9,211,736**	**5,016,849**	**(9,196,097)**	**589,290**	**170,560**	**28,822**	**5,821,160**	**5,821,160**
Direct costs relating to issue of shares		**(39,900)**					**(39,900)**	**(39,900)**
Total comprehensive income for the year			**(8,368,301)**	**(316,716)**			**(8,685,017)**	**(8,685,017)**
New Share Issue	**151,500**	**454,500**					**606,000**	**606,000**
Balance at 31 December 2019	**9,363,236**	**5,431,449**	**(17,564,398)**	**272,574**	**170,560**	**28,822**	**(2,297,757)**	**(2,297,757)**

Consolidated statement of cashflows

for the year ended 31 December 2019

	2019 £	2018 £
Cash Flows from Operating Activities		
Loss after income tax from		
Continuing activities	**(5,885,513)**	(212,692)
Discontinued activities	**(2,482,788)**	(354,254)
Adjustments for:		
Amortisation of intangible assets	**324,261**	217,940
Depreciation of tangible assets	**848,070**	129,050
Impairment of intangible assets	**2,876,257**	–
Fair value movement on warrants	**(197,640)**	–
Fair value movement on convertible loan reserve	**17,307**	–
Loss on disposal of tangible assets	**21,180**	–
Loss on disposal of discontinued operations	**1,133,034**	–
Impairment of other receivables	**95,643**	–
Impairment of trade receivables	**189,990**	–
Finance cost	**422,005**	22,847
Adjustments for deferred tax	**190,000**	(150,827)
Interest paid	**(404,715)**	(22,847)
Tax paid	**(81,946)**	–
	(2,934,855)	(370,783)
Changes in working capital:		
Decrease in stocks	**71**	
Decrease/(increase) in receivables	**9,900**	(994,593)
Increase/(decrease) in payables	**1,127,843**	(633,393)
Decrease in amounts due to related parties	**(508,048)**	–
Net cash flows used in operating activities	**(2,305,089)**	(1,998,769)
Cash Flows from Investing Activities		
Purchase of software	**–**	(5,946)
Purchase of intangible asset	**(245,112)**	(260,231)
Purchases of property, plant, and equipment	**(72,040)**	(302,058)
Acquisition of Subsidiary, net of cash acquired	**–**	(1,387,244)
Net cash used in investing activities	**(317,152)**	(1,955,479)
Cash Flows from Financing Activities		
Finance leases	**(502,584)**	(19,371)
New equity issued[1]	**566,100**	3,675,220
Term Loan	**2,537,706**	(20,721)
Net cash generated by financing activities	**2,601,222**	3,635,128
Net Change in cash and cash equivalents	**(21,019)**	(319,120)
Cash and cash equivalents at the beginning of the year	**105,380**	479,565
Exchange losses on cash and cash equivalents	**(1,097)**	(55,065)
Cash and cash equivalent at the end of the year	**83,264**	105,380

1 This includes cash arising from shares issued during the year. None of the shares issued arose from non-cash transactions (2018: £1,461,898) 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 2019

	SHARE CAPITAL £	SHARE PREMIUM £	RETAINED EARNINGS £	CONVERT-IBLE LOAN RESERVE £	TOTAL £
Balance at 1 January 2018	7,919,356	896,111	(4,433,867)	104,187	4,485,787
Total comprehensive income for the year	–	(324,780)	(337,415)	(75,365)	(737,560)
New Share Issues	1,292,380	4,445,518	–	–	5,737,898
Total transactions with owners	–	–	–	–	–
Balance at 31 December 2018/1 January 2019	**9,211,736**	**5,016,849**	**(4,771,282)**	**28,822**	**9,486,125**
Direct costs relating to issue of shares		**(39,900)**			**(39,900)**
Total comprehensive income for the year			**(12,660,341)**		**(12,660,341)**
New Share Issues	**151,500**	**454,500**			**606,000**
Balance at 31 December 2019	**9,363,236**	**5,431,449**	**(17,431,623)**	**28,822**	**(2,608,116)**

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

Company statement of cashflows
for the year ended 31 December 2019

	2019 £	2018 £
Cash Outflows from Operating Activities		
Loss before income tax	**(12,660,341)**	(337,415)
Adjustments for: Adjustment made in prior year retained earnings		
Impairment on investments	**7,161,369**	–
Fair value movement on warrants	**(197,640)**	–
Fair value movement on convertible loan notes	**17,307**	–
Finance cost	**120,642**	20,149
Interest paid	**(103,352)**	(20,149)
Decrease/(Increase) in amounts due from subsidiaries	**2,897,488**	(1,660,892)
	(2,764,527)	(1,998,307)
Change in working capital		
Increase in receivables	**(1,674)**	(41,218)
Increase in payables	**162,832**	16,036
Decrease in amounts due to related parties	**(564,001)**	–
Net cash used in operating activities	**(3,167,370)**	(2,023,489)
Cash Flows from Financing Activities		
New equity issued[1]	**566,100**	3,675,220
Term Loan	**2,600,000**	
Net cash used in financing activities	**3,166,100**	3,675,220
Cash Flows from Investing Activities		
Acquisition of subsidiaries		(1,650,000)
Net cash generated from investing activities	**–**	(1,650,000)
Effect of foreign exchange rate changes on consolidation		
Net increase in cash and cash equivalents	**(1,270)**	1,731
Cash and cash equivalents at the beginning of the year	**2,134**	403
Cash and cash equivalents at the end of the year	**864**	2,134

1 This includes the cash arising from shares issued during the year. None of the shares issued arose from non-cash transactions (2018: £1,461,898) 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 2019

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 100 Avebury Boulevard, Milton Keynes, MK9 1FH. Its principal place of business is in Singapore till 30 June 2019 and in London from 1 July 2019. 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

IFRS16

This is the first set of the Group's annual financial statements in which IFRS 16 Leases have been applied. The Company has adopted the IFRS 16 modified retrospective approach from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

The Company previously classified leases as operating or finance lease based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under IFRS 16, the Company recognises right-of-use assets and the corresponding lease liabilities for most leases by recording them on the balance sheet.

At the date of initial application:

- lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.
- right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

In applying IFRS 16 on transition, the Company has used the following practical expedients permitted by the standard:

- The Company has elected not to reassess whether a contract is or contains a lease as defined in IFRS 16 at the date of initial application. For contracts entered into before the transition date, the Company relied on its assessment made when applying IAS 17 and IFRIC 4.
- For the majority of leases, reliance has been placed on previous assessments of whether leases are onerous under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases. The Company has elected not to recognise the right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less or leases that are of low value. Lease payments associated with these leases are expensed on a straight-line basis over the lease term.

At inception or on assessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component based on their relative stand-alone prices. However, for leases of properties, the Company elected not to separate non-lease components and will instead account for the lease and non-lease component as a single lease component.

The Company's leases primarily relate to properties and office equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Property leases will often include extension and termination options, open market rent reviews, and uplifts.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the individual lessee company's incremental borrowing rate considering the duration of the lease.

The lease liability is subsequently measured at amortised cost using the effective interest method, with the finance cost charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. It is remeasured when there is a change in future lease payments arising from a change in index or rate, or if the Group changes its assessment of whether it will exercise an extension or termination option. The lease liability is recalculated using a revised discount rate if the lease term changes as a result of a modification or re-assessment of an extension or termination option.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use asset is typically depreciated on a straight-line basis over the lease terms. The right of use assets recognised at transition is equal to the present value of the lease obligations discounted at the incremental borrowing rate at the date to transition. The incremental borrowing rates used for discounting at the date of transition for Singapore property is 6.50%, UK property is 5.95% and UK equipment is 12.17%.

The table below summarises the IFRS 16 impact on transition for lease liabilities and the corresponding right-of-use assets along with the movement from 1 January 2019 to 31 December 2019:

	AS AT 31 DECEMBER 2019 £	AS AT 1 JANUARY 2019 £
Right-of-use asset	**4,912,511**	5,623,656
Lease Liability:		
- Current Lease Liability	**604,863**	347,678
- Non-Current Lease Liability	**4,580,165**	5,275,978
	5,185,028	5,623,656

	YEAR ENDED 31 DECEMBER 2019 £
Rental lease expense under IAS 17 (Excl VAT/GST)	**744,091**
Replaced by:	
Depreciation of right-of-use asset	**(716,583)**
Finance charges on lease liability	**(301,363)**
Total expense to profit and loss	**(1,017,946)**
Net increase in Expenses	**273,855**

The following is a reconciliation of total operating lease commitments at 31 December 2018 (as disclosed in the financial statements to 31 December 2018, restated) to the lease liabilities recognised at 1 January 2019:

	AMOUNT £
Total operating lease commitments disclosed at 31 December 2018 (restated)	**4,860,674**
Total finance lease commitments disclosed at 31 December 2018	**63,957**
Recognition exemptions:	
- Leases with remaining lease terms of less than 12 months	–
Additions of lease liability for group due to lease extensions as of 1 Jan 2019	1,647,614
Additions of lease liability for group from new leases as of 1 Jan 2019	286,624
Operating lease liabilities before discounting	6,858,869
Discounted using borrowing rates at 1 January 2019	**5,623,656**
Total lease liabilities recognised under IFRS 16 at 1 January 2019	**5,623,656**
Of which are:	
Current lease liability	**347,678**
Non-current lease liability	**5,275,978**
	5,623,656

The operating lease commitments disclosed at 31 December 2018 per the Annual Report 2018 were £5,063,912 including Malaysian entities lease liability of £203,238.

The changes in accounting policy affected the following items in balance sheet on 1 January 2019.

	CARRYING AMOUNT AT 31 DECEMBER 2018 £	IFRS 16 ADJUSTMENTS £	**CARRYING AMOUNT AT 1 JANUARY 2019 £**
Assets *(excluding Malaysia)**			
Property plant and equipment's	460,034	(63,957)	**396,077**
Cash and Cash Equivalents	89,224	–	**89,224**
Trade and Other Receivables	727,433	–	**727,433**
Right-of-use-assets	–	5,623,656	**5,623,656**
Prepayments	311,116	–	**311,116**
Liabilities *(excluding Malaysia)**			
Leasing	63,957	(63,957)	**–**
Lease liability	–	5,623,656	**5,623,656**
Trade payables	379,785	–	**379,785**
Contract liabilities	645,574	–	**645,574**
Other payables (accrued)	398,626	–	**398,626**

* 2018 comparatives have been restated to exclude Malaysia operations following the disposal in 2019.

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 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 2019. The Consolidated Statement of Comprehensive Income includes the results of all subsidiary undertakings for the period from the date on which control passes. Control is achieved where the Company (or one of its subsidiary undertakings) obtains the power to govern the financial and operating policies of an investee entity so as to derive benefits from its activities.

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

This is the first set of the Group's annual financial statements in which IFRS 16: Leases has been applied. At the date of approval of these Financial Statements, the Directors have considered IFRS Standards and Interpretations, which were in issue not yet effective but have not been applied in these financial statements.

Several 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 or amendments to standards issued not yet effective that will have a material effect on the financial statements.

(iv) Going concern

The financial statements have been prepared on a going concern basis.

The Board consider the going concern basis to be appropriate having paid due regard to the Group and Company's projected results during the twelve months from the date the financial statements are approved and the anticipated cash flows, availability of loan facilities and mitigating actions that can be taken during that period.

In making their assessment of going concern the directors have considered the current and developing impact on the business as a result of the Covid-19 pandemic. Whilst this had an immediate impact on the Company's operations, with closure of its schools in March and April 2020, the business has sought to adapt its service offering through on-line learning and the re-opening of schools. However, there is no certainty as to how long the Covid-19 will persist and how quickly business will return to normal levels.

The directors have taken a range of mitigating actions to protect and manage the short, medium and long term interests of the business, its employees and students during this pandemic. Specifically, the directors have considered the following in the preparation of the financial statements on a going concern basis:

Profitability

- In late 2019, due to difficult trading conditions and substantial financial resources the business required, a decision was made to discontinue the Group's loss-making operations in Malaysia, with the aim being to improve the Group's future profitability.
- Following the closure of the UK and Singapore schools in March/April 2020, operations reopened on a phased basis in August 2020.
- In August 2020, also due to difficult trading conditions (amplified further by the impact of Covid-19) combined with the continuing financial resources required for the business, a further decision was made to close the Group's Singapore operations, with the aim being to improve the Group's future profitability.
- The group has now refocused its activity on the UK operations having reduced its operational presence and financial obligations overseas.
- Profit and cash flow projections for the Group assume profitable growth in its key operating entities once operations return to normal.
- The Group is working on the assumption that levels of business will return to normal in during 2021.

Cash flow

- The Group's main source of funds are internally generated funds and new capital injections. It is possible that the Group may continue to require further funding and capital injections in the future and there will be some reliance placed on their ability to do so, if required.
- The Group undertook a Placing in February 2019 raising £606,000 before expenses. A further £1.15m (net) was raised by way of a Placing and Subscription in June 2020. The proceeds of the Fundraising in June 2020 are being used to supplement the Company's working capital resources and strengthen the Company's balance sheet with a view to providing sufficient liquidity and flexibility to allow the Company to manage through the period of expected disruption caused by Covid-19.
- The Group entered into a loan agreement with Boost & Co Ltd. in August 2019 with £2.60m drawn at 31 December 2019. The funds were used to repay a shareholder loan and provide working capital for the growth of the organisation. In May 2020, the existing debt with Boost & Co. has been restructured providing for a two year capital repayment holiday and interest free period. As part of the restructuring agreement, the option of the second tranche of up to £4.0m, which was available to fund potential permitted acquisitions, was cancelled.
- The Board has sought deferral agreement with all major creditors and has been pleased with the support received.

The above factors, combined with the continued risk of Covid-19, highlight a material uncertainty as to the company's ability to continue as a going concern. Whilst these material uncertainties exist, current trading has given the Board confidence that it is appropriate to prepare the accounts on a going concern basis. The financial statements do not include any adjustments that may be required in the event that the company could not continue as a going concern.

(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.

(vii) Functional and Presentational Currency

The consolidated financial statements have been presented with Pounds 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, 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 statement of financial position 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:

	2019	2018
1 Pound Sterling to Singapore Dollar		
Closing rate	**1.770**	1.737
Average rate	**1.742**	1.795
1 Pound Sterling to Malaysian Ringgit		
Closing rate	**5.394**	5.280
Average rate	**5.306**	5.375

(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:

Classroom and office equipment	3 - 10 years
Motor vehicle	5 years

(x) Intangible 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.

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 balance sheet date as to 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 purposes 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 statement of financial position 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 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 and subsequently 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', related parties, 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 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.

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 16.

(xvi) Revenue Recognition

Revenue is recognised on the following basis:

Courses are provided over time based on period stated on the contract with students. As such revenue for various services is recognised in the following way:

- Course/accommodation fees – revenue is spread over the duration of the course as stated in the contract, as this fairly represents the value of services provided. Deposits received in respect of future courses/accommodation fees are treated as deferred income at the point of receipt. Contract liabilities relate to course and accommodation fees received in advance and are recognised in the income statement based on classes conducted and accommodation provided.
- Registration/application fees - revenue is spread over the duration of the course as stated in the contract, as this fairly represents the value of services provided
- 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.

(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 statement of financial position.

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. 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 statement of financial position 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 statement of financial position 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) 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.

(xxii) 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 because of services rendered by employees up to the year end.

(xxiii) Equity instruments

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

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 at inception.

(xxiv) Borrowing Costs

Borrowing costs incurred to finance the development of property, plant and equipment are capitalised during the period 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.

(xxv) 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.

(xxvi) Warrants

In certain circumstances the group will issue warrants over shares. The warrants currently in issue are carried at fair value through profit and loss (FVPL), and are categorised under level 3 of the fair value hierarchy. The judgements and estimates made in respect of calculating the fair value for these warrants are disclosed further in this section.

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

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimates

Estimation of useful lives of assets

The group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. The specific estimates used in calculating impairment are detailed in note 15 .

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. The specific estimates used in calculating impairment are detailed in note 14 .

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 grouping the trade receivables based on shared characteristics, including line of business.

Fair value of warrants

The Group and Company is required to fair value the warrants at the date of inception and at each subsequent statement of financial position date. This involves a number of key estimates and assumptions to calculate fair value. The specific estimates used in calculating fair value are detailed in note 24.

Judgements

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.

IFRS16 leases

This is the first set of the Group's annual financial statements in which IFRS 16 Leases have been applied. Specific judgement is required in determining the initial lease liability, as detailed in note 2 above.

Warrants

The Group determines the fair value of warrants using appropriate modelling. Judgement is required in determining a model to use to fair value warrants. Based on the nature of warrants, the Group has determined that Black Scholes model is an appropriate model to use. Management have assessed the terms of the warrants and concluded that there is no fixed for fixed element and as such have classified the warrants as a liability and not as equity.

4. (A) SEGMENTAL INFORMATION

The Group organises its operations based on geographical locations, as the services provided are similar in each jurisdiction ie educational and language courses. During the year, the company sold its Malaysia operations. As such the segmental information below is reported for UK and Singapore, with Malaysia reported as discontinued operations.

The segmental analysis is as follows:

	UK £	SINGAPORE £	DISCONTINUED OPERATIONS £	TOTAL £
2019				
Revenue from external customers	**4,703,864**	**1,802,451**	**–**	**6,506,315**
Depreciation and amortisation	**656,964**	**515,367**	**–**	**1,172,331**
Impairment of Intangibles	**2,211,471**	**664,786**	**–**	**2,876,257**
Profit/(Loss) before taxation	**(3,659,431)**	**(2,036,082)**	**–**	**(5,695,213)**
Taxation charge	**(190,000)**	**–**	**–**	**(190,000)**
Discontinued operations	**–**	**–**	**(2,482,788)**	**(2,482,788)**
Profit/(Loss) for the year	**(3,849,431)**	**(2,036,082)**	**(2,482,788)**	**(8,368,301)**
Segmental assets	**4,007,083**	**2,779,211**	**–**	**6,786,294**
Segmental liabilities	**7,094,348**	**3,409,055**	**–**	**10,503,403**
Additions to non-current assets	**2,541,092**	**1,736,851**	**–**	**4,277,943**
2018	£	£		£
Revenue from external customers	4,379,667	1,957,654	–	6,337,321
Depreciation, write-offs and amortisation	193,789	108,919	–	302,708
Profit/(Loss) before taxation	98,225	(461,745)	–	(363,520)
Taxation credits	150,828	–	–	150,828
Profit/(Loss) from continuing operations	249,053	(461,745)	–	(212,692)
Discontinued operations	–	–	(354,254)	(354,254)
Profit/(Loss) for the year	249,053	(461,745)	(354,254)	(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

(B) DISCONTINUED OPERATIONS

On 31 December 2019, the group announced its sale of business of Malaysia with effect from 1 Jan 2020 and is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

i) Financial performance of discontinued operations.

The financial performance of the discontinued operations presented are for the year ended 31 December 2019 and 31 December 2018

	2019 £	2018 £
Revenue	**508,772**	1,073,320
Other Income	**33,225**	85,467
Expenses	**(1,192,805)**	(1,513,041)
Profit before tax	**(650,808)**	(354,254)
Income tax expenses	**(5,399)**	
Profit after income tax of discontinued operation	**(656,207)**	(354,254)
(Loss) on disposal of subsidiary	**(375,270)**	
	(1,031,477)	(354,254)
Impairment of brand value and licenses	**(1,451,311)**	
(Loss) from discontinued operations	**(2,482,788)**	(354,254)
Exchange differences on translation of discontinued operations	**(385,600)**	280,922
Other comprehensive income from discontinued operations	**(385,600)**	280,922
Net cash flow from operating activities	**(389,336)**	(24,054)
Net cash flow from investing activities	**–**	(82,671)
Net cash flow from financing activities	**–**	(27,744)
Net cash generated by subsidiary	**(389,336)**	(134,469)

ii) Details of the sale/disposal of the subsidiary

	2019 £
Consideration received or receivable:	
Fair value of consideration	**–**
Carrying amount of net assets sold	**10,330**
(Loss) on sale of subsidiary before income tax and reclassification of foreign currency translation reserve	**10,330**
Reclassification of foreign currency translation reserve	**(385,600)**
(Loss) on disposal of subsidiary	**(375,270)**

At the end of 2019 the Group sold the remaining assets of the Malaysia business, and as part of the transaction, the purchaser took over £75,000 of a loan with AmBank.

iii) The Details of sale/disposal of the subsidiary

The carrying amounts of assets and liabilities as at the date of sale (31 December 2019)

	2019 £
Property, plant and equipment	54,901
Trade receivables	225,864
Total assets	280,765
Trade creditors	(291,095)
Total liabilities	(291,095)
Net assets	(10,330)

5. SALE OF SERVICES

	2019 £	2018 RESTATED* £
Course fees	4,778,612	4,252,142
Accommodation fees	1,208,394	1,897,648
Application fees, registration and examination fees	142,219	45,308
Training fees, course materials and others	377,090	142,223
	6,506,315	6,337,321

6. OTHER INCOME

	2019 £	2018 RESTATED* £
Contribution from ACCA towards marketing activities	34,736	–
Rental and related income	142,687	43,135
Consultancy Income	–	10,642
	177,423	53,777

7. SALARIES AND EMPLOYEES' BENEFITS

	2019 £	2018 RESTATED* £
Staff salaries and related costs	**1,487,101**	750,429
Social security costs – staff	**100,953**	82,886
Directors' remuneration (executive directors)	**200,000**	103,078
Directors' fees (non-executive directors)	**24,000**	10,916
Social security costs – Directors	**–**	10,944
Staff training and welfare	**32,535**	11,806
Pension	**37,017**	18,364
	1,881,606	988,423
Highest paid director		
Remuneration and benefits	**200,000**	103,078

Average number of employees	NUMBER	NUMBER
Lecturers	**79**	105
Marketing staff	**23**	24
Operational and administration staff	**72**	72
	174	201

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

8. FINANCE COSTS

	2019 £	2018 RESTATED* £
Interest on leases (IFRS 16)	**301,363**	2,698
Interest on Term Loan	**107,518**	–
Interest on Convertible Loan Note	**13,124**	20,149
	422,005	22,847

9. OPERATING EXPENSES

	2019 £	2018 RESTATED* £
Auditors' remuneration:		
– Fees payable to the Company's auditors for statutory audit	**35,000**	34,000
– Fees payable to the Company's auditors and associates for statutory audit of subsidiary Companies	**55,664**	32,673
Office and equipment rental*	**–**	927,953
Administrative and marketing expenses	**1,338,787**	699,753
Expected credit losses – trade receivables	**189,990**	18,000
Uncollectible other receivables written off	**95,643**	–
Fair value movement on warrants	**(197,640)**	–
Fair value movement on convertible loan notes	**17,307**	–

* Following the implementation of IFRS16, this is now reported under depreciation/interest expense, as explained in note 2.

10. INCOME TAX

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

	2019 £	2018 RESTATED* £
Current year tax	**–**	(61,798)
Deferred taxation Credit/(Charge)	**(190,000)**	190,000
	(190,000)	128,202

The reconciliation of the current year tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows:

	2019		2018	
	£	%	£	%
Accounting loss before tax from continuing operations	**(5,885,513)**		(212,692)	
Loss before tax from discontinued operations	**(2,482,788)**		(354,254)	
Loss before tax	**(8,368,301)**		(566,946)	
Income tax at the statutory rate	**(1,589,977)**	**19.0**	96,381	17.0
Adjustments of income tax in respect of prior years			54,447	
Deferred tax asset not recognised	**1,589,977**		–	
Current year adjustment to deferred tax asset	**(190,000)**	**–**	–	–
Income tax (charge)/credit attributable to continuing operations	**(190,000)**		150,828	
Income tax attributable to discontinued operations	**–**			
Income tax (charge)/credit in the consolidated statement of comprehensive income	**(190,000)**		150,828	

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.

	2019 £	2018 £
Analysis of provision for deferred taxation:		
Balance at the beginning of the year	**190,000**	–
Deferred taxation for the year	**(190,000)**	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:

	2019 £	2018 £
Un-utilised capital allowance c/f	**552,474**	552,474
Un-utilised tax losses	**3,278,131**	3,715,124
	3,830,605	4,267,598

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

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 £8,368,301 ***(2018: loss of £566,946)*** and the weighted average number of ordinary shares in issue during the year of 256,453,628 shares ***(2018: 185,344,459 shares)***.

Calculations for dilutive EPS have not been made in respect of the convertible loan notes (note 30) on the basis the impact would be anti-dilutive.

There were no outstanding options in 2019 (2018: nil).

12. PROPERTY, PLANT, AND EQUIPMENT

	LEASEHOLD PROPERTY AND IMPROVEMENTS	CLASSROOM AND OFFICE EQUIPMENT	MOTOR VEHICLE	RIGHT OF USE ASSETS		TOTAL
				EQUIPMENT	PROPERTY	
	£	£	£	£	£	£
Cost						
Opening balance, 01 Jan 2018	500,076	2,228,160	40,958	–	–	2,769,194
Additions	284,444	19,014	–	–	–	303,458
Disposals	(2,322)	–	–	–	–	(2,322)
Acquisition-Subsidiary	–	178,603	–	–	–	178,603
Closing balance, 31 Dec 2018	**782,198**	**2,425,777**	**40,958**			**3,248,933**
Additions	**–**	**72,040**	**–**	**92,037**	**5,531,619**	**5,695,696**
Disposals	**(170,604)**	**(1,550,087)**	**(40,958)**	**–**	**–**	**(1,761,649)**
Exchange differences	**(9,820)**	**11,144**	**–**	**–**	**–**	**1,324**
Closing balance, 31 Dec 2019	**601,774**	**958,874**	**–**	**92,037**	**5,531,619**	**7,184,304**
Accumulated depreciation						
Opening balance, 01 Jan 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)
Acquisition-Subsidiary	–	52,679	–	–	–	52,679
Closing balance, 31 Dec 2018	**487,734**	**2,193,858**	**22,453**	**–**	**–**	**2,704,045**
Charge for the year	**61,081**	**70,406**	**–**	**12,883**	**703,700**	**848,070**
Disposals	**(149,540)**	**(1,480,814)**	**(22,453)**	**–**	**–**	**(1,652,807)**
Exchange differences	**2,693**	**7,231**	**–**	**–**	**(5,438)**	**4,486**
Closing balance, 31 Dec 2019	**401,968**	**790,681**	**–**	**12,883**	**698,262**	**1,903,794**
Net book value						
At 31 December 2019	**199,806**	**168,193**	**–**	**79,154**	**4,833,357**	**5,280,510**
At 31 December 2018	294,464	231,919	18,505	–	–	544,888

13. INVESTMENT IN SUBSIDIARY COMPANIES

COMPANY	2019 £	2018 £
Investment in subsidiaries		
Unquoted equity shares, at cost		
As at the beginning of the year	**10,725,495**	7,115,081
Additions*	**480,225**	2,980,290
Loan Capitalization of SAA-GE	**–**	630,124
Disposals	**–**	–
As at the end of the year	**11,205,720**	10,725,495
Provision against the cost of investment in subsidiaries		
As at the beginning of the year	**2,625,000**	2,625,000
Disposal	**–**	–
Impairment**	**7,161,370**	–
As at the end of the year	**9,786,370**	2,625,000
Net book value at the end of the year	**1,419,350**	8,100,495

* During the 2019 financial year, Loan to SAAGE Singapore was capitalised for £480,225

Although Malaysia operations were sold during the year, the investments in Malaysia were held through Malvern International Academy Pte Ltd, a company registered in Singapore. Investments in Malaysia have been fully impaired on 31 December 2019.

** The business and financial performance of Singapore operations have not been as expected, and the operations in this jurisdiction continue to make losses. As such Investment in SAA Global Education Center Pte Ltd and Malvern International Academy Pte Ltd has been fully impaired

Investment relating to Malvern House Group £2,076,557 and Communicate English School £1,560,940 has been impaired on 31 December 2019.

<u>The company owns 100% share capital of the following companies:</u>

Malvern International Academy Pte Ltd (Singapore)

Malvern Language Academy Pte Ltd (Singapore)

SAA Global Education Centre Pte Ltd (Singapore)

Communicate English School Limited (UK)

Malvern House Group Limited (UK)

Smart Eduprocess Group Sdn Bhd (Malaysia)

AEC Eductech Sdh Bhd (Malaysia)

Malvern House International Limited (UK) is 100% owned by Malvern House Group Limited.

14. INTANGIBLE ASSETS

Intangible assets are summarised as follows:

ACQUISITION COSTS	LICENCES £	BRANDS £	CUSTOMER LIST £	DOMAIN NAME £	DEVELOP-MENT ASSETS £	CONTRACT ASSETS £	TOTAL £
Opening balance, 01 Jan 2018	868,006	3,900,000	88,223	–	1,505	–	4,857,734
Additions	–	427,386	274,637	12,242	260,231	–	974,496
Closing balance, 31 Dec 2018	**868,006**	**4,327,386**	**362,860**	**12,242**	**261,736**	**–**	**5,832,230**
Additions	–	–	–	–	172,809	508,000	680,809
Disposal – discontinued operations	(868,006)	(1,687,500)	–	–	–	–	(2,555,506)
Closing balance, 31 Dec 2019	**–**	**2,639,886**	**362,860**	**12,242**	**434,545**	**508,000**	**3,957,533**
Accumulated amortisation							
Opening balance, 01 Jan 2018	128,290	2,345,648	–	–	–	–	2,473,938
Charge for the year	8,405	186,369	22,554	612	–	–	217,940
Closing balance, 31 Dec 2018	**136,695**	**2,532,017**	**22,554**	**612**	**–**	**–**	**2,691,878**
Charge for the year	–	207,739	36,286	1,224	15,000	64,012	324,261
Impairment in respect of continuing operations	–	867,630	304,020	10,406	419,545	443,988	2,045,589
Disposal - discontinued operations	(136,695)	(967,500)	–	–	–	–	(1,104,195)
Closing balance, 31 Dec 2019	**–**	**2,639,886**	**362,860**	**12,242**	**434,545**	**508,000**	**3,957,533**
Net book value, 31 Dec 2019	–	–	–	–	–	–	–
Net book value, 31 Dec 2018	731,311	1,795,369	340,306	11,630	261,736	–	3,140,352*

*In the PY comparatives, £5,946 of Software was included in the balance sheet that has now been fully amortised.

In accordance with IAS 36, the Board has reviewed all ongoing cash generating units, and have carried out full impairment of the carrying value of the assets as at 31 Dec 2019. The impairment is in relation to Singapore and UK operations.

Singapore

Singapore operations have been making losses in recent years, and management has assessed that the cash flows generated from this business does not support the carrying value of intangibles. As such management has decided to impair the carrying value of all intangibles in relation to Singapore business.

UK

The new management have reassessed the carrying value of intangibles on the basis of UK business performance, and whilst the UK business has been performing relatively better than Singapore, management has assessed that the cash flow generated by UK business does not support the specific intangibles that had been recognised and therefore have taken the decision to impair these intangibles.

In order to arrive at the above impairment decisions, the recoverable amount of these CGUs was based on estimated future cash flows discounted at entity's cost of capital.

The key assumptions used in the estimation of the recoverable amount are set out below:

The discount rate is based on the company's existing debt facility interest rate of 10%.

The cash flow projections included specific estimates for five years.

* Trademark, with carrying cost and accumulated amortisation of £22,579 has been removed from the above table.

15. GOODWILL

	2019 £	2018 £
Cost		
Balance as at the beginning of the year	**2,250,018**	474,207
Additions	**–**	1,775,811
Impairment	**(830,668)**	–
Balance as at the end of the year	**1,419,350**	2,250,018

Goodwill has arisen on acquisition in 2018 of Communicate English School Ltd (UK Operations), and in 2017 on acquisition of SAAGE (Singapore operations). Of the brought forward carrying value of £2,250,018 at the start of the year, £474,207 relates to SAAGE and £1,775,811 relates to Communicate.

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.

Singapore Operations

As mentioned above in note 14, Singapore operations have been making losses in recent years, and management has assessed that the cash flows generated from this business does not support the carrying value of intangibles. As such management has decided to impair the carrying value of £474,207 in relation to this business.

Communicate (UK Operations)

The recoverable amount of this CGU is £356,461 less than the carrying value of £1,775,811. As such, goodwill has been impaired by £356,461, leaving a carrying value of £1,419,350. The following assumptions were used to calculate the amount recoverable:

- Discounted Cash Flow model produced modelling cashflow for Communicate over 5 years
- Terminal value applied to cashflow from year 6 onwards
- Discount rate of 10% applied reflecting the cost of borrowing to the group
- Growth rate of 3.4% applied reflecting the industry growth rates adjusted for group expectations
- Sensitivities around the model: a 0.1% increase in the growth rate reduces the potential impairment by approximately £100k; a 0.1% increase in the discount rate has an impact of approximately £24k increase in impairment
- Assumed return to trading levels of around 90% by January 2021

16. TRADE RECEIVABLES

	2019 £	2018 £
Trade Receivables	**751,333**	1,041,712

At 31 December 2019, the exposure to credit risk for trade receivables by geographic region/currency was as follows:

	2019 £	2018 £
Trade receivables are denominated in the following currencies:		
Singapore - Singapore Dollar	**203,978**	273,681
UK - Pound Sterling	**547,355**	363,161
Malaysia - Malaysian Ringgit	**–**	404,870
	751,333	1,041,712

	2019 £	2018 £
Not yet due and impaired	**174,688**	183,492
Past due but not impaired		
- Past due 0 to 3 months	**385,031**	404,436
- Past due 3 to 6 months	**34,163**	20,441
- Past due over 6 months	**157,451**	433,343
	751,333	1,041,712
Impaired trade receivables	**133,547**	141,027
Less: Allowances for impairment loss	**(133,547)**	(141,027)
	751,333	1,041,712

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables as at 31 December 2019:

	WEIGHTED AVERAGE LOSS RATE	GROSS CARRYING AMOUNT	LOSS ALLOWANCE	NET CARRYING AMOUNT
Not yet due and impaired	0%	174,688		174,688
Past due but not impaired				
- Past due 0 to 3 months	0%	385,031		385,031
- Past due 3 to 6 months	0%	34,163		34,163
- Past due over 6 months	46%	290,998	(133,547)	157,451
		884,880	(133,547)	751,333

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

	2019 £	2018 £
Balance at the beginning of the year	**141,027**	102,040
Allowances reversed during the year	**(11,686)**	92,305
Allowances reversed during the year – Discontinued operations	**(90,590)**	(53,318)
Expected credit losses during the year	**189,990**	–
Receivables written off during the year as uncollectible	**(95,194)**	–
Balance as at the end of the year	**133,547**	141,027

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

These are no contract assets within trade and other receivables.

17. OTHER RECEIVABLES AND PREPAYMENTS

	GROUP		COMPANY	
	2019 £	2018 £	2019 £	2018 £
Rent deposits	**268,207**	344,242	**–**	–
Prepayments	**332,333**	722,205	**17,800**	11,839
Other debtors	**64,495**	196,913	**67,578**	49,529
	665,035	**1,263,360**	**85,378**	**61,368**

Included within the above balance are provisions of £95,643 relating to the recoverability of related party and other receivables.

18. DUE FROM RELATED PARTIES

	GROUP		COMPANY	
	2019 £	2018 £	2019 £	2018 £
Due from related parties				
Non-trade	**–**	56,679	**–**	58,667

The related party balances above were netted off as part of the KSP transaction disclosed in note 23.

19. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2019 £	2018 £	2019 £	2018 £
Cash at bank and in hand	83,264	96,573	864	2,134
Fixed deposits with bank	–	8,807	–	–
Cash and cash equivalents	83,264	105,380	864	2,134
Cash and cash equivalents are denominated in the following currencies:				
Singapore Dollar	21,751	36,562		–
Pound Sterling	61,513	53,076	864	2,134
Malaysian Ringgit	–	15,742	–	–
	83,264	105,380	864	2,134

20. TRADE PAYABLES

	GROUP		COMPANY	
	2019 £	2018 £	2019 £	2018 £
Trade payables are denominated in the following currencies:				
Singapore Dollar	293,320	181,194	–	–
Pound Sterling	691,736	199,483	–	–
Malaysian Ringgit	–	–	–	–
	985,056	380,677	–	–

21. 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 in the subsequent financial year.

The amount of £756,425 (2018: £653,219) recognised in contract liabilities at the beginning of the period has been recognised as revenue for the period ended 31 December 2019

	2019 £	2018 £
Contract liabilities denominated in the following currencies:		
Singapore Dollar	327,197	451,133
Pound Sterling	429,228	194,440
Malaysian Ringgit	–	7,647
	756,425	653,220

	2019 £
Opening balance	653,220
Deferred income recognised during the year	(653,220)
Course fees received in respect of subsequent financial year	756,425
Closing balance	756,425

22. OTHER PAYABLES AND ACCRUALS

	GROUP		COMPANY	
	2019 £	2018 £	2019 £	2018 £
Other payables	**258,694**	268,008	**192,793**	96,805
Accrued expenses	**430,475**	301,353	**100,022**	33,178
	689,169	**569,361**	**292,815**	**129,983**

23. DUE TO RELATED PARTIES

	GROUP		COMPANY	
	2019 £	2018 £	2019 £	2018 £
Due to related parties				
Non-trade	**46,646**	554,694	**32,691**	297,197
Amounts due to related parties are denominated in the following currencies:				
Singapore Dollar	**3,955**	218,824	**–**	–
Pound Sterling	**42,691**	335,870	**32,691**	297,197
Total	**46,646**	**554,694**	**32,691**	**297,197**

	GROUP		COMPANY	
	2019 £	2018 £	2019 £	2018 £
Due to related parties				
KSP Investments Pte Ltd	**–**	516,021	**–**	297,197
Dr Sam Malafeh	**46,646**	38,673	**32,691**	–
	46,646	**554,694**	**32,691**	**297,197**

During the year,

a) KSP Investments Pte Ltd, a Company of which two of the Directors were also shareholders during 2019, received a repayment of £564,001 to clear amount owed to them. The outstanding balance as at 31 December 2019 is £0 (2018: £516,021).

b) All amounts due to related parties were unsecured, interest-free, and due within the next twelve months.

24. FINANCIAL LIABILITIES

	GROUP		COMPANY	
	2019 £	2018 £	2019 £	2018 £
Non-current liabilities				
Finance lease obligations	–	63,957	–	–
Convertible Loan Notes	–	299,280	–	299,280
Term Loan	**2,438,573**	140,135	**2,438,573**	–
Warrants	**75,640**	–	**75,640**	–
Lease	**4,580,165**	–	–	–
	7,094,378	503,372	**2,514,213**	299,280
Current liabilities				
Convertible Loan Notes	**316,587**	–	**316,587**	–
Lease	**604,863**	–	–	–
Trade and other payables	**1,674,225**	974,038	**292,815**	129,983
Related parties	**46,646**	554,694	**32,691**	297,197
	2,642,321	1,528,732	**642,093**	427,180
Total	**9,736,699**	2,032,104	**3,156,306**	726,460

Convertible Loan Notes

At 31 December 2019, the Group has obligation for £316,587. (See Note: 30).

Term Loan

In August 2019, Malvern received a Term Loan from BOOST & CO for £2,600,000. This loan carries an interest rate as the higher of (a) 10% per annum, or (b) 8% per annum plus LIBOR. The loan will be repaid over 60 months on a fixed monthly instalment basis. However, as part of fundraising in June 2020, the Company has agreed a restructuring of its existing debt with Boost & Co. which provides for a two-year capital repayment holiday and interest free period subject to performance conditions.

As part of the transaction around the disposal of Malaysia operations, the company retained half of loan with AmBank, whereas the other half of the loan was taken over by the purchaser. The loan is to be repaid over the length of the loan term ending Dec 2024, with repayment starting from Jan 2021. The value of half of the loan, together with interest capitalisation is £94,563.

Warrants

As part of the term loan, BOOST & CO was issued warrants over 12,167,131 shares. These warrants are exercisable at the Strike Price at any time over the following 10 years since the inception of term loan in August 2019.

As at the date of financial position, the Company has fair valued these warrants at £75,640*. The following estimates were used to calculate this fair value:

- Annualised volatility of 109% and 85% at the inception of term loan and at the year end respectively, calculated using share price volatility over a preceding 3 year period.
- Maturity of 10 years applied, reflecting the duration over which BOOST & CO could exercise these warrants.
- Risk free rate of 0.50%, being the Yield on UK 10 year Government bonds.
- Strike price of £0.0256, being the 28 day average share price preceding the date (ie 27 Aug 2019) of drawdown

* a reasonable change in assumption used in calculating the fair value of the warrant will not lead to a material change.

25. 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
Additions during the year – 21 February 2019 1p ordinary shares	**15,150,000**	**151,500**	**–**	**–**	**151,500**
At 31 December 2019 1p ordinary shares and 1p deferred shares	**258,576,293**	**7,153,297**	**44,198,781**	**2,209,939**	**9,363,236**

During February 2019, 15,150,000 1 p ordinary shares were issued as a fund raising at 4 p each

Deferred shares have no rights attached to them.

26. RESERVES

The Company has the following types of reserves:

(i) Share premium reserve

	2019 £	2018 £
Balance as at the beginning of the year	**5,016,849**	896,111
Issue of new shares	**454,500**	4,445,518
Fund raising expenses	**(39,900)**	(324,780)
Balance as at the end of the year	**5,431,449**	5,016,849

The share premium reserve arises where shares have been issued at a price more than the nominal value of 1 p (formerly 5 p until the division of the shares in June 2018) less any costs of the issue.

(ii) Retained earnings

	GROUP		COMPANY	
	2019 £	2018 £	2019 £	2018 £
At the beginning of the year	**(9,196,097)**	(8,629,151)	**(4,771,282)**	(4,433,867)
Profit / (Loss) for the year	**(8,368,301)**	(566,946)	**(12,660,341)**	(337,415)
At the end of the year	**(17,564,398)**	(9,196,097)	**(17,431,623)**	(4,771,282)

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

(iii) Translation reserve

	GROUP		COMPANY	
	2019 £	2018 £	2019 £	2018 £
At the beginning of the year	**589,290**	739,455	**–**	–
Translation difference on discontinued operations	**(385,600)**	–	**–**	–
Translation differences on continuing operations	**68,884**	(150,165)	**–**	–
At the end of the year	**272,574**	589,290	**–**	–

The translation reserve arises from translation differences arising from converting subsidiary operations' income statements and statements of financial positions at the prevailing rates of exchange.

(iv) Convertible loan reserve

	GROUP		COMPANY	
	2019 £	2018 £	2019 £	2018 £
At the beginning of the year	**28,822**	104,187	**28,822**	104,187
Changes in the present value	**–**	(75,365)	**–**	(75,365)
At the end of the year	**28,822**	28,822	**28,822**	28,822

The convertible loan reserve arose on the issue of convertible loans notes in November 2017 (note 30).

(v) Capital reserve

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

27. RELATED PARTY TRANSACTIONS

There were no transactions of income/(expenses) with related parties, except the ones mentioned in notes 18 and 23.

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

	2019 £	2018 £
Key management personnel		
Directors' remuneration:		
- Salaries and bonuses	**200,000**	103,078
- Directors' fees	**24,000**	10,916
	224,000	113,994

Analysis of Directors' fees and emoluments:

	SALARY & BONUS £	FEES £	TOTAL £
2019			
Sam Malafeh	**200,000**	**–**	**200,000**
Mark Elliott	**–**	**18,250**	**18,250**
Allan Carroll	**–**	**5,750**	**5,750**
	200,000	24,000	224,000
2018			
Sam Malafeh	103,078	–	103,078
Wee Hock Kee	–	10,916	10,916
	103,078	10,916	113,994

28. SUBSEQUENT EVENTS

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

Since the year end, it has become clear that the spread of Covid-19 will have a material impact on many economies globally both through the effects of the virus itself and the measures taken by governments to restrict its spread. Given the significant impact of Covid-19 on the company's operations and working capital, the company undertook a fundraising in June 2020, which raised £1,155,000.

Following a review of the operations, the board has decided to close its Singapore operations. The company has agreed with the regulatory education board in Singapore that the majority of existing students will either be taught to the end of their course or transferred to other institutions.

In addition, the company has agreed a restructuring of its existing debt with Boost & Co. which provides for a two-year capital repayment holiday and interest free period subject to performance conditions.

29. 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.

The group holds the following financial instruments:

2019	NOTES	POUND STERLING	SINGAPORE DOLLAR	TOTAL POUND STERLING
Financial assets at amortised cost				
Cash and cash equivalent	19	61,513	21,751	**83,264**
Trade receivables	16	547,355	203,978	**751,333**
Other debtors		64,495	–	**64,495**
Total financial assets		673,363	225,729	**899,092**
Financial liabilities at amortised cost				
Trade and other payables	24	1,220,033	454,192	**1,674,225**
Due to Related Parties	24	42,691	3,955	**46,646**
Borrowings	24	2,438,573	–	**2,438,573**
Lease liabilities	24	3,175,719	2,009,309	**5,185,028**
Convertible loan Note	24	316,587	–	**316,587**
Financial liabilities at FVPL				
Warrants	24	75,640	–	**75,640**
Total financial liabilities		7,269,243	2,467,456	**9,736,699**
Net position		(6,595,880)	(2,241,727)	**(8,837,607)**

(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. 65% (2018: 86%) of the Group's accounts receivables are made up of individual students, 12% (2018: 2%) relates to large funding organisations such as government related bodies and the balance of 23% (2018: 11%) to other organisations. All trading activities are concentrated in South East Asia and Europe. The analysis of aging debtors is provided in Note 16.

(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.

2019	ON DEMAND OR WITHIN ONE YEAR £	WITHIN 2 TO 10 YEARS £
Trade payables	**985,056**	**–**
Other payables and Accruals	**689,169**	**–**
Due to related parties	**46,646**	**–**
Term Loan	**–**	**2,438,573**
Lease Liabilities	**604,863**	**4,580,165**
Convertible Loan Notes	**316,587**	**–**
Warrants	**–**	**75,640**
	2,642,321	**7,094,378**

2018	ON DEMAND OR WITHIN ONE YEAR £	WITHIN 2 TO 5 YEARS £
Trade payables	380,678	–
Other payables and Accruals	569,361	–
Due to related parties	554,694	–
Finance leases	29,846	63,957
Convertible Loan Notes	–	299,280
	1,534,579	363,237

(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.

	10% WEAKENING OF GBP		10% STRENGTHENING OF GBP	
	IMPACT ON EQUITY £	IMPACT ON INCOME/ RESERVES £	IMPACT ON EQUITY £	IMPACT ON INCOME/ RESERVES £
At 31.12.2019				
Singapore Dollar	**126,039**	**88,346**	**(126,039)**	**(88,346)**
Malaysian Ringgit	**–**	**–**	**–**	**–**
At 31.12.2018				
Singapore Dollar	270,240	38,001	(270,420)	(38,001)
Malaysian Ringgit	5,770	26,230	(5,770)	(26,230)

(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 2019, 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 £	FIXED RATE INTEREST BEARING	NON-INTEREST BEARING £	TOTAL £
At 31.12.2019				
Assets				
Trade and other receivables	–	–	1,416,368	1,416,368
Cash and bank balances	–	–	83,264	83,264
Total assets	–	–	1,499,632	1,499,632
At 31.12.2019				
Trade and other payables	–	–	1,674,225	1,674,225
Due to related parties	–	–	46,646	46,646
Borrowings	–	2,438,573*	–	2,438,573
Lease liabilities	–	5,185,028	–	5,185,028
Warrants	–	–	75,640	75,640
Convertible loan notes	–	316,587	–	316,587
Total liabilities	–	7,940,188	1,796,511	9,736,699

*This loan carries an interest rate as the higher of (a) 10% per annum, or (b) 8% per annum plus LIBOR.

(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

		CASH			NON-CASH			
	1 JANUARY 2019	RECOGNITION AT FAIR VALUE	NET FINANCING CASHFLOWS	INTEREST PAID	FAIR VALUE MOVEMENT	RECLASSIFIED	INTEREST ACCRUED	31 DECEMBER 2019
Term loan	**169,982**	–	2,524,581	(100,094)	(273,280)	–	117,384	**2,438,573**
Warrants	**–**	273,280	–	–	(197,640)	–	–	**75,640**
Convertible loans notes	**299,280**	–	–	–	17,307	–	–	**316,587**
IFRS 16 - Lease Liability*	**5,623,656**	–	(744,091)	–	4,100	–	301,363	**5,185,028**

*£63,957 has been included within the opening of IFRS 16 lease liability which was disclosed as finance lease in prior year financial statement.

	1 JANUARY 2018	NET FINANCING CASHFLOWS	INTEREST PAID	INTEREST ACCRUED	ACQUISITION OF SUBSIDIARY	LOAN NOTE CONVERSION	31 DECEMBER 2018
Leasing	25,314	(24,365)	(2,698)	2,698	63,008	–	63,957
Term loan	185,708	(15,726)	(21,749)	21,749	–	–	169,982
Convertible loans notes	995,813	–	–	–	–	(696,533)	299,280

(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 2019 £	GROUP 2018 £	COMPANY 2019 £	COMPANY 2018 £
Total debt	**2,514,213**	2,748,635	**2,514,213**	928,575
Less: Cash and cash equivalents	**(83,264)**	(96,573)	**(864)**	(2,134)
Net debt	**2,430,949**	2,652,062	**2,513,349**	926,441
Total equity	**(2,297,757)**	5,456,870	**(2,608,116)**	9,210,125
Debt to equity	**–**	48.60%	**–**	10.05%

Financial assets are disclosed in notes 16 to 20. The Group's principal financial assets are bank balances, trade and other receivables.

30. 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 2017	(£100,000)	
Balance at 31/12/2017	£1,100,000	
Amount converted in 2018	(£771,898)	
Fair value adjustment	(28,822)	
Balance at 31/12/2018	£299,280	
Fair value adjustment	17,307	
Balance at 31/12/2019	**316,587**	

31. 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 £2,980,290.

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 2018 TO DEC 2018 £
Total Income	**680,675**
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**

Notes

SHAREHOLDER INFORMATION

Registered office

100 Avebury Boulevard
Milton Keynes
United Kingdom
MK9 1FH

Head office

200 Pentonville Road
London
N1 9JP

Website

www.malverninternational.com

Registered number

05174452

Listing information

AIM:MLVN

Date of Annual General Meeting

15 October 2020

ADVISERS AND REGISTRARS

Nominated adviser and broker:

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London
EC4R 0DR

Company Secretary & Solicitors

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United Kingdom
MK9 1FH

Auditor

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Shareholder enquiries

Our website contains a wide range of information of interest to investors, including: latest news, press releases and Annual Reports. For further information please contact info.plc@malvernplc.com