Malvern International Plc

Annual Report 31 December 2020

malvern INTERNATIONAL

Contents

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https://www.malverninternational.com

Highlights

For the year ended 31 December 2020

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.

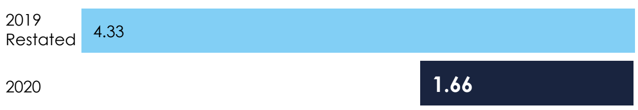
"2020 was undoubtedly a very challenging year for Malvern with long periods of school closures, and social distancing and global travel restrictions impacting student numbers, bookings and course delivery. However, there remains strong demand for Malvern's education products. The performance of the University Pathways division in the last quarter of 2020 gives us confidence in our ability to grow this area of the business, and we have continued to strengthen our relationships with our partners and develop new courses. The continued rollout of the UK vaccination programme makes us hopeful that the UK will greenlight more nations to allow international travel to the UK to reopen. On this basis, we expect the language business division to continue to build during the course of the year and return to pre-pandemic levels in 2022. For these reasons, combined with a significantly stronger and experienced management team in place, we remain positive about the outlook for the Company."

Richard Mace, Chief Executive Officer

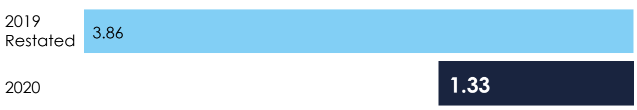
Continuing operations[1]

REVENUE (£M)

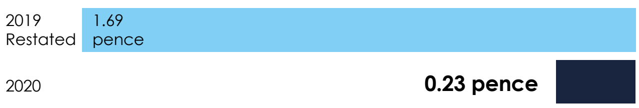
LOSS FOR THE YEAR (£M)



OPERATING LOSS (£M)



LOSS PER SHARE[2]



[1] As at 31 December 2020, continuing operations included activities in the UK only, following the closure of the Singapore operations during the year. The loss from discontinued activities in Singapore was £0.48m (2019: £1.55m), and the loss per share from discontinued activities was 0.06 pence (2019: 0.60 pence). This resulted in a total loss including discontinued operations of £2.14m (2019: £8.37m) and a total loss per share including discontinued operations of 0.29 pence (2019: 3.26 pence). Further information relating to the discontinued operation for the period to the date of the closure is set out in note 4(b) of the financial statements.

[2] Calculated using weighted average number of shares in issue during the period 735,661,044 (2019: 256,243,628).

Strategic Report

Chairman's statement

For the year ended 31 December 2020

Introduction

2020 was undoubtedly a very challenging year for Malvern with long periods of school closures, and social distancing and global travel restrictions impacting student numbers, bookings and course delivery. The unprecedented events had a profound impact on revenues and cash flow.

Revenues reduced 60% to £1.90m from continuing operations (2019 restated: £4.70m). Strong cost control measures were put in place to minimise losses and ensure the continuity of the business. The impact of these decisions resulted in an operating loss before impairments of £1.33m (2019 restated: loss £1.18m) and a total operating loss of £1.33m (2019 restated: loss £3.86m).

The total loss for the year after discontinued operations was £2.14m (2019: £8.37m). This resulted in a loss per share of 0.29 pence (2019 restated: Loss 3.26 pence).

Financing

The prolonged situation necessitated the Group to seek additional funding to provide sufficient cash resources to trade through the year, while building on the opportunities being created by the new management team in the second half.

The Company raised £1.15m (net) by way of a placing and subscription in June 2020 and at the same time agreed the restructuring of its existing debt facility with Boost & Co., providing a two year capital repayment holiday and interest free period subject to certain performance conditions. Since the year end Malvern raised a further £1.60m after expenses by way of placing and subscription.

Staff

I would like to take this opportunity to thank every one of our members of staff and the teaching faculty who have risen to the challenges of adapting to remote teaching and continuing to deliver quality education to our student body. We were able to limit redundancies largely to support staff working in our schools by taking advantage of government support schemes where possible.

To retain, incentivise and align the interests of employees with certain performance targets and strategic goals, the Company introduced an EMI share option scheme in 2020. The EMI Options represented 8.5% of the existing share capital of the Company at the time that they were awarded to key members of staff and will vest after three years once defined share price levels have been attained for 40 consecutive business days.

Board and executive management

Richard Mace was appointed as CEO of the Company in June 2020 having previously founded Communicate English School Limited which was acquired by Malvern in 2018. The Board currently comprises of one Executive Director, Richard Mace, and two independent Non-Executive Directors, Mark Elliott and Alan Carroll.

Since joining the Company, Richard Mace has made a number of appointments at senior level to strengthen the executive management team and introduce the skills and experience needed to develop sales and strengthen operations. New appointments include a Group Head of Finance, Head of Global Sales and Marketing and a new role of UEL Centre and Development Director, to reflect the strong growth in that area of the business. More information can be found in the operational review.

Company reorganisation

In August 2020, the Group announced closure of Singapore operations and this is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of the closure is set out in note 4(b).

Malvern's operations are now based solely in the UK. The business comprises three language schools, on-site pre-university and in-sessional courses on behalf of university partners, and summer language camps for juniors in a variety of settings. In addition, the Group has expanded on its online offering, providing a range of stand-alone remote and hybrid learning experiences as well as providing teaching remotely when required to existing in-class students. The divisions share back-office administrative, finance, sales and marketing resources.

The Board has reviewed its strategy and has identified the significant opportunities that are available in the growth of English Language training ("ELT") and in supporting international students into higher education in the UK.

Governance

The Group recognises the importance that environmental, social and governance matters contribute to the long-term sustainability of the business. Given its size, Malvern is not required to disclose its GHG emissions and carbon data at present. However, the management team is currently in the process of assessing ways it can capture the data required to report on its carbon footprint and set targets for reducing its energy consumption and energy intensity.

The Company is incorporated in the UK and governed by the Companies Act 2006. Where considered appropriate the Company follows 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.

Outlook

We now have an excellent management team in place who are ensuring we are well prepared for the return of international travel.

There is a significant backlog of demand for face-to-face language tuition in the UK and it is important that safe travel is available by the early autumn to facilitate this. We are expecting the number of university students to grow substantially post pandemic, however online tuition may continue into the 2021-2022 academic year.

The worldwide handling of the pandemic presents evolving scenarios to us and so we will provide updates when meaningful developments occur. In the meantime, we continue to build a resilient structure to enable foreign language students worldwide to benefit from the training we are able to provide to them in the UK.

Mark Elliott
Chairman
18 June 2021

Our market

For the year ended 31 December 2020

Markets

Long-term growth prospects for UK international education

Despite the hiatus of 2020, the long-term prospects for UK International Education remain strong. With the Covid-19 vaccine rollout progressing well in the UK, we expect the Government to be reviewing options for international students to arrive in the UK during 2021. We believe this reopening is likely to be followed by a period of strong demand from students who have either delayed course starts or resume their education. To add to this, the pandemic resulted in a number of ELT closures and mergers with a reported 60 fewer accredited centres in the UK than there were in March 2020, providing opportunities for Malvern to grow its market share and strengthen its position.

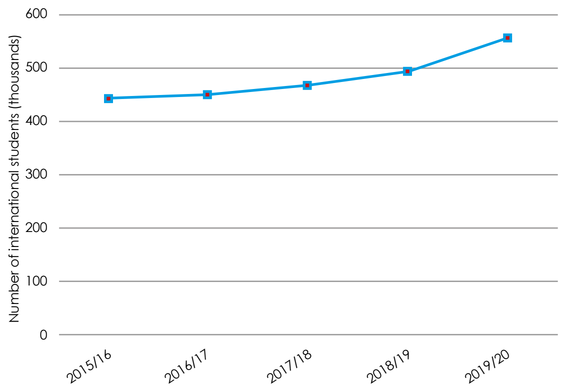
To add to this, the UK Government recognises the value of the international student market to the UK economy, publishing an update to its international education strategy in February 2021 to support recovery and growth. Its intention is to increase education exports to £35 billion per year and to increase the numbers of international higher education students studying in the UK to 600,000 per year by 2030. This commitment provides significant opportunities for Malvern across its ELT and Pathways businesses.

Prior to the Covid-19 pandemic, the UK hosted around 560,000 international students, an increase of around 12% since 2018/19 academic year and in 2018 – the most recent 'normal' comparable year - contributed £23.3bn to the UK economy. To encourage growth and recovery, improved visa conditions have been introduced to encourage ELT in the UK. Students from Saudi Arabia and China, two key markets for Malvern, are able to study for up to six months on a visitor visa, and from 2021 Europeans can come and study in the UK for six months without a visa.

In addition the market for the Pathways business is also being supported through the introduction of a new Graduate route for international students, which will provide a period of 2 years for undergraduate or masters' students (3 years if studying at PhD level) to stay in the UK to work, or look for work, after they have completed their degree in the UK.

It is against this backdrop that Malvern has set its strategic priorities: to take advantage of the opportunities available in its three areas of business: Juniors, ELT and the University Pathways.

Figure 1: Non-UK domiciled students in UK higher education providers



Source: Higher Education Statistics Agency (HESA)

At a glance

Every student is unique.
We offer something for each one.

Malvern International is a learning and language skills development partner.

We offer international students essential academic and English language skills, cultural experiences and the support they need to thrive in their academic studies, daily life and career development.

50,000+
Students Trained

120+
Nationalities Taught

30+ years
Experience

6
Study locations

University Pathways

Offering

On and off-campus university pathway programmes helping students progress to a range of universities.

Description

Pre-university, foundation and pre-masters level courses for international students joining UK universities.

Courses

Undergraduate and Postgraduate Foundation programmes in:

- Business and management,
- Accounting and finance,
- Humanities and social science, and
- Engineering and Science

International Year One in business and engineering

In-sessional and pre-sessional courses

Locations

University of East London
Wrexham Glyndwr University
NCUK, Malvern House London

Malvern House Schools

Offering

British Council accredited, English UK registered schools in London, Brighton and Manchester.

Description

A range of interactive language programmes ranging from General English to CLIL teaching programmes.

Courses

General English, English for professionals, exam preparation for IELTS and Cambridge

Locations

Malvern House London
Communicate School Manchester
Malvern House Brighton

Central services:

Shared business systems for student recruitment, admissions and quality assurance.

Malvern Online Academy

Offering

A British Council accredited online school, offering supported tuition to students from around the world.

Description

Online, remote and blended English language, higher education, and professional education.

Courses

General English, English for Juniors preparation for IELTS

Delivery options

Full time, part time, One to one

Juniors and summer camps

Offering

English language and travel experience for secondary school students.

Description

Fully-immersive summer residential language camps and bespoke group programmes for 13 to 18 year olds.

Courses

General English and cultural experiences

Locations

Summer study centres

Business model

For the year ended 31 December 2020

We are a student-centred organisation, putting the needs and academic progression of our students first. In doing so, our business is able to thrive, providing new opportunities to form partnerships, provide employment and career opportunities, and deliver value to our investors.

Group inputs

People

The Group employs over 100 members of staff.

Premises

Malvern's education centres provide a high quality focus point for our student body.

Technology

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

Financial Investment

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

What we offer

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.

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.

Sustainable growth in student numbers

The Group aims to grow its student body organically by building its reputation as a quality educator, and by acquiring established complementary education providers and providing an unrivalled student experience.

Underpinned by

A strong culture of innovation and efficiency with no compromise to the quality of education.	Targeting profitable markets while maintaining student nationality mix.

Long-term partnerships

The Group 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 network are key to student recruitment.

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, to make the most of their cultural experience. Malvern education centres aim to be a hub for its student and staff bodies.

Strong cost control

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

Varied courses and high-quality and results-driven teaching.	Embedded quality control processes, formalised risk management and strong IT infrastructure.

Stakeholder outcomes

Students

We create value for students by offering them qualifications and language skills that support them throughout their lives. We are strongly student-centred ensuring continued progression in learning.

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.

Our **strategic priorities**

For the year ended 31 December 2020

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.

Strategic priorities for 2020	Progress	Strategic priorities for 2021
Work with existing university partners to deliver pre-university courses in line with university re-openings.	• University Pathways students for September 2020 entry double the numbers in 2019 with a total of 167 students from January 2021. • New centre director appointed at UEL. • Awarded status of NCUK delivery centre – off-campus pathway.	• New courses offered at UEL and NCUK accreditation will support the rebuilding of student numbers during 2021. • Continue to develop relationships with UEL, NCUK and Wrexham Glyndwr University. • Build sales from Chinese market with the introduction of a new sales team. • Continue to explore new partnership opportunities and broaden scope of existing partnerships.
Re-build language student numbers and enrolments in the UK.	• Language schools were required to remain closed throughout most of 2020 and did not reopen until March 2021. • 80% of the existing language students who were already in the UK transitioned to online study via Malvern Online Academy (MOA).	• Until international travel opens we will be focused on targeting the students within the UK. • Aim to build sales for H2 2021 with a view to return to pre-pandemic levels from 2022.
Build on the online education platform and refine sales and marketing strategies.	• Reviewed the branding positioning, pricing, and sales and marketing strategy for MOA. • MOA refocused in 2020 to provide remote lesson to existing students affected by Covid-19.	• Expand the range of courses offered to include add-on subscription-based lessons to support in-class teaching and follow-on courses for students that have completed class-based studies. • Review the technology platform to grow the variety of courses that can be offered and how they are delivered.

Strategic priorities for 2020	Progress	Strategic priorities for 2021
Strengthen the management structure and appoint a Chief Financial Officer to the Board of Directors of the Company.	• Executive Management Team strengthened with key appointments across the Company. • Given the continued uncertainty caused by the pandemic, the Board took the decision to postpone the appointment of a CFO to the Board, instead appointing a Group Head of Finance to the Executive Management Team.	• Identify additional skills gaps at senior management level and provide training as required.
Improve internal systems including sales, student-bookings, customer relationship management, finance, and marketing.	• Company reorganisation completed. • Significantly strengthened executive management team with the appointment of a Group Head of Finance, UEL Centre and Development Director and Head of Global Sales and Marketing. • Restructured sales team and agent network. • Company branding and identity refreshed.	• Establish a Chinese market focused sales function with particular focus on Juniors and NCUK students. • Build on new branding and develop the Company image and perception amongst key partners and students. • Appoint a Group Head of Operations.
Safeguard the health and safety of staff and students, following government guidelines regarding social distancing.	• All government guidelines relating to Covid-19 hygiene and social distancing rules followed as required. • UK schools were closed when required with teaching delivered remotely or through blended learning. • PPE and sanitising equipment provided at all locations with posters and reminders relating to social distancing and hygiene guidance displayed in all public areas. • Additional health and hygiene training provided to staff. • Additional support provided to students during the year.	• Continue to follow health and hygiene government guidelines where required. • Promote success of UK's vaccination programme to students looking to access programmes in our centres.

Operating review

For the year ended 31 December 2020

Summary

- Language schools closed for long periods in 2020 due to Covid-19 and international travel restrictions, affecting forward sales bookings.
- Courses for existing students delivered online through Malvern Online Academy.
- Grew and strengthened relationship with UEL, doubled student numbers on previous year and added new courses.
- Awarded NCUK delivery centre status in December 2020.
- All Malvern Junior camps cancelled in 2020.

University Pathways

Despite the uncertainty surrounding course start dates, the University Pathways division made considerable progress in 2020. In total, students for the September 2020 intake at University of East London (UEL) and Wrexham Glyndwr were double the previous year at around 170 students, and approximately 25% above management expectations, driven largely by UEL.

The partnership with UEL was strengthened with increasing student numbers, two new courses validated and the appointment of an experienced centre director. The two new courses, International Year One in Computer Science and International year One in Hospitality Management, will be introduced from September 2021.

The successful application to become a NCUK accredited delivery centre from our London Kings Cross school is a significant achievement for Malvern. A consortium of leading universities dedicated to giving international students guaranteed access to universities worldwide, NCUK prepares international students for undergraduate study at a UK university and guaranteed progression options to over 20 leading partner universities in the UK, as well as established universities in USA, Canada, Australia and New Zealand. From September 2021, Malvern will accept international and EU students on their nine month NCUK International foundation programme, providing a valuable new revenue stream.

English language schools

The English language schools remained closed for extended periods in 2020, significantly affecting our

performance during the year. Around 80% of existing students received online tuition in a mix of remote and live-streamed classes, with balance choosing to postpone their courses until such time that face to face teaching resumed.

The Manchester, London and Brighton schools reopened in March 2021, with sales, whilst international travel remains restricted, focused on students already in the UK. At present we are expecting student numbers to return to former pandemic levels in 2022.

To support student numbers and sales margins, the Group is adopting the proven recruitment model used by our Communicate Manchester centre, to increase the number of Middle Eastern students and direct sales.

Malvern Juniors

Due to Covid-19, all of our Junior language camps were cancelled in 2020.

We maintained regular dialogue with our Italian cohorts, which were postponed into 2021 and began developing new sales channels. In addition we had over £1.0m in pre-booking from the Hungarian government English language scholarship scheme, Tempus. This programme will now be running for five years from 2022 to 2027 and our sales and marketing team are in the process of building bookings.

We recognise that the biggest source of Junior students are Italy and China, together holding

45% of the UK market share in total. While we have strong success with the Italian market, we identified opportunities to build on sales coming from China.

In line with the investment in a sales team in China detailed below, and market recovery, Malvern Juniors intends to run four summer centres in 2022, and in 2023 seven summer centres and one low season centre.

Malvern Online Academy (MOA)

Online education remains a key part of Malvern's diversification plan. During 2020, online teaching was refocused towards teaching English language students that were unable to attend in-class study. In order to preserve student numbers in the event of further lock-downs, all new student contracts now include a provision for online learning in the event that schools are forced to close.

With this shift in focus in 2020 to meet the immediate needs of the business, further development of MOA was put on hold. The addition of new courses, market positioning, pricing and the business model is currently being reviewed in the context of developments in the last 18 months and a greater acceptance and adoption of online learning.

Central services

The Group continued to make improvements to its central shared services, which includes both back-office and sales and marketing. We have appointed a new Head of Finance, are seeking to appoint a Head of Operations, and have reorganised our internal functions to establish clear reporting structures and areas of responsibility.

Sales and marketing

The Group has restructured the sales and marketing team and adopted the student sales model used by its Manchester school for all centres. The model focuses on a combination of B2B and B2C recruitment models. B2C sales are generated by well-trained front office staff and investment in SEO, AdWords and targeted social media spend. The B2B sales focuses on agencies and relationships with embassies focused on geographies that provide profitable growth opportunities. Direct sales is supported by strong branding and visibility on agency and association websites.

To drive the sales and marketing function, we have appointed a new Head of Sales and Marketing. This is supported by refreshed Group branding that is more modern and appealing to our target audiences.

Going forward we will be increasing our sales focus on the Chinese market, establishing a Chinese sales team to take advantage of the significant opportunity this market presents across all areas of the business, but in particular University Pathways and Malvern Juniors.

Richard Mace
Chief Executive Officer
18 June 2021

Key performance indicators

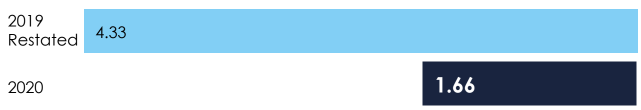
For the year ended 31 December 2020

FINANCIAL KPIs - CONTINUING OPERATIONS[1]

REVENUE (£M)

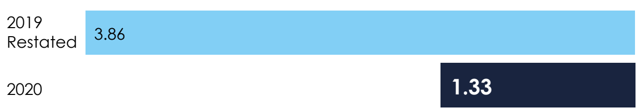
Performance: Revenues were significantly down year on year due to the Covid-19 pandemic and prolonged periods of school closures. Existing students who were affected by the lock-downs were transferred to online teaching where possible. However at the outset of the pandemic, students were able to choose whether to continue or delay their education, and the continued uncertainty led to a significant reduction in course bookings. From August 2020, a provision has been introduced to transfer all new students to online teaching in the event of further lock-downs, protecting revenue streams. The revenue for the year including discontinuing activity was £2.55m (2019: £7.01m).

LOSS FOR THE YEAR (£M)



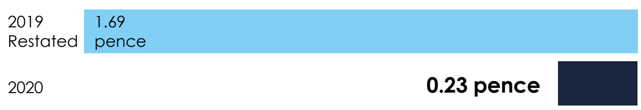
Performance: The loss for the year from continuing operations reduced significantly due to the reduction in operating loss performance as well as losses attributed to activities in Malaysia which were treated as discontinued operations in the 2019 accounts. The loss for the year including discontinued activity was £2.14 m (2019: £8.37m).

OPERATING LOSS (£M)



Performance: The operating loss reduced significantly due to tight cost controls in 2020 and the Board's decision to apply significant write downs to the value of intangible assets and the amortisation of certain brand, licences and trademarks impacting the result in 2019. The operating loss for the year including discontinuing activity was £1.70m (2019: £5.90 m).

LOSS PER SHARE

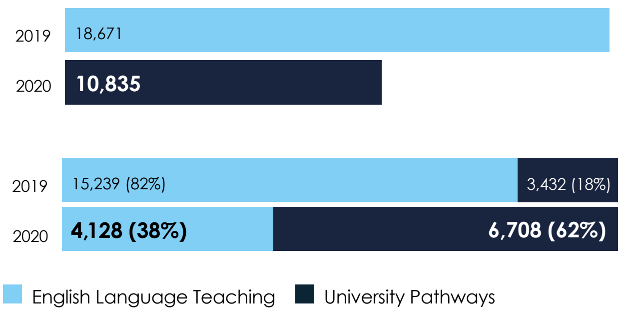


Performance: The loss per share is calculated using weighted average number of shares in issue during the period 735,661,044 (2019: 256,243,628). The increase in the loss per share can be attributed to the events of 2020. The total loss per share including discontinued activity was 0.29 pence (2019: 3.26 pence).

1 As at 31 December 2020, continuing operations included activities in the UK only, following the closure of the Singapore operations during the year. Further information relating to the discontinued operation for the period to the date of the closure is set out in note 4(b) of the financial statements.

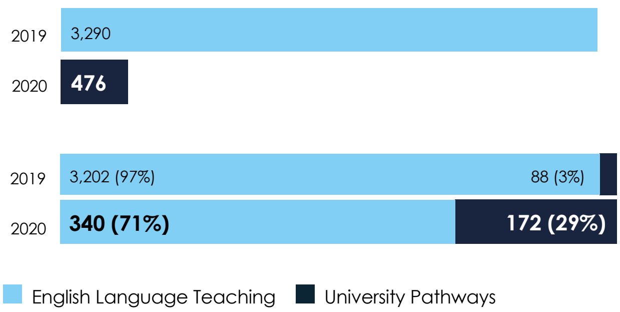
NON-FINANCIAL KPIs – UK ONLY

STUDENT WEEKS DELIVERED



Performance: Student weeks are defined as the total number of weeks delivered to students who undergo a minimum of 10 hours per week including in-class and online courses. The overall number of students weeks delivered was affected by Covid-19, school closures and the cancellation of Juniors camps in 2020. However there was significant growth from University Pathways which nearly doubled year on year and grew significantly as a proportion of total business.

NUMBER OF STUDENTS



Performance: The number of students is calculated as the number of students who have undergone tuition for a minimum of 10 hours per week during the course of the year. The overall number of students weeks delivered was affected by Covid-19, school closures and the cancellation of Juniors camps in 2020.

University Pathways student numbers have grown significantly since 2018 with UEL being the main source of increase in Pathway students. The first intake at Wrexham Glyndwr took place in September 2020. NCUK first intake will be in 2021. All Pathways students for the 2020-21 academic year have studied online to date. Some face-to-face study is likely to take place for the final two months of the academic year in late May and June 2021.

Financial review

For the year ended 31 December 2020

FINANCIAL REVIEW

Performance and discontinued operations

In August 2020, the Group announced the closure of Singapore operations. This is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of the closure is set out in note 4(b).

Revenues reduced 60% to £1.90m from continuing operations (2019 restated: £4.70m). Strong cost control measures were put in place to minimise losses and ensure the continuity of the business. The impact of these decisions resulted in an operating loss of £1.33m (2019 restated: loss £1.18m) and a total operating loss of £1.33m (2019 restated: loss £3.86m).

The total loss for the year from continuing operations is £1.66m (2019: £4.33m). This resulted in a loss per share of 0.23 pence (2019 restated: loss 1.69 pence).

Financial position

As a result of the decision to cease trading in Singapore during the year, £1.9m in right of use assets were disposed of. Cash and cash balances as at 31 December 2020 were £103,609 (2019: £83,264).

Financing

In order to provide sufficient working capital to support Malvern's operations, the Company came to an agreement to restructure the loan repayments on a £2.60m borrowing provided by Boost & Co. granting a capital and interest repayment holiday, in exchange for the issue of warrants over 33,333,333 New Ordinary Shares.

At the same time, the Company raised a further £1.15m (net) by way of a placing and subscription to strengthen the balance sheet and to provide working capital to support Malvern's planned operations through the Covid period as it was then anticipated to be.

Subsequent events

To ensure Malvern has the cash resources to trade through the continuing difficulties caused by Covid-19 and to build on the very significant progress that it has made in many areas of its business since the June 2020, the Company raised a further £1.60m (net) by way of Placing and Subscription in April 2021.

The closure of the Singapore school was completed in August 2020 and all operations in the territory have now ceased (liquidation commenced in April 2021). Malvern is now entirely focused on the UK international education market, where the Directors believe there is ample opportunity grow the business and take advantage of the long-term market growth prospects.

EMI scheme

To retain, incentivise and align the interests of employees with certain performance targets and strategic goals, the Company introduced an EMI share option scheme in 2020. The EMI Options represented 8.5% of the existing share capital of the Company at the time they were granted to key members of staff and will vest after three years once defined share price levels have been attained for 40 consecutive business days. More detail can be found in note 30 of the financial statements.

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 and the future prospects gives the Board confidence that it is appropriate to prepare the accounts on a going concern basis, as outlined in note 2(iv) of the financial statements.

While University Pathways courses went ahead from September 2020, and English language schools reopened fully from March 2021, there is no guarantee that the Covid-19 pandemic will not continue to persist and how quickly business will return to normal levels. The Board continues to manage all major creditors via deferral agreements where possible and maintains tight cost control.

Daniel Fisher
Group Head of Finance
18 June 2021

Risk management

For the year ended 31 December 2020

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

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

There are, from time to time, unprecedented risks that the Group faces outside of normal operations that can become material, such as health, safety and environmental risks.

Financial exposures — Risk level: high

Description

The Group 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 Group to access borrowing facilities and fundraising activities. These might be attractive in certain circumstances to provide additional working capital and fund growth opportunities.

The Group 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 of 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

Since the start of 2021, the Group reports in UK Sterling with 100% of revenue in 2020 denominated in UK Sterling and therefore foreign currency exchange risk no longer applies.

Regulatory and compliance changes — Risk level: low

Description

From time to time, Malvern is subject to regulatory changes and enforcement, which can have a significant impact to the Group 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

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.

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 to ensure the Group 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 Group has worked towards diversification of its courses and target groups to reduce the risk of regulatory changes.

Competition and commercial changes — Risk level: low

Description

While the Board does not perceive there to be any abnormal risk from the dominance of competitors or changes to consumer demand, the Group can face strong short-term competition in the form of intermittent price discounting, which can have an immediate and negative impact on forward bookings.

Mitigation

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

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

The demand for the majority of the courses Malvern offers are not subject to volatility in consumer tastes and this stability allows for diversification into new areas of education.

In 2020 around 60 accredited English language centres closed as a result of the Covid-19, and therefore the Group is likely to face less competition in the short to medium term.

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 Group 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 Group provides induction training and regular training to all staff.

The Group 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 Group and the impact and mitigation of the risk presented to the Company is reported in the outlook section of the Chairman's statement of this report.

The impact and risk to the Group includes:

- infection of its staff or students;
- a fall in forward-bookings, cancellations, and delays to course start-dates, resulting in a negative impact on the Group's financial performance; and
- the closure of schools and operations, significantly reducing revenues and placing significant cash constraints on the business.

Mitigation

The Board monitors and follow national and international health and safety guidelines and provides regular updates to its staff and student body.

In order to preserve cash, the following cost-saving plans were implemented in 2020 and into 2021:

- the majority of staff and all Directors agreed to salary reductions;
- the Group took advantage of government support schemes where they were available;
- rental payments were and, where possible, renegotiated; and
- the existing debt with Boost & Co. was restructured providing for a two year capital repayment holiday and interest free period.
- the Company raised a total of £2.75m (net) by way of two fundraising rounds in June 2020 and March 2021 in order to provide sufficient working capital until such time that business returns to normal levels.

Directors' section 172(1) statement

For the year ended 31 December 2020

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.

The Company's main stakeholders are identified in the Business Model on page 10, 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 an educational 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 Group incentivises employees through share-based incentives and the payment of bonuses and commissions linked to performance objectives. Where appropriate these objectives are be linked to profitability and performance targets. 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 and any long-term share-based incentives. 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.

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

Community: 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 Group adopts a proactive approach towards community education-driven initiatives particularly where they involve the education of those less fortunate. The Group 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 page 34.

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 page 29.

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 seeks to ensure that ethical behaviour and business practices are 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 Group's Employee Manual. The Group'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 Group.

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 Board

Mark Elliott
Chairman

Corporate Governance

Board of Directors

For the year ended 31 December 2020

The Board

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

Mark Elliott, Non-Executive Chairman

Date of appointment: 01 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 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: 02 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.

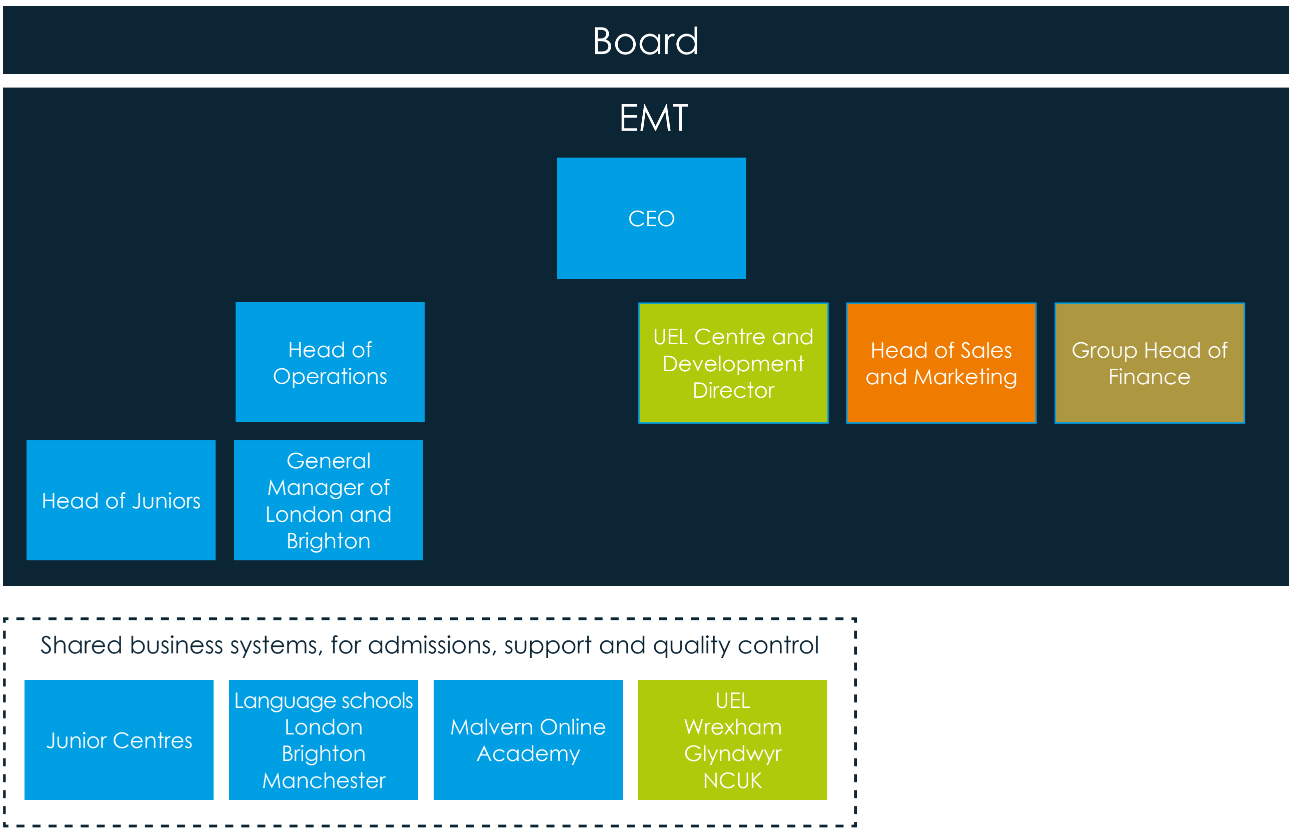
External appointments: Ideagen Plc, Ultris Limited and Goal Group Limited

Executive Management Team (EMT)

In addition to the CEO, the EMT consists of senior members of Malvern's management team. Each member is involved in operations and has significant experience in working the international education sector. The CEO, UEL Centre and Development Director and Head of Sales and Marketing, Head of Juniors and General Manager of London and Brighton are collectively responsible for business development.

The Company has made a number of important appointments and changes to its organisational structure to clarify roles and responsibilities, improve lines of communication and flow of information between the Board, the operational divisions, business development, sales and marketing and finance. Until such time that an appropriate candidate is appointed, the Head of Operations role being carried out by the CEO, Head of Juniors and General Manager of London and Brighton.

The EMT is in daily communication and meets fortnightly formally to discuss progress against set objectives, raise any concerns and potential risks to the business, business development and performance against internal budgets. Any material concerns are raised and communicated to the Board and, where necessary, are discussed at scheduled Board meetings.



Simon Fitch, UEL Centre and Development Director

Date of appointment: 7th January 2021

Simon is accountable for the provision of high quality, student-centred, operations at our UEL International Study Centre, and for supporting a range of internal and external developments within the Group.

Simon has spent his career in a range of educational settings, and has senior level experience in universities, schools and pathway organisations, including having previously directed a Foundation Student Centre. Simon is also a board member of FOCUS, an organisation devoted to simplifying the relocation journey for families and students coming to the UK.

Ashleigh Veres, Group Head of Sales and Marketing

Date of appointment: 6th January 2020

With more than 11 years in student recruitment and marketing, Ashleigh works diligently to develop and execute sales strategy for the Group.

Working closely with our university partners to realise shared goals, and with a keen focus on the development of partnerships with internationally-focused partners, Ashleigh is a strong advocate for the opportunities that international education provides students.

Ashleigh is responsible for leading the Global Recruitment Unit and managing the marketing for the organisation.

Daniel Fisher, Group Head of Finance

Date of appointment: 18th January 2021

Daniel has over 13 years of experience of successfully leading Finance teams. Daniel led an SME in Australia through a successful IPO as Head of Finance. His listed company experience at group level also includes management of audits for a multinational SME and merger and acquisition transactions.

Kris Hall, General Manager of London and Brighton

Date of appointment: 7th August 2017

With a focus on ensuring the success of two of our schools and working on key projects within the organisation, Kris has a strong operational background in managing the complexities of running language schools. Kris is passionate about student welfare, and works with his teams diligently to embed practices across the schools.

Kris completed his postgraduate studies at the University of Westminster where he studied Health and Social Care Management, and has been a senior manager in the Private Sector, Third Sector and Education Sector for over 20 years. Kris is the Safeguarding Lead at an organisational level.

Emiliano Sallustri, Head of Juniors

Date of appointment: 1st January 2019

Emiliano is the strategic lead for the development and execution of Malvern's Junior and Summer Camp offering. With a strong background in the travel language industry, Emiliano works closely with key sponsors and partners to ensure that we offer exciting and innovative learning opportunities for individuals and groups.

Emiliano ensures that all Malvern Summer and Juniors programmes run smoothly and deliver exceptional customer experience.

Chairman's corporate governance statement

For the year ended 31 December 2020

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. The Company 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 page 26.

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 the majority of 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. However, following the unprecedented events of 2020, this has been put on hold until such time that a formal search can be undertaken.

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. The frequency of communications at Board level has been significantly higher in 2020 than any previous year, as the Board sought to understand the implications of the Covid-19 pandemic and its response. In addition, the Board were in regular consultation with regards to the Company's cash resources in order to monitor and manage cash outflows. As a result the Board implemented strict cash control measures across the Group.

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.

Attendance at meetings during 2020

Director	Board meetings (12 meetings held)	Audit and risk committee (4 meetings held)	Nomination and remuneration committee (3 meeting held)
Mark Elliott	12	4	3
Alan Carroll	12	4	3
Richard Mace[1]	6	0	0
Sam Malafeh[2]	6	0	0
Haider Sithawalla[3]	6	0	0
Ramasamy Jayapal[4]	5	0	0
Nirvana Chaudhary[5]	3	0	0

1 Appointed on 30 June 2020

2 Resigned on 25 June 2020

3 Resigned on 30 June 2020

4 Resigned on 14 May 2020

5 Resigned on 8 July 2020

Strategy and risk management

A description of the Group's business model and strategic priorities can be found on pages 10 and 12 and the key challenges in their execution are detailed in the Chairman's Statement on page 5 and Operational Review on page 14. The Board is responsible for establishing and maintaining the Group's systems of internal financial controls and importance is placed on maintaining robust operational controls.

The Audit and Risk Committee (see page 43) has delegated responsibility for the oversight of the Group's risk management and internal controls and procedures and for determining the adequacy and efficiency of internal control and risk management systems. 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 Group's strategies, the Board, having identified the risks, seeks to limit the extent of the Group's exposure to them having regard to both its risk tolerance and risk appetite. Further details on the Group's risk management and internal controls can be found on pages 20 to 22.

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.

Audit and Risk Committee

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 43. Where necessary, specialist external consultants are used to assist the Committee. The Audit and Risk Committee report are set out on page 43.

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 page 40. Where necessary external recruitment consultants are used to assist the process. The Nomination and Remuneration Committee report are set out on page 40.

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 in on page 36 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 are aware of the importance of attaining greater diversity amongst its members, which includes roles and experience with other boards and organisations. This form part of any 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 greatly impacts all aspects of the Company 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 Group'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 successful achieve its corporate objectives. The Board places great importance these aspects of corporate governance and seeks to ensure that it flows through all the Group's activities.

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

The Group is committed to ensuring that the highest quality of teaching and education standards are embedded in the services it provides. The Group aims to provide the highest levels 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 Group has in place a range of policies to ensure the highest standards are maintained and that the Group's corporate culture is well understood by all individuals and adopted into everyday behaviours. These policies form part of the Group's Employee Handbook and are updated and reviewed on a regular basis.

Details on corporate social responsibility can be found on page 34.

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 (EMT) through Group authorisation limits on a structured basis, ensuring that proper management oversight exists at the appropriate level. The EMT comprises the Chief Executive Officer, UEL Centre and Development Director, Head of Sales and Marketing and. Group Head of Finance General Manager of London and Brighton and Head of Juniors. Biographies of the Executive Management Team can be found on pages 26 to 28 along with an organisational chart. EMT meetings are held fortnightly 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 Group 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 Group'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 Nominated Adviser.

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 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
18 June 2021

Corporate social responsibility

For the year ended 31 December 2020

Employment policies

As an educational 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 Director, 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 moderate staff engagement and satisfaction.

Health and 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.

Covid-19

In 2020, the Company ensured that all required social distancing and hygiene guidelines were followed in order to protect staff and students from contracting and spreading the coronavirus. Remote, online and blended teaching was provided during school closures and there were regular communications to staff and students outlining expectations and health and safety protocols. When schools were reopened, reminders in the form of posters were displayed in public areas. PPE and sanitising equipment was provided for the use of all, and additional cleaning at schools was introduced.

Social responsibilities

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

Environmental policy

While Malvern International Plc's operations by their very nature have minimal environmental impact, the Group recognises its responsibilities to protect and sustain the environment and its resources. The Group's policy is to meet or exceed the statutory requirements in this area, and it has adopted a code of good environmental 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-payslips, 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.

At present the Company is not required to publish details of its carbon emissions. However, management is currently in the process of assessing the ways it can capture the data required to report on its carbon footprint and set targets for reducing its energy consumption and energy intensity.

Ethics and values

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 we expect from all our 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.

In 2021 the Company reviewed and formalised the values it believes underpin the culture of the business, these are:

- Malvern's approach should always reflect its deep commitment to, and understanding of its students, staff and partners, and their aspirations, expectations and success.
- The Company has an embedded culture of flexibility and accountability. It should act with integrity and seek partnerships with organisations who share its values.
- The Company aims for excellence in every aspect of its operations, building on its rich history to underpin the current and future provision of high quality learning teaching and student support.

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.

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 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.

During 2020 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 2020.

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 form part of each new employee's induction.

Directors' report

For the year ended 31 December 2020

The Directors present their report and the audited accounts for the year ended 31 December 2020.

Principal activities

The Principal activities of Malvern International Plc is to provide quality education services, 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 pages 8 and 9.

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 that our partners can themselves.

We compete 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 page 10. The Company benefits from operating in a market which has historically shown long-term growth. More information on our markets can be found on page 7.

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, monitors performance against them throughout the year. The strategic priorities are set out on pages 12 and 13.

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 pages 5 to 19. The principal risks and uncertainties facing the Company is included on pages 20 to 22. A summary of the outlook for the Group is given within the Chairman's statement on page 5.

Group results

The Group loss including discontinued operations before taxation for the year was £2.14m (2019: loss £8.37m).

Dividends

The Directors do not recommend a final dividend (2019: nil).

Capital structure

The Company has ordinary shares of 0.1p and deferred shares of 5p, 1p and 0.1p in issue. The shares are listed on AIM, a sub market of the London Stock Exchange. Holders of ordinary shares are entitled to vote at Company meetings, to receive dividends and to the return of their capital in the event of liquidation.

Holders of deferred shares have limited rights. Limitations on the rights of deferred shares include, no entitlement to vote at general meetings and deferred shares are not freely transferrable.

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 has been very disruptive to the Company's operations, including the closure of its schools for a large part of 2020, the business was able to adapt its service offering through on-line learning. 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 August 2020, 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 Singapore, 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.
- Following the closure of the UK schools for large parts of 2020, operations reopened in March 2021. As a result of the success of the UK's vaccination program, the government is gradually opening up internationally travel.
- A number of embassy sponsored students from the Middle East are currently attending face-to-face classes in each of the Group's centres. The advanced vaccine rollout in some areas of the Middle East is expected to result in more students being able to travel in the short to medium term.
- Profit and cash flow projections for the Group assume profitable growth in its key operating entities once operations return to normal. A large part of this assumed growth is driven by the more profitable pathways division of the Group, which now includes the newly acquired partnership with NCUK.
- The Group is working on the assumption that student numbers will increase throughout the second half of 2021, before returning to normal business in 2022.

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 and Subscription in June 2020, raising £1.15m (net). The proceeds of this Fundraising were used to supplement the Company's working capital resources and strengthen the Company's balance sheet. The Group undertook a further Placing and Subscription in March 2021, raising £1.58m (net). The proceeds of this fundraise will provide sufficient liquidity and flexibility to allow the Company to manage through the period of expected disruption caused by Covid-19, and to contribute to planned growth initiatives.
- 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 subsequent events can be found in the Financial Review on page 18 and in note 27 of the financial statements.

Directors

Biographical information for each of the Directors is set out on page 26, 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. The Company's Articles of Association require that one third of the Directors retire from office at each Annual General Meeting and each Director shall retire from office at least once every three years. Being the longest in office since his last election Mark Elliott retires by rotation in 2021 in accordance with Article 89 and offers himself for re-election as a Director of the Company in accordance with Article 91.

Directors' interests in shares

The Directors' beneficial interest in the ordinary share capital of the Company are set out within the remuneration report on page 42.

Substantial shareholders

As at 31 December 2020 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	126,784,998	10.52%
HSBC Client Holdings Nominee (UK) Limited	94,449,920	7.84%
Pershing Nominees Limited	90,317,767	7.50%
Mr Richard Mace	86,361,334	7.17%
Barnard Nominees Ltd	74,500,000	6.18%
Spreadex Limited	68,074,983	5.65%
Interactive Investor Services Nominees Limited Des:SMKTISAS	52,586,452	4.36%
Interactive Investor Services Nominees Limited Des:SMKTNOMS	48,115,664	3.99%
Hargreaves Lansdown (Nominees) Limited	44,477,079	3.69%
KSP Investments Pte Limited	43,292,405	3.59%
Barclays Direct Investing Nominees Limited	40,460,233	3.36%
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 page 34. 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 (2019: 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

In 2020 the Board undertook a formal tender process for the role of external auditor and appointed Cooper Parry Group Limited (Cooper Parry) as its new auditor from 18 January 2021 in order to conduct the audit of the Company's financial statements for the financial year to 31 December 2020. Cooper Parry replaced Crowe UK LLP, who resigned after confirming that there were no reasons or matters connected with their ceasing to hold office as auditors which they considered should be brought to the attention of members or creditors of the Company.

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
18 June 2021

Nomination and Remuneration Committee report

For the year ended 31 December 2020

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 30.

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 in the table opposite.

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	2 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. The Company's Articles of Association require that one third of the Directors retire from office at each Annual General Meeting and each Director shall retire from office at least once every three years. Being the longest in office since his last election Mark Elliott retires by rotation in 2021 in accordance with Article 89 and offers himself for re-election as a Director of the Company in accordance with Article 91.

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 2020 are as follows:

	Salary and fees £	Benefits £	Pension £	Other £	Share based payments £	**Total 2020 £**	Total 2019 £
Mark Elliott[1]	39,942	–	–	–	23,847	**63,789**	18,250
Richard Mace[2]	38,542	–	–	–	–	**38,542**	–
Alan Carroll[3]	21,900	–	–	–	13,894	**35,794**	5,750
Sam Malafeh[4]	126,304	–	–	66,666	–	**192,970**	200,000
Haider Sithawalla[5]	–	–	–	–	–	**–**	–
Ramasamy Jayapal[6]	–	–	–	–	–	**–**	–
Nirvana Chaudary[7]	–	–	–	–	–	**–**	–
	226,688			66,666	37,741	**331,095**	224,000

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

Share Option Scheme

In order to retain, incentivise and align the interests of employees with certain performance targets and strategic goals, the Company introduced an EMI share option scheme in 2020. The Company awarded over 102,750,000 ordinary share options to Richard Mace and certain employees of the Company. The EMI options granted represent 8.5 per cent of the existing issued share capital of the Company. Of the total EMI options granted, 29,500,000 were granted to Executive Director, Richard Mace.

The EMI options will vest after three years once defined share price levels have been attained for 40 consecutive business days. Half of the individual EMI options awards will vest when the mid-market share price of the Company reaches 0.5 pence and the remaining half will vest when the mid-market share price of the Company reaches 0.9 pence.

The exercise price of the EMI Options is 0.15 pence each.

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
Mark Elliott	–	10,332,000
Richard Mace[1]	–	86,361,334
Alan Carroll	700,000	8,063,333
Sithawalla Haider[2]	1,500,000	1,500,000
Sam Malafeh[3]	9,000,000	20,133,333
Ramasamy Jayapal[4]	1,453,131	500,000

1 Appointed 30 June 2020

2 Resigned on 30 June 2020

3 Resigned on 25 June 2020

4 Resigned on 14 May 2020

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	–
CG Corp[2]	40,091,122	–
Marzena Mace	–	6,900,000

1 Mr Sithawalla Haider, who resigned as Directors of the Company in 2020, had an indirect interest through KSP Investments Pte Ltd.

2 Nirvana Chaudhary, who resigned as Director of the Company in 2020, had an indirect interest through CG Corp.

Audit and Risk Committee report

For the year ended 31 December 2020

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 Directors attend when appropriate at the invitation of the Committee. The external auditors meet separately with the Audit Committee on request, without the presence of the Executive Directors, to ensure open communication. The primary objectives of the Committee are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and financial reporting practices of the Group and to assist the Board in their responsibilities to identify, assess and monitor key business risks to mitigate adverse impacts on achieving strategic objectives with a view to safeguard shareholders' investments and the Group's assets. In addition, the Committee 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 page 30.

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 2020,
- reviewed the Group's Risk Register,
- reviewed the external auditor's Audit Plan in relation to the year ended 31 December 2020.

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, is provided by the external auditor each year. Through the review, it was recommended to the Board and the Company to undertake a formal tender process for the role of external auditor in 2020. The tender took into consideration the price, sector experience, quality, efficiency of auditors' bids. In 18 January 2021 the Company appointed Cooper Parry Group Limited (Cooper Parry) as its new auditor in order to conduct the audit of the Company's financial statements for the financial year to 31 December 2020. Cooper Parry replaced Crowe UK LLP, who resigned after confirming that there were no reasons or matters connected with their ceasing to hold office as auditors which they considered should be brought to the attention of members or creditors of the Company.

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 with managements approach and findings.

Financial Statements

Auditor’s report

For the year ended 31 December 2020

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS 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 31st December 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 31st December 2020 and of the group’s loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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 company 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 as applied to listed entities, 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 2 (iv) in the financial statements, which indicates that the current and developing impact on the business of the Covid-19 pandemic has caused significant disruption. As stated in note 2 (iv), these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the entity’s ability to continue to adopt the going concern basis of accounting included:

- reviewing management's cash flow forecasts for a period of 12 months from the date of approval of these financial statements;
- applying reasonable "worst case" sensitivities to management's forecasts and assessing remaining cash headroom within those scenarios; and
- reviewing post year end results to the date of approval of these financial statements and assessing them against original budgets.

From our work we noted that the group has positive cash balances and forecasts indicate that the group will continue to be able to meet its liabilities as they fall due as long as borders to the UK open as planned and students are allowed to return.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our approach to the audit

We adopted a risk based audit approach. We gained a detailed understanding of the Group’s business, the environment it operates in and the risks it faces. The key elements of our audit approach were as follows:

Of the Group’s six reporting components, we subjected three to audits for Group reporting purposes. The components within the scope of our work covered: 100% of group revenue, 96% of group loss before tax and 100% of group net assets.

In order to address the matters described in the Key audit matters section we performed focused audit procedures over these areas, including reference to external market data and publicly available market information in relation to assumptions used.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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) we identified, including 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.

Key audit matter	How the scope addressed this matter
Revenue recognition	
The Group operating revenues arise from the provision of education services and have a number of related income streams that are recognised as outlined in note 2 (xvi). Due to the timing of course payments there is often an element of deferred income due to differences between the timings of cash flows and provision of services. As a result there is some complexity with regard to revenue recognition for the group.	We have performed a walkthrough testing of the sales process to understand the sales system and key controls within the revenue cycle and to assess revenue recognition policies used by the group; A sample of course bookings throughout the year has been vouched from the booking system to attendance records, sales invoices and to nominal postings, including recalculating any deferred income required at year end across the trading subsidiaries; We tested for understatement of deferred income in sales transaction testing and for overstatement of deferred income in valuation testing of liabilities. Manual journals impacting revenue nominal codes have been selected for further testing when certain risk criteria have been met.
Going concern	
The Group is heavily affected by the Covid-19 pandemic and resulting restrictions, in particular the current restrictions on travel into and out of the UK which has severely impacted student numbers attending college courses.	Obtained the assessment made by management and the Board regarding the Group's ability to continue as a going concern. Reviewed the assumptions used in their assessment and sensitised key assumptions used. Reviewed debt agreements currently in place to agree covenants and repayment terms. Recalculated covenant compliance in the year and assessed forecast covenant compliance. Discussed with management and the Board any additional industry factors or other issues which could impact the Group's ability to continue as a going concern. Reviewed relevant disclosures included in the Annual Report for consistency with our knowledge of the business.

Our application of materiality

The materiality for the Group financial statements as a whole was set at £32,000. This has been determined with reference to the benchmark of the Group's revenue which we consider to be an appropriate measure for a group of companies such as these. Materiality represents 1% of Group revenue as presented in the Consolidated Statement of Other Comprehensive Income.

The materiality for the parent company financial statements as a whole was set at £29,000. This has been determined with reference to the parent company's net assets, which we consider to be an appropriate measure for a holding company with investments in trading subsidiaries. Materiality represents 1% of net assets as presented on the face of the parent company's Statement of Financial Position.

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Performance materiality

Performance materiality is the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality should be set at 70% of overall materiality, namely £22,000. We have set performance materiality at this percentage based on our assessment of the likelihood of misstatements. Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £20,000 to £11,000.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the 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 strategic report and the directors' report have been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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 directors

As explained more fully in the directors' responsibilities statement set out on page 23, 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 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our assessment focused on key laws and regulations the company has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Companies Act 2006, International Financial Reporting Standards (IFRSs) as adopted by the European Union, and relevant tax legislation.

We are not responsible for preventing irregularities. Our approach to detecting irregularities included, but was not limited to, the following:

- obtaining an understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework;
- obtaining an understanding of the entity's policies and procedures and how the entity has complied with these, through discussions and sample testing;
- obtaining an understanding of the entity's risk assessment process, including the risk of fraud;
- designing our audit procedures to respond to our risk assessment; and
- performing audit testing over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.

A further description of our responsibilities is available 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 auditors' 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

Katharine Warrington
(Senior Statutory Auditor)
for and on behalf of

Cooper Parry Group Limited
Chartered Accountants and Statutory Auditor
Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

18 June 2021

Consolidated statement of comprehensive income

for the year ended 31 December 2020

	Note	2020 £	2019 RESTATED[1] £
Revenue			
Sale of services	5	**1,901,307**	4,703,864
Total Revenue		**1,901,307**	4,703,864
Cost of services sold		**(1,016,393)**	(3,020,949)
Gross Profit		**884,914**	1,682,915
Other Income	6	**418,363**	85,504
Salaries and employees' benefits	7	**(1,095,012)**	(1,117,978)
Share based payments	30	**(169,278)**	(19,192)
Amortisation		**–**	(232,939)
Depreciation of plant and equipment	12	**(414,349)**	(424,026)
Other operating expenses	9	**(950,745)**	(1,153,097)
Impairment of intangible asset & goodwill		**–**	(2,685,679)
Operating Loss		**(1,326,107)**	(3,864,492)
Finance costs	8	**(302,066)**	(280,003)
Loss before tax		**(1,628,173)**	(4,144,495)
Income tax charge	10	**(31,300)**	(190,000)
Loss for the year from continuing operations		**(1,659,473)**	(4,334,495)
Loss from Discontinued Operation	4(b)	**(480,092)**	(4,033,806)
Loss for the year		**(2,139,565)**	(8,368,301)
Attributable to:			
Equity holders of the Company		**(2,139,565)**	(8,368,301)

[1] 2019 comparatives have been restated to exclude Singapore operations following the closure in 2020.

Consolidated statement of comprehensive income (continued)

for the year ended 31 December 2020

	2020 **£**	2019 RESTATED £
Loss for the year	**(2,139,565)**	(8,368,301)
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation movements	**15,575**	(316,716)
Total comprehensive income for the year	**(2,123,990)**	(8,685,017)
Continuing operations	**(1,659,473)**	(4,334,495)
Discontinued operations	**(464,517)**	(4,350,522)
Attributable to:		
Equity holders of the parent	**(2,123,990)**	(8,685,017)
Non-controlling interest	**–**	–
Loss per share from continuing operations attributed to equity holders of the Company (in pence)		
Basic	**(0.23)**	(1.69)
Diluted	**(0.23)**	(1.69)
Loss per share from discontinued operations attributed to equity holders (in pence)		
Basic and diluted	**(0.06)**	(1.57)

Consolidated statement of financial position

as at 31 December 2020

	Note	Group 2020 £	Group 2019 £	Company 2020 £	Company 2019 £
TOTAL ASSETS					
Non-Current Assets					
Property, plant, and equipment	12	**80,781**	367,999	**–**	–
Goodwill	15	**1,419,350**	1,419,350	**–**	–
Investment in subsidiaries	13	**–**	–	**1,419,350**	1,419,350
Right-of-use assets	12	**2,612,614**	4,912,511	**–**	–
Total non-current assets		**4,112,745**	6,699,860	**1,419,350**	1,419,350
Current Assets					
Inventories		**–**	6,154	**–**	–
Trade receivables	16	**1,033,105**	751,333	**–**	–
Other receivables and prepayments	17	**162,093**	665,035	**53,214**	85,378
Amounts due from subsidiaries		**–**	–	**527,749**	–
Amounts due from related parties		**–**	–	**–**	–
Cash and cash equivalents	18	**103,609**	83,264	**8,948**	864
Total current assets		**1,298,807**	1,505,786	**589,911**	86,242
Assets classified for disposal	4b(iv)	**1,846**	–	**–**	–
Total Assets		**5,413,398**	8,205,646	**2,009,261**	1,505,592

Consolidated statement of financial position (continued)

as at 31 December 2020

	Note	Group		Company	
		2020 £	2019 £	**2020 £**	2019 £
EQUITY AND LIABILITIES					
Non-Current Liabilities					
Term loan	23	**2,532,115**	2,438,573	**2,432,115**	2,438,573
Warrants	23	**63,701**	75,640	**63,701**	75,640
Convertible loan notes	23	**272,817**	–	**272,817**	–
Lease liabilities	3	**2,491,486**	4,580,165	**–**	–
Total non-current liabilities		**5,360,119**	7,094,378	**2,768,633**	2,514,213
Current Liabilities					
Trade payables	19	**603,631**	985,056	**182,274**	–
Contract liabilities	20	**676,287**	756,425	**–**	–
Other payables and accruals	21	**1,229,743**	689,169	**140,219**	292,815
Amounts due to subsidiary		**–**	–	**1,035,546**	957,402
Amounts due to related parties	22	**40,000**	46,646	**40,000**	32,691
Convertible loan notes	23	**50,000**	316,587	**50,000**	316,587
Provision for income tax		**10,279**	10,279	**–**	–
Lease liabilities	3	**350,829**	604,863	**–**	–
Total current liabilities		**2,960,769**	3,409,025	**1,448,039**	1,599,495
Liabilities directly associated with assets classified for disposal	4b(iv)	**216,737**	–	**–**	–
Total Liabilities		**8,537,625**	10,503,403	**4,216,672**	4,113,708
Equity attributable to equity holders of the Company					
Share capital	24	**10,309,811**	9,363,236	**10,309,811**	9,363,236
Share premium	25	**5,782,394**	5,431,449	**5,782,394**	5,431,449
Retained earnings	25	**(19,703,963)**	(17,564,398)	**(18,328,438)**	(17,431,623)
Translation reserve	25	**288,149**	272,574	**–**	–
Capital reserve	25	**170,560**	170,560	**–**	–
Convertible loan reserve	29	**28,822**	28,822	**28,822**	28,822
Total equity		**(3,124,227)**	(2,297,757)	**(2,207,411)**	(2,608,116)
Total Equity and Liabilities		**5,413,398**	8,205,646	**2,009,261**	1,505,592

The loss for the year as per the financial statements of the parent company at 31 December 2020 was £896,815 (2019: Loss £12,660,341).

The financial statements were approved by the Board of Directors on 18 June 2021 and were signed on its behalf by:

Richard Mace
Director

Consolidated statement of changes in equity

for the year ended 31 December 2020

	Share Capital £	Share Premium £	Retained Earnings £	Translation Reserve £	Capital Reserve £	Convert-ible Loan Reserve £	Attribut-able To Equity Holders of the Company £	Total £
Balance at 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)**
Direct costs relating to issue of shares	**–**	**(122,250)**	**–**	**–**	**–**	**–**	**(122,250)**	**(122,250)**
Total comprehensive income for the year	**–**	**–**	**(2,139,565)**	**15,575**	**–**	**–**	**(2,123,990)**	**(2,123,990)**
New Share Issue	**833,333**	**416,667**	**–**	**–**	**–**	**–**	**1,250,000**	**1,250,000**
Share based payments (inc EMI options)[1]	**113,242**	**56,528**	**–**	**–**	**–**	**–**	**169,770**	**169,770**
Balance at 31 December 2020	**10,309,811**	**5,782,394**	**(19,703,963)**	**288,149**	**170,560**	**28,822**	**(3,124,227)**	**(3,124,227)**

[1] The total of share-based payments taken to equity during the year excludes the director's bonus accrual (£24,700) which was recognised as a liability in 2020. The accrual was moved to equity in 2021 when the bonus was paid in shares (see note 30 for more information).

Consolidated statement of cash flows

for the year ended 31 December 2020

	2020 £	2019 £
Cash Flows from Operating Activities		
Loss after income tax from		
Continuing activities	**(1,659,473)**	(5,885,513)
Discontinued activities	**(480,092)**	(2,482,788)
Adjustments for:		
Amortisation of intangible assets	**–**	324,261
Depreciation of tangible assets	**414,349**	848,070
Impairment of intangible assets	**–**	2,876,257
Fair value movement on warrants	**(61,939)**	(197,640)
Fair value movement on convertible loan reserve	**–**	17,307
Share based payments	**175,278**	–
Disposal of tangible assets	**(115,587)**	21,180
Loss on disposal of discontinued operations	**–**	1,133,034
Impairment of other receivables	**–**	517,344
Impairment of trade receivables	**123,690**	189,990
Finance cost	**302,066**	422,005
Adjustments for deferred tax	**–**	190,000
Interest paid	**(51,583)**	(404,715)
Tax paid	**–**	(81,946)
	(1,353,291)	(2,513,154)
Changes in working capital:		
Decrease in stocks	**6,153**	71
Increase in receivables	**94,657**	(411,801)
Increase/(decrease) in payables	**218,561**	1,127,843
Decrease in amounts due to related parties	**(6,646)**	(508,048)
Net cash flows used in operating activities	**(1,040,566)**	(2,305,089)
Cash Flows from Investing Activities		
Purchase of intangible asset	**–**	(245,112)
Purchases of property, plant, and equipment	**–**	(72,040)
Acquisition of Subsidiary, net of cash acquired	**–**	–
Net cash used in investing activities	**–**	(317,152)
Cash Flows from Financing Activities		
Finance leases	**(194,801)**	(502,584)
New equity issued	**1,155,712**	566,100
Term Loan	**100,000**	2,537,706
Net cash generated by financing activities	**1,060,911**	2,601,222
Net Change in cash and cash equivalents	**20,345**	(21,019)
Cash and cash equivalents at the beginning of the year	**83,264**	105,380
Exchange losses on cash and cash equivalents	**–**	(1,097)
Cash and cash equivalent at the end of the year	**103,609**	83,264

Company statement of changes in equity

for the year ended 31 December 2020

	Share Capital £	Share Premium £	Retained Earnings £	Convertible loan reserve £	Total £
Balance at 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)**
Direct costs relating to issue of shares	**–**	**(122,250)**	**–**	**–**	**(122,250)**
Total comprehensive income for the year	**–**	**–**	**(896,815)**	**–**	**(896,815)**
New Share Issues	**833,333**	**416,667**	**–**	**–**	**1,250,000**
Share based payments (inc EMI options)	**113,242**	**56,528**	**–**	**–**	**169,770**
Balance at 31 December 2020	**10,309,811**	**5,782,394**	**(18,328,438)**	**28,822**	**(2,207,411)**

[1] The total of share-based payments taken to equity during the year excludes the director's bonus accrual (£24,700) which was recognised as a liability in 2020. The accrual was moved to equity in 2021 when the bonus was paid in shares (see note 30 for more information).

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

Company statement of cash flows

for the year ended 31 December 2020

	2020 £	2019 £
Cash Outflows from Operating Activities		
Loss before income tax	**(896,815)**	(12,660,341)
Adjustments for: Adjustment made in prior year retained earnings		
Impairment on investments	**–**	7,161,369
Share based payments	**175,278**	–
Fair value movement on warrants	**(61,939)**	(197,640)
Fair value movement on convertible loan notes	**–**	17,307
Finance cost	**114,891**	120,642
Interest paid	**(51,583)**	(103,352)
Decrease/(Increase) in amounts due from subsidiaries	**(449,605)**	2,897,488
	(1,169,773)	(2,764,527)
Change in working capital		
(Increase)/decrease in receivables	**32,164**	(1,674)
Increase/(decrease) in payables	**(17,328)**	162,832
Increase in amounts due to related parties	**7,309**	(564,001)
Net cash used in operating activities	**(1,147,628)**	(3,167,370)
Cash Flows from Financing Activities		
New equity issued	**1,155,712**	566,100
Term Loan	**–**	2,600,000
Net cash used in financing activities	**1,155,712**	3,166,100
Cash Flows from Investing Activities		
Net cash generated from investing activities	**–**	–
Effect of foreign exchange rate changes on consolidation	**–**	–
Net increase in cash and cash equivalents	**8,084**	(1,270)
Cash and cash equivalents at the beginning of the year	**864**	2,134
Cash and cash equivalents at the end of the year	**8,948**	864

Notes to the financial statements

for the year ended 31 December 2020

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 the AIM on 10 December 2004. Its registered office is 100 Avebury Boulevard, Milton Keynes, MK9 1FH. The registration number of the Company is 05174452.

The principal activities of the Company are that of investment holding and the 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. 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 2020. 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

The Group applied IFRS 16 to its annual financial statements for the first time as of 31 December 2019. 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 interpretations have been issued but are not yet effective and, in some cases, have not yet been adopted by the EU. The amendments to standards IAS 1 & IAS 8 for definition of materiality and IFRS 3 for definition of business has been adopted effectively which did not have material impact 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 has been very disruptive to the Company's operations, including the closure of its schools for a large part of 2020, the business was able to adapt its service offering through on-line learning. 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 August 2020, 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 Singapore, 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.
- Following the closure of the UK schools for large parts of 2020, operations reopened in March 2021. As a result of the success of the UK's vaccination program, the government is gradually opening up internationally travel.
- A number of embassy sponsored students from the Middle East are currently attending face-to-face classes in each of the Group's centres. The advanced vaccine rollout in some areas of the Middle East is expected to result in more students being able to travel in the short to medium term.
- Profit and cash flow projections for the Group assume profitable growth in its key operating entities once operations return to normal. A large part of this assumed growth is driven by the more profitable pathways division of the Group, which now includes the newly acquired partnership with NCUK.
- The Group is working on the assumption that student numbers will increase throughout the second half of 2021, before returning to normal business in 2022.

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 and Subscription in June 2020, raising £1.15m (net). The proceeds of this Fundraising were used to supplement the Company's working capital resources and strengthen the Company's balance sheet. The Group undertook a further Placing and Subscription in March 2021, raising £1.58m (net). The proceeds of this fundraise will provide sufficient liquidity and flexibility to allow the Company to manage through the period of expected disruption caused by Covid-19, and to contribute to planned growth initiatives.
- 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 and UK Pound 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:

	2020	2019
Pound Sterling to Singapore Dollar		
Closing rate	**1.805**	1.770
Average rate	**1.769**	1.742

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:

- Fixtures, fittings and equipment are depreciated over 3 to 10 years according to the estimated life of the asset;
- Leasehold improvements are depreciated over the period of the lease up to a maximum of 25 years;
- Leasehold premises with lease terms of 50 years of less are depreciated over the remaining period of the lease.

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

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. Share-based payments and share options

The company has issued share options under an Enterprise Management Incentive Scheme used for granting share options in respect of ordinary shares, to directors and employees. See note 30 for additional information on this scheme.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate or the probability of equity instruments eventually vesting, with a corresponding increase in equity. Fair value is measured using a Black-Scholes pricing model. The resulting charge to the statement of comprehensive income requires assumptions to be made regarding future events and market conditions.

The number of options expected to vest is adjusted only for expectations of leavers prior to vesting. The impact of the revision of the original estimates, if any, is recognised in the statement of comprehensive income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

xxviii. 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.

Judgements

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.

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.

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. The specific estimates used in calculating fair value are detailed in note 23.

Share-based payments
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The resulting charge to the statement of comprehensive income requires assumptions to be made regarding future events and market conditions. Judgement is required in determining the most appropriate valuation model and the most appropriate inputs into the model including the level of volatility of the Group's share price, market conditions and the expected life of the option.

3. Lessee Accounting
From January 2019, the Company implemented IFRS 16 Leases, recognising right-of-use assets and the corresponding lease liabilities by recording them on the balance sheet.

The Group'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.

Amounts recognised in the income statement

	2020 £	2019 £
Interest expense and similar charges		
Interest expense	**184,897**	301,363
Interest expense on disposed right-of-use assets	**103,302**	–
Operating and administrative expenses		
Depreciation of right-of-use assets	**374,149**	716,583
Depreciation of disposed right-of-use assets	**283,353**	–
Total expensed to income statement	**945,701**	1,017,946

Amounts recognised on the balance sheet

Right-of-use assets	At 31 December 2020	At 31 December 2019
Balance as at the beginning of the year	**4,912,511**	5,623,656
Net disposals	**(1,605,429)**	–
Depreciation of right-of-use assets	**(374,149)**	–
Depreciation of disposed right-of-use assets	**(283,353)**	716,583
FX movement	**(36,966)**	(5,438)
Balance as at the end of the year	**2,612,614**	4,912,511

Lease liabilities	At 31 December 2020 £	At 31 December 2019 £
Current liability	**350,829**	604,863
Non-current liability	**2,491,486**	4,580,165
Total liability	**2,842,315**	5,185,028

Lease payments	At 31 December 2020 £	At 31 December 2019 £
Total lease rent amount (Excl. VAT)	**519,501**	479,223
Amount paid during the year (Excl. VAT)	**(194,801)**	(328,140)
Rent free amount (Excl. VAT)	**(84,598)**	(151,083)
Balance amount at end of the year	**240,102**	–

In October 2020, the Company disposed of the lease relating to the office of the Singapore operations.

4. (a) Segmental Information

The Group organises its operations based on geographical locations, as the services provided are similar in each jurisdiction with both educational and language courses offered.

	UK £	Discontinued Operations[1] £	Total £
2020			
Revenue from external customers	**1,901,307**	**648,167**	**2,549,474**
Depreciation and amortisation	**(414,349)**	**(349,164)**	**(763,513)**
Loss before taxation	**(1,659,473)**	**(480,092)**	**(2,139,565)**
Taxation charge	**–**	**–**	**–**
Loss for the year	**(1,659,473)**	**(480,092)**	**(2,139,565)**
Segmental assets	**5,411,552**	**1,846**	**5,413,398**
Segmental liabilities	**8,320,888**	**216,737**	**8,537,625**

2019	£	£	£
Revenue from external customers	4,703,864	2,311,223	7,015,087
Depreciation and amortisation	656,964	515,367	1,172,331
Impairment of Intangibles	2,211,471	2,116,097	4,327,568
Loss before taxation	(4,144,495)	(4,033,806)	(8,178,301)
Taxation charge	(190,000)	–	(190,000)
Loss for the year	(4,334,495)	(4,033,806)	(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

[1] Following the closure of Singapore operations, 2020 figures have been presented as discontinued operations.

The 2019 figures for Singapore are now restated to discontinued operations with Malaysia in Table 4(a). Revenue of 2019 for UK & Singapore were £4.70m and £1.81m (in total £6.51). The Operating loss of 2019 for UK & Singapore were £3.86m and £1.41m (in total £5.27m). The reported loss for the year 2019 for UK & Singapore were £4.33m and £1.55m (in total £5.89m).

(b) Discontinued Operations

On 4 August 2020, the group announced closure of Singapore operations 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 2020 and 31 December 2019

	2020 £ Singapore	2019 £ Singapore	2019 £ Singapore & Malaysia
Revenue	**648,167**	1,802,451	2,311,223
Other Income	**118,279**	91,920	125,145
Expenses	**(1,246,538)**	(3,445,389)	(4,638,194)
Loss before tax	**(480,092)**	(1,551,018)	(2,201,826)
Income tax expenses	**–**	–	(5,399)
Loss after income tax of discontinued operation	**(480,092)**	(1,551,018)	(2,207,225)
Loss on disposal of subsidiary	**–**	–	(375,270)
		(1,551,018)	(2,582,495)
Impairment of brand value and licenses	**–**	–	(1,451,311)
Loss from discontinued operations	**(480,092)**	(1,551,018)	(4,033,806)
Exchange differences on translation of discontinued operations	**15,575**	272,574	589,290
Other comprehensive income from discontinued operations	**15,575**	272,574	589,290
Net cash flow from operating activities	**(24,299)**	(72,981)	(462,317)
Net cash flow from investing activities	**–**	(13,023)	(13,023)
Net cash flow from financing activities	**–**	85,594	85,594
Net cash generated by subsidiary	**(24,299)**	(410)	(389,746)

ii) Details of the disposal of the subsidiaries

	2020 £	2019 £
Consideration received or receivable:		
Fair value of consideration	**–**	–
Carrying amount of net liabilities disposed of	**–**	10,330
Profit on sale of subsidiary before income tax and reclassification of foreign currency translation reserve	**–**	10,330
Reclassification of foreign currency translation reserve	**–**	(385,660)
Loss on disposal of subsidiary	**–**	(375,270)

iii) The details of disposal of the subsidiaries

The carrying amounts of assets and liabilities as at the year end (31 December 2020)

	2020 £	2019 £
Property, plant and equipment	–	54,901
Cash & cash equivalents	–	225,864
Total assets	–	280,765
Trade creditors	–	(291,095)
Total liabilities	–	(291,095)
Net assets	–	(10,330)

iv) Assets and Liabilities of disposal entities classified for disposal

The following assets and liabilities were reclassified as held for disposal in relation to the discontinued operation as at 31 December 2020

	2020 £	2019 £
Assets classified for disposal		
Other Receivable	**546**	–
Cash and cash equivalent	**1,300**	–
Total assets of entities for disposal	**1,846**	–
Liabilities directly associated with assets classified for disposal		
Trade Creditors	**(161,254)**	–
Other payables	**(55,483)**	–
Total liabilities of entities for disposal	**(216,737)**	–

5. Sale of Services

	2020 £	2019 Restated £
Course fees	**1,659,601**	3,266,301
Accommodation fees	**192,643**	1,207,926
Application fees, registration and examination fees	**28,470**	39,746
Training fees, course materials and others	**20,593**	189,891
	1,901,307	4,703,864

6. Other Income

	2020 £	2019 Restated £
Contribution from ACCA towards marketing activities	**–**	13,525
Rental and related income	**23,346**	71,979
R&D credits	**15,185**	–
Government subsidies[1]	**379,832**	–
	418,363	85,504

[1] Government subsidies includes the amount received for furlough job retention scheme.

7. Salaries and Employees' Benefits

	2020 £	2019 Restated £
Staff salaries and related costs[1]	**767,154**	842,127
Directors' remuneration (executive directors)	**164,845**	200,000
Directors' fees (non–executive directors)	**61,842**	24,000
Payment made to director on loss of office	**66,666**	–
Staff training and welfare	**17,321**	14,834
Pension	**17,184**	37,017
	1,095,012	1,117,978
Share–based remuneration – staffs	**75,167**	19,192
Share–based remuneration – directors	**37,741**	–
	112,908	19,192
Highest paid director		
Remuneration and benefits	**192,972**	200,000

Average number of employees	Number	Number
Lecturers	**53**	79
Marketing staff	**14**	23
Operational and administration staff	**48**	72
	115	174

[1] Salaries and related costs are not inclusive of lecturers

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

	2020 £	2019 Restated £
Interest on leases (IFRS 16)	**184,897**	159,361
Interest on term loan[1]	**90,125**	107,518
Interest on convertible loan notes	**24,766**	13,124
Other finance costs	**2,278**	–
	302,066	280,003

[1] An interest free period was negotiated with the lender part–way through 2020. All interest disclosed above relates to interest pre–dating this agreement, alongside the unwinding of interest accrued during the period of cash flow deferral.

9. Operating Expenses

	2020 £	2019 Restated £
Auditors' remuneration:		
– Fees payable to the Company's auditors for statutory audit[1]	**27,500**	35,000
– Fees payable to the Company's auditors and associates for statutory audit of subsidiary Companies[1]	**40,000**	35,000
Administrative and marketing expenses	**821,494**	1,168,634
Expected credit losses – trade receivables	**123,690**	94,796
Fair value movement on warrants	**(61,939)**	(197,640)
Fair value movement on convertible loan notes	**–**	17,307
	950,745	1,153,097

[1] Fees payable to company's auditors for 2019 and 2020 are to Crowe UK and Cooper Parry respectively.

10. Income Tax

Tax expense attributable to the results is made up of:

	2020 £	2019 £
Current year tax	**–**	–
Prior period[1]	**(31,300)**	–
Deferred taxation Charge	**–**	(190,000)
	(31,300)	(190,000)

[1] Provision for corporate tax charges created for period ending 30 June 2019 for the communicate school as group relief was not applicable.

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

	2020		2019	
	£	%	£	%
Accounting loss before tax from continuing operations	**(1,659,473)**		(5,885,513)	
Loss before tax from discontinued operations	**(480,092)**		(2,482,788)	
Loss for the year before tax	**(2,139,565)**		(8,368,301)	
Income tax at the statutory rate	**(406,517)**	**19.0**	(1,589,977)	19.0
Adjustments of income tax in respect of prior years	**–**		–	
Deferred tax asset not recognised	**406,517**		1,589,977	
Current year adjustment to deferred tax asset	**–**		(190,000)	
Income tax charge attributable to continuing operations	**–**		(190,000)	
Income tax attributable to discontinued operations	**–**		–	
Income tax charge in the consolidated statement of comprehensive income	**–**		(190,000)	

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.

	2020 £	2019 £
Analysis of provision for deferred taxation:		
Balance at the beginning of the year	**–**	190,000
Deferred taxation for the year	**–**	(190,000)
Balance at the end of the year		–
Deferred tax asset	**–**	–
Deferred tax liability	**–**	–
Balance at the end of the year	**–**	–

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

	2020 £	2019 £
Un–utilised capital allowance c/f	**552,474**	552,474
Un–utilised tax losses	**4,725,788**	3,278,131
	5,278,262	3,830,605

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 £2,139,565 (2019: loss of £8,368,301) and the weighted average number of ordinary shares in issue during the year of 735,661,044 shares (2019: 256,453,628 shares).

Calculations for dilutive EPS have not been made in respect of the convertible loan notes (note 29) on the basis the impact would be anti–dilutive.

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 2019	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**
Additions						
Disposals	**(591,794)**	**(545,628)**	**–**	**–**	**(2,222,096)**	**(3,359,518)**
Exchange differences	**(9,980)**	**(11,177)**	**–**	**–**	**(43,489)**	**(64,646)**
Closing balance, 31 Dec 2020	**–**	**402,069**	**–**	**92,037**	**3,266,034**	**3,760,140**
Accumulated depreciation						
Opening balance, 01 Jan 2019	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**
Charge for the year – Continuing operations	**–**	**40,200**	**–**	**26,861**	**347,288**	**414,349**
Charge for the year – Discontinued operations	**48,643**	**17,168**	**–**	**–**	**283,353**	**349,164**
Disposals	**(444,466)**	**(518,437)**	**–**	**–**	**(616,667)**	**(1,579,570)**
Exchange differences	**(6,145)**	**(8,324)**	**–**	**–**	**(6,523)**	**(20,992)**
Closing balance, 31 Dec 2020	**–**	**321,288**	**–**	**39,744**	**705,713**	**1,066,745**
Net book value						
At 31 Dec 2020	**–**	**80,781**	**–**	**52,293**	**2,560,321**	**2,693,395**
At 31 Dec 2019	199,806	168,193	–	79,154	4,833,357	5,280,510

13. Investment in Subsidiary Companies

Company	2020 £	2019 £
Investment in subsidiaries		
Unquoted equity shares, at cost		
As at the beginning of the year	**11,205,720**	10,725,495
Additions[1]	**–**	480,225
Disposals	**–**	–
As at the end of the year	**11,205,720**	11,205,720
Provision against the cost of investment in subsidiaries		
As at the beginning of the year	**9,786,370**	2,625,000
Disposal	**–**	–
Impairment[2]	**–**	7,161,370
As at the end of the year	**9,786,370**	9,786,370
Net book value at the end of the year	**1,419,350**	1,419,350

[1] During 2019, the loan to SAAGE Singapore was capitalised for £480,225

[2] 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 investments in SAA Global Education Center Pte Ltd and Malvern International Academy Pte Ltd were fully impaired during 2019.

The company owns 100% share capital of the following companies:

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

14. Intangible Assets

Intangible assets are summarised as follows:

	Licences	Brands	Customer List	Domain Name	Develop-ment Assets	Contract Assets	Total
	£	£	£	£	£	£	£
Acquisition costs							
Opening balance, 1 Jan 2019	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
Additions	–	–	–	–	–	–	–
Closing Balance, 31 Dec 2020	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Accumulated amortisation							
Opening balance, 1 Jan 2019	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
Charge for the year	–	–	–	–	–	–	–
Closing balance, 31 Dec 2020	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net book value, 31 Dec 2020	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net book value, 31 Dec 2019	–	–	–	–	–	–	–

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 December 2019 as a result there are no intangible assets recorded in financial statements as of 31 December 2020. The impairment is in relation to Singapore and UK operations.

15. Goodwill

	2020	2019
	£	£
Cost		
Balance as at the beginning of the year	**1,419,350**	2,250,018
Additions	**–**	–
Impairment	**–**	(830,668)
Balance as at the end of the year	**1,419,350**	1,419,350

Goodwill arose on the acquisition of Communicate English School Ltd in 2018. To ensure that goodwill on acquisitions is not carried at above its recoverable amount, impairment reviews are performed comparing the net carrying value with the recoverable amount using value in use calculations.

The recoverable amount of this CGU is in excess of the carrying value of £1,419,350, therefore no impairment charge has been made in 2020. 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 WACC of the group.
- Dynamic growth rate applied, ranging from 6% in 2022, reflecting additional growth of the anticipated bounce-back from lockdown impacted trade, to 3% annual growth at the end of the 5-year time horizon, consistent with industry data.
- Sensitivities around the model: a 0.1% increase in the discount rate has an impact of approximately £24k in impairment.

16. Trade Receivables

	2020 £	2019 £
Trade Receivables	**1,033,105**	751,333

At 31 December 2020, the exposure to credit risk for trade receivables by geographic region/currency was as follows:

	2020 £	2019 £
Trade receivables are denominated in the following currencies:		
Singapore - Singapore Dollar	**–**	203,978
UK - Pound Sterling	**1,033,105**	547,355
	1,033,105	751,333

	2020 £	2019 £
Not yet due and not impaired	**947,103**	174,688
Past due but not impaired		
- Past due 0 to 3 months	**32,516**	385,031
- Past due 3 to 6 months	**1,825**	34,163
- Past due over 6 months	**51,661**	157,451
	1,033,105	751,333
Impaired trade receivables	**158,571**	133,547
Less: Allowances for impairment loss	**(158,571)**	(133,547)
	1,033,105	751,333

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables as at 31 December 2020:

	Weighted average loss rate	Gross carrying amount	Loss Allowance	Net carrying amount
Not yet due and not impaired	**0%**	**947,103**	**–**	**947,103**
Past due but not impaired				
- Past due 0 to 3 months	**0%**	**32,516**	**–**	**32,516**
- Past due 3 to 6 months	**0%**	**1,825**	**–**	**1,825**
- Past due over 6 months	**75%**	**210,232**	**(158,571)**	**51,661**
		1,191,676	**(158,571)**	**1,033,105**

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

	2020 £	2019 £
Balance at the beginning of the year	**133,547**	141,027
Allowances reversed during the year	**–**	(11,686)
Allowances reversed during the year – Discontinued operations	**–**	(90,590)
Expected credit losses during the year	**123,690**	189,990
Receivables written off during the year as uncollectible	**(98,666)**	(95,194)
Balance as at the end of the year	**158,571**	133,547

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 180 days past due.

These are no contract assets within trade and other receivables.

17. Other Receivables and Prepayments

	Group		Company	
	2020 £	2019 £	2020 £	2019 £
Rent deposits	**45,015**	268,207	**–**	–
Prepayments	**99,634**	332,333	**35,770**	17,800
Other debtors	**17,444**	64,495	**17,444**	67,578
	162,093	**665,035**	**53,214**	**85,378**

Other receivables and cash equivalents of entity classified as held for disposal

	2020 £	2019 £
Other receivables	**546**	–
Cash and cash equivalents	**1,300**	–
	1,846	–

18. Cash and Cash Equivalents

	Group		Company	
	2020 £	2019 £	**2020 £**	2019 £
Cash at bank and in hand	**103,609**	83,264	**8,948**	864
Fixed deposits with bank	**–**	–	**–**	–
Cash and cash equivalents	**103,609**	83,264	**8,948**	864
Cash and cash equivalents are denominated in the following currencies:				
Singapore Dollar	**–**	21,751	–	–
Pound Sterling	**103,609**	61,513	**8,948**	864
	103,609	83,264	**8,948**	864

19. Trade Payables

	Group		Company	
	2020 £	2019 £	**2020 £**	2019 £
Trade payables are denominated in the following currencies:				
Singapore Dollar	**–**	293,320	**–**	–
Pound Sterling	**603,631**	691,736	**182,274**	–
	603,631	985,056	**182,274**	–

Trade and other payables related to entity classified as held for disposal.

	2020 £	2019 £
Trade payables	**161,254**	–
Other payables	**55,483**	–
	216,737	–

20. Contract liabilities

Contract liabilities are deferred revenue representing amounts billed on account of revenues where performance obligations have not been met for recognition of revenue. Contract liabilities relate 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 recognised in contract liabilities at the beginning of the period has been recognised as revenue for the period ended 31 December 2020.

	2020 £	2019 £
Contract liabilities denominated in the following currencies:		
Singapore Dollar	**–**	327,197
Pound Sterling	**676,287**	429,228
	676,287	**756,425**

	2020 £
Opening balance	**756,425**
Deferred income recognised during the year	**(756,425)**
Course fees received in respect of subsequent financial year	**676,287**
Closing balance	**676,287**

21. Other Payables and Accruals

	Group		Company	
	2020 £	2019 £	**2020 £**	2019 £
Other payables	**396,969**	258,694	**–**	192,793
Accrued expenses	**832,774**	430,475	**140,219**	100,022
	1,229,743	**689,169**	**140,219**	**292,815**

22. Due to Related Parties

	Group		Company	
	2020 £	2019 £	**2020 £**	2019 £
Due to related parties				
Non-trade	**40,000**	46,646	**40,000**	32,691
Amounts due to related parties are denominated in the following currencies:				
Singapore Dollar	**–**	3,955	**–**	–
Pound Sterling	**40,000**	42,691	**40,000**	32,691
Total	**40,000**	**46,646**	**40,000**	**32,691**

	Group		Company	
	2020 £	2019 £	**2020 £**	2019 £
Due to related parties				
Dr Sam Malafeh	**40,000**	46,646	**40,000**	32,691
	40,000	**46,646**	**40,000**	**32,691**

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

23. Financial Liabilities

	Group		Company	
	2020 £	2019 £	**2020 £**	2019 £
Non-current liabilities				
Convertible Loan Notes	**272,817**	–	**272,817**	–
Term Loan	**2,532,115**	2,438,573	**2,432,115**	2,438,573
Warrants	**63,701**	75,640	**63,701**	75,640
Lease liabilities	**2,491,486**	4,580,165	**–**	–
	5,360,119	7,094,378	**2,768,633**	2,514,213
Current liabilities				
Convertible Loan Notes	**50,000**	316,587	**50,000**	316,587
Lease liabilities	**350,829**	604,863	**–**	–
Trade and other payables	**1,833,374**	1,674,225	**322,493**	292,815
Related parties	**40,000**	46,646	**40,000**	32,691
	2,274,203	2,642,321	**412,493**	642,093
Total	**7,634,322**	9,736,699	**3,181,126**	3,156,306

Convertible Loan Notes

At 31 December 2020, the Group has an obligation for £322,817 (See Note 29).

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 £80,009.

During 2020, the Group took advantage of the Government-backed Bounce Back Loan Scheme (BBLS), benefitting from a total of £100,000. This will be repaid over a six year period with a 2.5% fixed rate of interest. The first 12 months of this lending facility are free of any obligation to pay capital or interest.

Warrants

As part of the term loan, Boost & Co. was issued warrants over 45,500,464 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 £63,701. 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.

24. 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 2019 - 1p ordinary shares and 5p deferred shares	258,576,293	7,153,297	44,198,781	2,209,939	9,363,236
Additions during the year - June 2020 0.1p ordinary shares	946,390,947	946,391	–	–	946,391
Sub-division of shares -1p deferred shares	–	(4,567,533)	456,753,332	4,567,533	–
At 7 June 2020 – 1p & 0.1p ordinary shares and 1p & 5p deferred shares	**1,204,967,240**	**3,532,155**	**500,952,113**	**6,777,472**	**10,309,627**
Sub-division of stock – 0.1p ordinary shares	–	(2,327,187)	–	–	–
Sub-division of stock – 0.1p deferred shares	–	–	2,327,186,637	2,327,187	–
At 31 December 2020 – 0.1p ordinary shares and 0.1p, 1p & 5p deferred shares	**1,204,967,240**	**1,204,968**	**2,828,138,750**	**9,104,659**	**10,309,627**

During June 2020, 833,333,334 0.1p ordinary shares were issued as a fund raising at 0.15p each and an amount of £169,586 due to creditors was converted into 113,057,613 new ordinary shares, giving a total of 946,390,947 shares admitted to trading.

On 8 June 2020, a stock split was conducted, with each ordinary share of 1p in the company being sub-divided into 1 ordinary share of 0.1p and 9 deferred shares of 0.1p, thereby creating an additional 2,327,186,637 deferred shares. Deferred shares have no rights attached to them.

The company has Enterprise Management Incentive share option scheme for certain directors and employee. The cost related to it £184 has been added to share capital in financial statement further details on Note (30).

25. Reserves

The Company has the following types of reserves:

(i) Share premium reserve

	2020 £	2019 £
Balance as at the beginning of the year	**5,431,449**	5,016,849
Issue of new shares	**473,195**	454,500
Fund raising expenses	**(122,250)**	(39,900)
Balance as at the end of the year	**5,782,394**	5,431,449

The share premium reserve arises where shares have been issued at a price more than the nominal value of 0.1p (formerly 5p/1p until division of the shares in June 2018 and June 2020 respectively) less any costs of the issue.

(ii) Retained earnings

	Group		Company	
	2020 £	2019 £	**2020 £**	2019 £
At the beginning of the year	**(17,564,398)**	(9,196,097)	**(17,431,623)**	(4,771,282)
Loss for the year	**(2,139,565)**	(8,368,301)	**(896,815)**	(12,660,341)
At the end of the year	**(19,703,963)**	(17,564,398)	**(18,328,438)**	(17,431,623)

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

(iii) Translation reserve

	Group		Company	
	2020 £	2019 £	**2020 £**	2019 £
At the beginning of the year	**272,574**	589,290	**–**	–
Translation difference on discontinued operations	**15,575**	(385,600)	**–**	–
Translation differences on continuing operations	**–**	68,884	**–**	–
At the end of the year	**288,149**	272,574	**–**	–

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	
	2020 £	2019 £	**2020 £**	2019 £
At the beginning of the year	**28,822**	28,822	**28,822**	28,822
Changes in the present value	**–**	–	**–**	–
At the end of the year	**28,822**	28,822	**28,822**	28,822

The convertible loan reserve arose on the issue of convertible loan notes in November 2017 (note 29).

(v) Capital reserve

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

26. Related Party Transactions

There were no transactions of income/(expenses) with related parties, except the ones mentioned in note 22.

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

	2020 £	2019 RESTATED £
Key management personnel		
Directors' remuneration:		
- Salaries and bonuses	**164,846**	200,000
- Loss of office	**66,666**	–
- Directors' fees	**61,842**	24,000
- Share-based payments	**37,741**	19,192
	331,095	243,192

Analysis of Directors' fees and emoluments:

	Salary & Fees £	**Share Based Payments £**	**Fees £**	**Other[1] £**	**Total £**
2020					
Sam Malafeh	**126,304**	**–**	**–**	**66,666**	**192,970**
Mark Elliott	**39,942**	**23,847**	**–**	**–**	**63,789**
Alan Carroll	**21,900**	**13,894**	**–**	**–**	**35,794**
Richard Mace	**38,542**	**–**	**–**	**–**	**38,542**
	226,688	37,741	–	66,666	331,095
2019 RESTATED					
Sam Malafeh	200,000	–	–	–	200,000
Mark Elliott	–	–	18,250	–	18,250
Alan Carroll	–	–	5,750	–	5,750
Richard Mace	–	19,192	–	–	19,192

[1] Includes compensation for loss of office

27. Subsequent events

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

In January 2021, the Company arranged a bridging loan facility with financing partner Boost & Co. to ensure the availability of working capital pending the payment of a significant trade debtor. This facility was drawn in full with interest charged at 11.25% per annum. The bridging loan facility was repaid with interest in March 2021, following receipt of the trade debtor.

In addition, the Group's Chief Executive Officer agreed to lend the Company £30,000 by way of an unsecured loan. This loan was repayable on or before 30 April 2021, attracting interest at 5.0% per annum. The unsecured loan was repaid to the Chief Executive Officer in March 2021 via an equity settled transaction. The full value of the loan (£30,000) was converted into shares, at the issue price of 0.20p, equating to 15,000,000 shares.

With the Company experiencing the prolonged impacts of Covid-19, a decision was made in March 2021 to undertake a fundraise. The proceeds of this fundraise would provide sufficient liquidity and flexibility to allow the Company to manage through the period of expected disruption caused by Covid-19, and to contribute to planned growth initiatives.

The Fundraising raised gross proceeds of £1.70 million through the placing of 620,150,000 New Ordinary Shares and a subscription to the Company of 230,000,000 New Ordinary Shares all at a price of 0.2 pence per share. In aggregate 850,150,000 New Ordinary Shares were issued pursuant to the Placing and Subscription.

Following the announcement made in the 2019 accounts that the Group's Singapore operations would be closed, the main operating entity in Singapore officially entered liquidation in April 2021.

28. 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:

2020	Notes	Pound Sterling	Singapore Dollar	Total (Pound Sterling)
Financial assets at amortised cost				
Cash and cash equivalent	18	103,609	–	**103,609**
Trade receivables	16	1,033,105	–	**1,033,105**
Other debtors	17	62,459	–	**62,459**
Total financial assets		1,199,173	–	**1,199,173**
Financial liabilities at amortised cost				
Trade and other payables	19, 21	1,833,374	–	**1,833,374**
Due to Related Parties	22	40,000	–	**40,000**
Borrowings	23	2,532,115	–	**2,532,115**
Lease liabilities	23	2,842,315	–	**2,842,315**
Convertible loan notes	23	322,817	–	**322,817**
Financial liabilities at FVPL				
Warrants	23	63,701	–	**63,701**
Total financial liabilities		7,634,322	–	**7,634,322**
Net position		(6,435,149)	–	**(6,435,149)**

2019	Notes	Pound Sterling	Singapore Dollar	Total Pound Sterling
Financial assets at amortised cost				
Cash and cash equivalent	18	61,513	21,751	**83,264**
Trade receivables	16	547,355	203,978	**751,333**
Other debtors	17	64,495	–	**64,495**
Total financial assets		673,363	225,729	**899,092**
Financial liabilities at amortised cost				
Trade and other payables	19, 21	1,220,033	454,192	**1,674,225**
Due to Related Parties	22	42,691	3,955	**46,646**
Borrowings	23	2,438,573	–	**2,438,573**
Lease liabilities	23	3,175,719	2,009,309	**5,185,028**
Convertible loan Note	23	316,587	–	**316,587**
Financial liabilities at FVPL				
Warrants	23	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 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. At the end of the year 13% (2019: 65%) of the Group's account receivables were made up of individual students, 84% (2019: 12%) relates to large funding organisations such as universities and the balance of 3% (2019: 23%) to other organisations. All trading activities are concentrated in 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.

2020	**On demand or within one year £**	**Within 2 to 10 years £**
Trade payables	**603,631**	**–**
Other payables and Accruals	**1,229,743**	**–**
Due to related parties	**40,000**	**–**
Term Loan	**–**	**2,532,115**
Lease Liabilities	**350,829**	**2,491,486**
Convertible Loan Notes	**50,000**	**272,817**
Warrants	**–**	**63,701**
	2,274,203	**5,360,119**

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

(iii) Foreign currency risk

The Group's investments in overseas subsidiaries and associated companies which have been closed/discontinued after announcement in August 2020 and therefore group exposure is no longer a material 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 December 2020				
Singapore Dollar	**49,387**	**278,870**	**(49,387)**	**(278,870)**
At 31 December 2019				
Singapore Dollar	126,039	88,346	(126,039)	(88,346)

(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 2020, 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 December 2020				
Assets				
Trade and other receivables	–	–	1,095,564	1,095,564
Cash and bank balances	–	–	103,609	103,609
Total assets	–	–	1,199,173	1,199,173
At 31 December 2020				
Liabilities				
Trade and other payables	–	–	1,833,374	1,833,374
Due to related parties	–	–	40,000	40,000
Borrowings	–	2,532,115	–	2,532,115
Lease liabilities	–	2,842,315	–	2,842,315
Warrants	–	–	63,701	63,701
Convertible loan notes	–	322,817	–	322,817
Total liabilities	–	5,697,247	1,937,075	7,634,322

	Floating rates Less than 12 months £	Fixed rate Interest Bearing	Non-interest Bearing £	Total £
At 31 December 2019				
Assets				
Trade and other receivables	–	–	1,416,368	1,416,368
Cash and bank balances	–	–	83,264	83,264
Non-financial assets	–	–	1,787,349	1,787,349
Total assets	–	–	3,286,981	3,286,981
At 31 December 2019				
Liabilities				
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	75,640	7,940,188	1,720,871	9,736,699

(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 2020	**Disposal**	**Net financing cash flows**	**Interest paid**	**Fair value movement**	**Reclassified**	**Unwinding of Interest**	**31 December 2020**
Term loan	**2,438,573**	–	100,000	(46,583)	–	(50,000)	90,125	**2,532,115**
Warrants	**75,640**	–	–	–	(11,939)	–	–	**63,701**
Convertible loans notes	**316,587**	–	–	–	–	–	6,230	**322,817**
IFRS 16 - Lease Liability	**5,185,028**	(2,009,309)	(194,801)	–	–	(323,500)	184,897	**2,842,315**

		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[1]	**5,623,656**	–	(744,091)	–	4,100	–	301,363	**5,185,028**

[1] £63,957 has been included within the opening of IFRS 16 lease liability which was disclosed as finance lease in prior year financial statement.

(vii) Capital risk management policies and objectives

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, cash and bank balances and equity attributable to holders of ordinary shares of the Company comprising issued capital, other reserves and retained earnings as disclosed in the financial statements. The Board of Directors reviews the capital structure regularly and at the minimum on a yearly basis.

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

	Group		Company	
	2020 £	2019 £	**2020 £**	2019 £
Total debt	**5,697,247**	2,514,213	**2,754,932**	2,514,213
Less: Cash and cash equivalents	**(103,609)**	(83,264)	**(8,948)**	(864)
Net debt	**5,593,638**	2,430,949	**2,745,984**	2,513,349
Total equity	**(3,124,227)**	(2,297,757)	**(2,207,411)**	(2,608,116)
Debt to equity	**–**	–	**–**	–

Financial assets are disclosed in notes 16 to 18. The Group's principal financial assets are bank balances, trade and other receivables.

Loan covenants

The Group's does not have any specific financial covenants to comply with its major debt provider.

29. Convertible Loan Notes

In 2017 the Company issued loans notes, as described in the table below.

In November 2020, Convertible Loan Note holders agreed a variation of the redemption date from 16 November 2020 to 31 December 2022.

Convertible Loan Notes		
Issue Name	Convertible Unsecured Loan Notes 2020	
Date of Issue	17 November 2017	
Date of Redemption	31 December 2022	
Interest Payable	1 Jan 2018-31 Dec 2018	3%
	1 Jan 2019-31 Dec 2019	4%
	1 Jan 2020-31 Dec 2020	5%
	1 Jan 2021-31 Dec 2022	6%
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	
Unwinding Interest	£6,230	
Balance at 31/12/2020	**£322,817**	

30. Share-based payments and share options

The Company has an Enterprise Management Incentive share option scheme for certain directors and employees. Under the scheme, participants have been awarded options to acquire up to a prescribed level of shares following a 3-year vesting period if the Company's share price has met the pre-determined target conditions. There are two market-based conditions, each accounting for 50% of the share options awarded to the employee, these are:

- Mid-market share price of the Company on the AIM Market of the London Stock Exchange stays at 0.5p or more for 40 consecutive business days.
- Mid-market share price of the Company on the AIM Market of the London Stock Exchange stays at 0.9p or more for 40 consecutive business days.

The cost recognised for 2020 in respect of these options is, £184. The following methodology was used to calculate the amount chargeable in respect of these options:

- Fair values of 0.3448p and 0.7406p. These have been derived using the following criteria within the Black Scholes valuation framework:
  - Grant Date – 2nd December 2020
  - Stock price of 0.15p, as at the grant date, with exercise prices of 0.5p and 0.9p respectively.
  - Risk free rate of 0.35%, being the yield on UK 10-year Government bonds at the grant date.
  - Volatility of 12.3% representing the standard deviation of inter-day returns over the prior 365-day period.

As with options containing performance-based market targets, the probability of achieving the set condition is factored into the determination of the value. These will not be re-measured at subsequent reporting dates.

The Company has deemed the vesting probabilities at 5.02% and 0.37%. These are products of lognormal distribution modelling over a 3-year period to determine the likelihood of the vesting condition being reached, based off the scaled mean and standard deviation from a prior 365-day period.

1. Condition - 0.5p or more for 40 consecutive business days

Share Options in circulation	34,750,000
Exercise Price (p)	0.5
Fair Value (p)	0.3448
Deemed probability of achieving market condition	5.02%
Expensed over scheme duration	£6,015

2. Condition - 0.9p or more for 40 consecutive business days

Share Options in circulation	34,750,000
Exercise Price (p)	0.9
Fair Value (p)	0.7406
Deemed probability of achieving market condition	0.37%
Expensed over scheme duration	£952

Year ended 31 December 2020

	Number of options	Weighted average exercise price
Outstanding at 1 January 2020	–	–
Granted during the year	34,750,000	0.15p
Exercised during the year	–	–
Outstanding at 31 December 2020	34,750,000	0.15p
Exercisable	–	–

During the year, the Company also made an equity settled share-based payment in lieu of fees to certain employees, directors and a creditor. A total of 100,262,947 ordinary shares were issued at 0.15p per share. No vesting conditions were attached to this share issue. The fair value at the grant date has been calculated as the total of the fees owing for services provided. The cost recognised for 2020 in respect of these share-based payments is, £144,394 for continuing operations, and £6,000 for discontinued operations.

In addition, a bonus was also awarded to certain directors as compensation for an additional and significant time commitment during a change in Chief Executive Officer during the year. The bonus was not paid until 2021, therefore an accrual was recognised through liabilities in 2020. The cost recognised for 2020 in respect of these share-based payments is, £24,700 (restated 2019: £19,192). The bonus was paid in 2021 when a total of 12,350,000 ordinary shares were issued at 0.20p per share (2019: 12,794,667 ordinary shares at 0.15p per share). No vesting conditions were attached to this share issue. The fair value at the grant date has been calculated as the total cash value of the bonus awarded.

The prior year bonus of £19,192, awarded in 2019, was originally accrued to liabilities. In 2020 when then bonus was paid in shares, the accrual was transferred to equity.

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