

MALVERN INTERNATIONAL PLC



Annual Report 2022



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

HIGHLIGHTS

For the year ended 31 December 2022

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 ("MOA").

"Student numbers continued to rebuild throughout 2022 as limitations on international travel eased. English Language Training ("ELT") bounced back in 2022 with three centres posting revenues ahead of the pre-pandemic period during the busy summer months. Our University Pathways saw a three-fold increase in student numbers for the 2022/23 academic year start, contributing significantly to our overall University Pathways population of 500 students and giving a strong indication of the potential of this division. Juniors delivered programmes to 976 students, generating revenues of c.£1.35m after two years of no activity.

Our forward bookings and revenue visibility for the start of 2023, combined with the removal of all COVID-19 restrictions, gives us confidence in Malvern's near and longer-term prospects. We expect to move towards profitable growth in all divisions in 2023."

Richard Mace, Chief Executive Officer

CONTINUING OPERATIONS

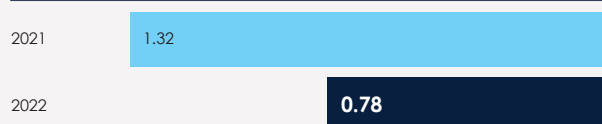
REVENUE (£M)



EBITDA LOSS (£M)



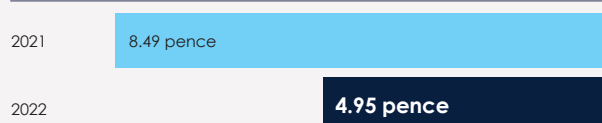
OPERATING LOSS (£M)



LOSS FOR THE YEAR



LOSS PER SHARE*



* Calculated using weighted average number of shares in issue during the period 21,915,119 (2021 restated: 18,788,985). Total ordinary shares for 2021 have been restated to provide a meaningful comparison with 2022. A share consolidation was completed in 2022, increasing the nominal value of the Group's ordinary shares.



STRATEGIC
REPORT



CHAIRMAN'S STATEMENT

Mark Elliott, Chairman



Introduction

Student numbers continued to rebuild throughout 2022 as the limitations on international travel eased. The second half of the year saw more significant growth and a return to pre-pandemic levels of student numbers in our adult language schools. The Juniors division, which runs two-week courses mostly over the summer holidays, saw a c.50% return of student numbers compared to 2019, which was in line with the wider market performance since the majority of these courses are booked many months in advance and at a time where uncertainty around travel remained. We welcomed our largest cohort of 500 students for University Pathways in the 2022/23 academic year.

Financial performance

Revenues increased 169% to £6.51m (2021: £2.42m). The operating loss for the year reduced to £0.78m (2021: loss £1.32m) reflecting continued strong cost control measures together with ongoing investment in our sales and marketing and central operations.

The loss for the year was £1.08m (2021 loss: £1.59m), resulting in a loss per share of 4.95 pence (2021 loss: 8.49 pence).

Cash balances increased by £0.81m during the year to £1.18m (2021: £0.37m) reflecting cash inflow of £1.32m (2021: cash outflow of £1.19m). This increase was due to the late invoicing to us of accommodation costs. Net debt was £4.38m (2021: £5.85m) including £3.08m (2021: £3.35m) of lease liabilities (see note 24).

Financing and debt restructure

In March 2022, successful negotiations were finalised with BOOST&Co., (the Group's fund manager, acting on behalf of the Company's debtholder IL2 (2018) Sarl) to restructure the Group's £2.6m debt facility. Under the original agreement monthly payments were due to commence in April 2022 over a 24-month period. The new agreement provides for a 12-month payment and interest holiday with monthly payments commencing from March 2023, over a five-year period. To assist with the lumpy nature of our cash flow we have also agreed with them to vary the timing of these payments during 2023. At the same time BOOST&Co. provided a letter of comfort to provide ongoing financial support to the Group for any short-term working capital requirement should that become necessary.

Share option scheme

The Company continued to offer an EMI share option scheme to retain, incentivise and align the interests of employees with certain performance targets and strategic goals. The Company awarded 575,000 ordinary shares of 1 pence each in the capital of the Company, pursuant to the Company's EMI share option scheme (the "EMI Options") to Richard Mace, Daniel Fisher and certain employees of the Company in December 2022. The EMI Options granted, when added to the previously granted EMI Options of 2,002,500, represent 8.2% of the existing issued share capital of the Company. More information, including the exercise prices, can be found in note 26 of the financial statements.

Staff and staff appointments

Malvern continued to build and strengthen its sales and marketing team, appointing an experienced East Asia Director to manage the region's agent network primarily across China following our February 2023 expansion of operations there. As the business grows so does the need to continue to build our excellent senior management team and this we will continue to do to drive the business in 2023.

I would like to take this opportunity to thank all our colleagues for their continued dedication in delivering quality education to our students and in the significant contribution they have made in the post COVID-19 recovery of our business.

Outlook

The significant revenue growth seen in H2 2022, in combination with the visibility of University Pathways revenue in H1 2023, and no COVID-19 restrictions affecting students' ability to travel, gives us confidence in Malvern's near- and longer-term prospects. We expect to achieve growth in all divisions in 2023.

Student numbers in our language schools have returned to pre-pandemic levels and the pipeline for 2023 is encouraging. In our University Pathways division, student numbers are up 247% on the prior academic year (21/22 v 22/23), which reflects the significant investment in this division. Finally, pre-bookings for 2023 summer camps are very encouraging and revenue growth is expected as an outcome.

We have a great management team and the services we offer are in demand. We expect to grow and diversify our revenue by bringing on board new educational establishments and attracting students from more countries than ever before.

COVID-19 was a very difficult time for our industry but with the support of all our stakeholders we survived. We now see great opportunities for us to prosper in 2023 and beyond.

Mark Elliott
Chairman

6 April 2023



MURRAY
HOUSE

COMMUNICATE
SCHOOL
OPEN UP YOUR FUTURE

COMMUNICATE
SCHOOL
OPEN UP YOUR FUTURE

Accredited by the
 BRITISH
COUNCIL
for the teaching
of English in the UK

AT A GLANCE

Malvern International's purpose is to provide, with our partners, students from around the world with opportunities to reach their full potential via access to transformational learning, teaching and support.

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*

4

Study locations



Malvern has experienced a great deal of change in recent years, refocusing the business on UK operations, navigating through the challenging period of COVID-19 and restructuring the business. The Company has emerged stronger than ever, with a clear strategy, a highly experienced Executive Management Team, sales and marketing function, agent network, and improved governance structures.

2018/19

Acquisition of Communicate Language School Manchester

Sale of Malaysian business and increased focus on UK operations

2020

Appointment of UK-focused Group Head of Sales and Marketing

Temporary closure of UK schools in response to COVID-19 with courses delivered online

Appointment of Richard Mace as CEO

£1.25m raised via capital markets to provide support during COVID-19

Closure and disposal of non-UK entities completed, allowing a clear focus on UK operations

Launch of our NCUK International Foundation Year programme at Malvern House London

2021

Appointment of Centre Director, UEL International Student Centre

£1.70m raised via capital markets in oversubscribed fundraising to accelerate growth plans

Appointment of Daniel Fisher as CFO, Daniel has served as Financial Director since January 2021

2022

Malvern House Brighton first full year of operations following delays in opening due to COVID-19

Debt restructuring to facilitate recovery and release financial resources to enable business development and investment

Contract award – Preferred supplier to recruit students from China for UEL for next five years

First Juniors programmes delivered after two years of no activity

Highest number of students recruited on university programmes, 500

2023

Appointment of Commercial Director of ELT to drive growth of ELT and Juniors division

* Since foundation.

Malvern University Partnerships

Offering

On and off-campus University Pathways 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
- Engineering and science

International Year One in business and engineering.

In-sessional and pre-sessional courses.

Locations

UEL
NCUK
Malvern House London

Malvern English Language 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



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 for closed groups.

Courses

General English, English for Juniors preparation for International English Language Testing System ("IELTS").

Delivery options

Full time, part time, one to one.

Language in Action juniors and summer camp programmes ("Malvern Juniors")

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


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 counts over 117 members of staff, made up of 52 teaching staff and 65 support and leadership members.

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 has a central student management and accounting system.

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.
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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 expand 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 MARKETS

The UK remains the second most popular study destination for international students after the US. The international education market in the UK can be defined broadly into two groups: higher education and ELT. Both benefit from long-term growth prospects.

In February 2021, the UK Government published the UK International Education Strategy, aiming to achieve £35 billion in education exports per year. The Government recognises that to achieve this ambition an average 3% increase per year in education export revenue is needed and therefore, promoting and sustaining the growth of education exports and international student numbers remains a priority.

International Higher Education (“IHE”)



Chart 1: IHE student enrolments

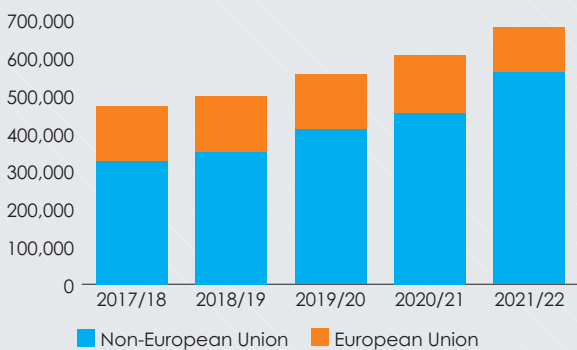
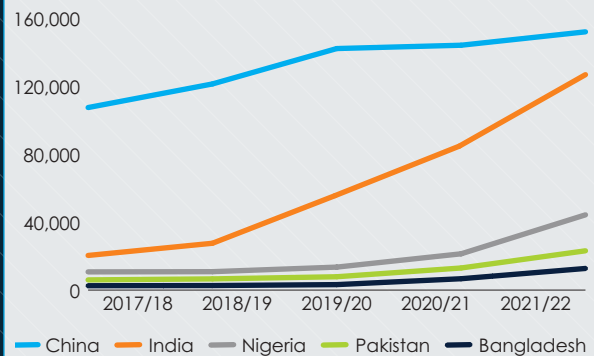


Chart 2: IHE student enrolments



IHE is a growing market in the UK with Government-set student number and revenue targets. The sector is supported by the Government in the form of student visas, aimed at making studying in the UK attractive to international students. UK graduates have the right to stay in the UK to work for two years once they have completed a UK higher education qualification (including Bachelor and Master's degree), and three years if they have completed a PhD.

The Government's UK International Education Strategy aims to have 600,000 IHE students enrolled each year by 2030. This target was achieved well ahead of schedule in the 2020/21 academic year, leading to calls to raise the target to one million IHE students.

Malvern's sales and marketing strategy focuses around the recruitment of non-European students, which make up over 80% of total IHE students in the UK (see Chart 1). The Company targets the largest and fastest growing student sending markets, including China, India, and Nigeria. Together, these three countries account for 58% of non-European students (2020/21: 55%).

Since the 2017/18 academic year the number of Chinese IHE student enrolments has grown from 107,215 to 151,690. Having started from a much lower base of 20,335 in 2017/18, student enrolments from India are fast catching up with 126,535 students enrolled in 2021/22, aided by the reintroduction of priority and super priority visas in 2022. The number enrolments from Nigeria, the third largest sending market, more doubled year on year from 21,305 students in 2020/21 to 44,195 in 2021/22.

Sources:

- Higher Education Student Statistics: UK, 2021/22 - Where students come from and go to study
- BONARD, Quarterly Intelligence Cohort, Executive Summary 2022 prepared on behalf of English UK for Q1, Q2, Q3, & Q4
- English UK COVID-19 Impact report: Second Edition, 2021
- HM Government International Education Strategy: global potential, global growth, March 2019
- HM Government International Education Strategy, 2022 progress update
- English UK, Student Statistics report 2022, May 2021
- ELGazette.com, The Covid fall-out on Centres of Excellence, October 2022



English Language Training (“ELT”)



Chart 3: Additional student weeks delivered each quarter 2022 vs. 2021

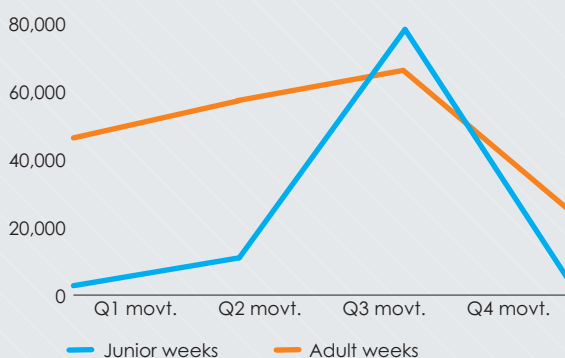
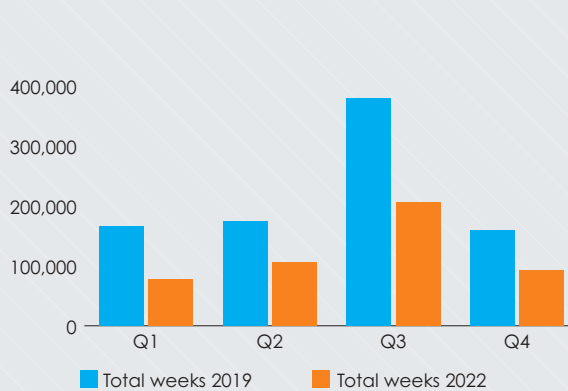


Chart 4: ELT student weeks 2019 vs. 2022



The ELT market consists of two segments: adult courses and juniors provision in the form of summer camps. Market research typically combines these two audiences, although they have different recruitment strategies and business models. The peak season for both audiences are the summer months, however adult ELT tends to be more evenly spread throughout the year.

In the aftermath of the pandemic, ELT providers are focused on rebuilding student numbers to former levels. There are positive signs that the industry is recovering and student week volumes appear to be steadily recovering. Centres are witnessing a marked improvement on quarterly student weeks delivered between 2021 and 2022 (Chart 3). However, there still remains some way to go when comparing student weeks delivered in 2022 to 2019 (Chart 4), with quarterly figures for adults and juniors in 2022 running at between 50% to 60% of 2019 levels.

Going into 2023, providers are more optimistic about the recovery with around 40% anticipating that the UK ELT sector will regain 100% of pre COVID-19 business volumes, while 11% of English UK members are predicting a recovery of more than 100% – a view that Malvern, and some of the Group’s key agents, shares.

The UK International Education Strategy also recognises the opportunity for UK ELT to play a more prominent role for international trade-led activity. The Department for International Trade and the British Council are using their networks to promote and support ELT overseas in partnership with English UK, of which Malvern are members.

This, combined with a reduction of 104 British Council accredited ELT schools since March 2020, or 21% of its members, provides a significant opportunity for Malvern to capture a greater proportion of market share, review its pricing, and consider increasing its footprint through acquisition of or establishing new centres.

Figures relate to a like for like which is based on data from 118 reporting centres.

OUR STRATEGY

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

In 2022, the senior leadership team worked to set out the Group's three-year strategic plan. The strategy has been developed in the context of the recovery of the international education market since the COVID-19 pandemic and the Group's potential to take advantage of the UK Government's UK International Education Strategy which aims to achieve £35 billion in education exports per year, recruiting over 600,000 students to the UK.

Company-wide priorities to 2025

Success metrics

Optimise the quality and standardisation of our education provision

- Student feedback
- Accreditation, review and compliance audits, results and findings
- Standardisation of operational processes across the Group
- Centralised QA expertise supporting each division

Expand our market share and brand reach

- Overall increase in student numbers
- Expansion of our sales and recruitment functions
- Diversification of source countries/nationality mix in centres
- Increased direct sales
- Increased effectiveness of lead generation, conversions, and admissions function
- Expansion of agent network and improved agent relationships
- Greatly expanded marketing collateral and overall outputs
- Substantive and consistent digital presence

Enhance centralised business process, technology and reporting

- Data-informed decision making and forward planning across the Group
- Improved and consistent service-level agreements
- Automation of processes
- Standardised, streamlined and consistent processes
- Commitment to best practice and continuous improvement
- Adoption of scalable IT systems and processes

Develop and engage our people to promote a positive and high-performance culture

- Reduced staff attrition rates
- Increased staff satisfaction, informally and formally recognised
- Regularly reviewed policies at every stage in the employee life cycle
- Training needs analysis
- Enhanced training and CPD opportunities for all staff
- Uptake of newly implemented performance management platform
- Regular review of staff objectives
- Commitment to talent and leadership development

Extend current social responsibility initiatives

- Increase number of free education places for refugees
- Develop a Company-wide giving-back culture
- Develop charity and fundraising activities for each centre
- Standardise environmental policies and practices across centres

Business segment priorities to 2025

Success metrics

Malvern University Partnerships

- Maximise the potential of our University of East London ("UEL") partnership
- Seek new university partnerships
- Maximise opportunities that NCUK offers
- Meet or exceed recruitment targets and develop agent network to recruit students from diversified sources
- Drive student attainment and quality metrics
- Strengthen internal review and feedback to drive quality improvements
- Simplify and improve student experience at every stage of their journey through enquiry, application, admission, course experience, and progression options
- Expand student numbers from China
- Expand subject and course-level mix

Malvern English Language Schools

- Standardise teaching across schools to improve quality
- Invest in school environments to maximise centre occupancy and enhance technology enabled learning
- Increase student diversity
- Develop new programmes offered during periods of low utilisation
- Explore potential to add additional centres to our portfolio to increase our footprint
- Form and maintain excellent relationship with UK based sponsors to increase number of sponsored students
- Create simple and effective direct sales system
- Expand agent network
- Diversify quality accommodation options at all price points
- Improve student interaction with admissions and improve responsiveness

Language in Action and juniors summer camps

- Expand number of centres and increase capacity to meet demand
- Develop brand and presence
- Diversify student recruitment by source country and national mix
- Target China market as second biggest juniors market
- Expand courses and offer low-season centres
- Improve staff retention by offering year-round or regular employment
- Increase automation of internal processes to enhance agent relations, service-level agreements and improve efficiencies

OPERATING REVIEW

Richard Mace, Chief Executive Officer



Summary

- Over three-fold increase in University Pathways students for 2022/23 academic year with over 500 University Pathways students now enrolled
- Revenues in ELT centres bounced back during summer months ahead of pre-pandemic levels
- Continued to strengthen and deepen relationship with UEL with five-year partnership aiming to increase rapidly the volume of Chinese student enrolments
- Strengthened senior management team with promotions and appointments of Director of University Partnerships, Director of Student Recruitment, Commercial Director of ELT, Head of Operations and a Group HR Manager
- Appointed an experienced East Asia Director to manage and grow our agent network across China
- Juniors programmes relaunched in summer of 2022 with 976 students enrolled after two years of no activity

English Language Training (“ELT”)

The ELT industry has bounced back after international borders reopened following two years of travel restrictions. This is evidenced through revenues across the Group's three ELT centres during the Group's busiest summer period, coming in slightly ahead of the pre-pandemic level in 2019.

Adult ELT revenue increased in 2022, mainly coming from the MENA and Latin America markets. This was helped by the Government's announcement in early May 2022 that Saudi Arabia nationals can apply to travel to the UK for tourism, business, study, or medical treatment for up to six months with an electronic visa waiver from 1 June 2022.

The English Language Schools provided a mixture of in-class, online and blended learning in 2022, although there is now a clear return to predominately in-class learning.

The focus for the Group continues to be increasing the volume of accommodation options for students, which is a challenge across the industry, and continuing to develop our student acquisition model. Recruiting students via our growing agency network and directly via our digital presence and processes is a key strategy for this division. With our investment in systems and appointment of a Commercial Director, we are well placed to grow in 2023 and beyond.

University Partnerships

Underpinned by strong partnership structures with UEL, including regular joint senior management group meetings and excellent relationships with colleagues from across UEL, our International Study Centre welcomed a three-fold increase of students for the 2022/23 academic year, contributing significantly to our overall University Pathways population of 500 students.

This increase in student numbers is being driven by our expanded sales team and improved processes to manage and convert potential students from across the world. In parallel, staffing and operational arrangements have developed rapidly in our centre, driving our focus on learning and teaching excellence and maximising student attainment and progression to the University. These are built on a continued focus on optimising quality assurance within the centre, which has been recognised by our University partners during a range of formal and informal quality assurance processes.

We have formally launched a five-year strategic collaborative partnership with UEL, significantly extending our partnership with the University and aiming to increase rapidly the volume of Chinese students enrolled at UEL's three London campuses. Our centre is expected to expand further over the next five years.

Following the appointment of an experienced East Asia Director, we will manage an extensive education agent network across China via our in-country team and undertake extensive marketing, student recruitment and conversion activities on behalf of UEL in mainland China. Together with UEL colleagues, we will support partnership development with academic institutions in China. These partnerships will support the identification and development of articulation agreements (an articulation agreement is a formal partnership with another institution, which guarantees a UEL place on a particular programme, or programmes, on successful completion at another institution) and transnational education opportunities.

NCUK

Our NCUK centre at Malvern House London continues to grow, playing its part within our University Pathways division. We have attracted an increased number of students to both the September 2022 and January 2023 cohorts, aiming to progress to high quality universities via their International Foundation Year programme.

The building of our brand presence in key recruitment regions such as China, Nigeria and Sub-Saharan Africa, is expected to greatly increase the numbers of students on the NCUK programme during 2023/24. Delivery of further NCUK programmes, such as Science and Engineering routes, is currently being explored with our partners at NCUK, with both organisations looking to our NCUK centre to support their strong growth trajectories.

Malvern Juniors

As expected, the Italian funded INPS programmes went ahead in July and August 2022. Our English in Action junior and summer camps delivered programmes to 976 students, generating revenues of c.£1.35m after two years of no activity. The bulk of the students originate from Italy.

This performance was in line with the wider juniors market with 2022 programmes running at around 50% to 60% of pre-pandemic levels.

The team had a very successful British Council inspection in July 2022. The final result is excellent and puts Malvern in the top quartile of inspections in the industry. Our next full inspection of Juniors programmes is due in 2026.

In China, the biggest international student market to the UK for juniors summer camps, we are expecting students to begin travelling again in 2023. The Group's strategic investment in this market is expected to contribute significant growth from 2024.

The Group is well placed for growth in this division. There remains a clear backlog of demand for 2023 based on pre-bookings, consequently we expect significant growth in student numbers and revenues in 2023.

Central services

We continue to make improvements to our shared central services which includes both back-office and sales and marketing. Our priority is to place quality at the heart of our business, standardising and optimising our education provision. This is backed by a decision to centralise quality assurance in order to support each division in managing student feedback processes, accreditations, reviews and compliance.

The creation of our China recruitment function and appointment of an experienced East Asia Director to manage the agent network across China continues to build on our sales and marketing capabilities. We continue to work with our agent network as well as supporting our direct student recruitment channels. For the latter, we are improving lead generation and conversion processes as well as expanding our marketing collateral.

With the international student market re-stabilising we are aware of the need to develop and engage our staff to promote a positive and high-performance team. Our HR team has been working to improve remuneration packages to attract the best talent, enhance training and CPD opportunities as well as identifying future leaders within the business.

We are looking at ways to extend our current social responsibility activities beyond offering scholarship places, establishing charity days at each of our centres and developing a company-wide giving back culture.

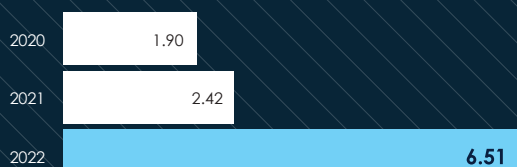
Richard Mace
Chief Executive Officer

6 April 2023

KEY PERFORMANCE INDICATORS

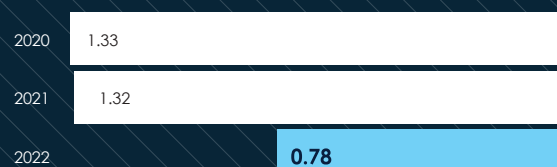
FINANCIAL KPIs

REVENUE (£M)



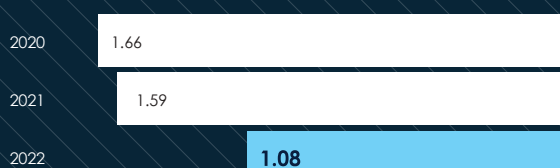
Performance: Revenues grew 169% during the year reflecting a return to near normal operations and pent-up demand in the aftermath of COVID-19. H2 saw significant growth compared to H1 which continued to be impacted by international travel restrictions.

OPERATING LOSS (£M)



Performance: The operating loss reduced following a surge in revenue in H2, particularly from the University Pathways and Malvern Juniors divisions. In parallel, the Group invested in its sales and marketing team to support recruitment efforts across key territories.

LOSS FOR THE YEAR (£M)



Performance: The loss for the year reduced in line with management's expectations. Operating conditions are anticipated to be much more favourable in 2023. Confirmed and pre-booked revenue gives management confidence that growth will be achieved across all divisions in 2023.

LOSS PER SHARE (PENCE)

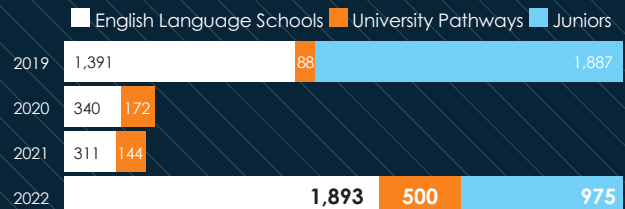


Performance: The loss per share is calculated using weighted average number of shares in issue during the period of 21,915,119 (2021 restated: 18,788,985). The total loss per share from continuing operations was 4.95p (2021: 8.49p).

* Total ordinary shares for 2021 have been restated to provide a meaningful comparison with 2022. A share consolidation was completed in 2022, increasing the nominal value of the Group's ordinary shares.

NON-FINANCIAL KPIs

STUDENT NUMBERS



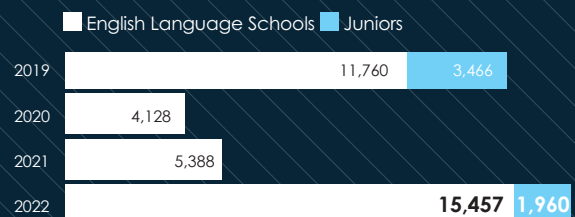
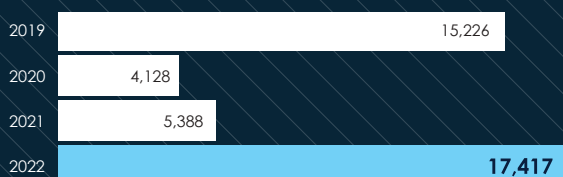
Number of students who have undergone tuition for a minimum of ten hours per week during the course of the year.

Performance: ELT numbers performed ahead of pre-pandemic levels with a particularly strong summer peak. This performance reflects the pent-up demand created by two consecutive years that were impacted by COVID-19. The performance was also supported by the easing and simplification of the visa process to students from certain countries.

University Pathways saw a significant jump in student numbers for the 2022/23 academic year, giving the strongest indication of the potential of this segment to Malvern.

The Juniors division performed in-line with the wider market with a c.50% return to 2019 levels. We have every expectation that these figures will continue to rebuild into 2023.

STUDENT WEEKS



Total number of weeks delivered to students who undergo a minimum of ten hours per week including in-class and online courses. This metric is relevant to ELT students only.

Performance: As expected, the average number of student weeks for ELT reduced from 17 weeks in 2021 to 8 weeks in 2022 reflecting pre-pandemic trends and supported by greater freedom to travel.

The Juniors division typically offers students two weeks of immersive English language tuition and cultural experiences.

FINANCIAL REVIEW

Daniel Fisher, Chief Financial Officer



The trading landscape improved markedly throughout the year. We continued to maintain strong cash controls while investing in sales and marketing functions to build student numbers.

Revenue

Revenues increased 169% to £6.51m (2021: £2.42m). Revenues have increased across all areas of the business. Student numbers recovered following a long period of travel restrictions. Juniors ran for the first time in 2019, generating c£1.35m in revenue, the bulk of students coming from Italy. Freedom of travel and continued investment in our pathway partnerships resulted in a 247% increase in student numbers from the prior academic year (21/22 v 22/23).

Operating costs

The reopening of international borders aside, continued investment in the Group's sales and marketing functions has also been critical to the growth of revenue in 2022. Spending on these functions totalled c.£0.24m (excluding salaries) in 2022 (2021: c.£0.08m). Much of this increased spend is the result of increased travel. Across all divisions, student number growth is built on relationships with the Group's agent network. The relaxation of travel restrictions allowed our people to travel to key recruitment markets for the first time in two years.

Group salaries and benefits also increased in 2022, £2.06m v £1.34m in 2021. This increase can be attributed to an increased number of student

facing staff to deal with the large increase in student numbers during the year. As previously stated, the Group continues to invest in the sales function, including additional headcount, and as an extension of the sales function, the Group has also invested in the UEL admissions pipeline and student support structure. These UEL functions have been key to delivering growth in student numbers in this division. As the staffing structure continues to take shape, the Group is well positioned to scale effectively in 2023.

The loss for the year was £1.08m (2021 loss: £1.59m), resulting in a loss per share of 4.95 pence (2021 loss: 8.49 pence). The reduced loss position is the result of a strong H2 revenue performance. The total loss in 2022 was significantly impacted by suppressed revenue in H1 2022, caused by the impact of COVID-19. An anticipated full year of normal operating conditions in 2023, in combination with the visibility of University Pathways revenue in H1 2023, gives the Board confidence about Malvern's near- and longer-term prospects.

Consolidated Statement of Financial Position

The Group continues to make incremental improvements on the Consolidated Statement of Financial Position. The convertible loan note, first issued in 2017, was fully redeemed during the year following a placing (2021: £0.27m). The levels of historical creditor balances were also reduced in 2022. This included making the final payment of a long payment plan to clear a c.£200k Juniors' accommodation invoice from 2019.

The cash balance at the end of the financial year was £1.18m (2021: £0.37m). This increase was due to the late invoicing (c.£0.75m) to us of accommodation costs. The Group has managed expenditure tightly. In addition, debtor days have reduced which is important for our working capital and growth requirements. The Group's £2.6m debt was restructured in 2022, providing a 12-month payment and interest holiday with monthly payments commencing from March 2023, over a five-year period. To assist with the uneven nature of our cash flow we have also agreed with BOOST&Co Limited to vary the timing of these payments during 2023.

Daniel Fisher

Chief Financial Officer

6 April 2023

RISK MANAGEMENT

The Board, through the Audit and Risk Management Committee, assesses the Group's risks on an ongoing basis and maintains a risk register which is updated quarterly. Risk governance culture is embedded across the Group.

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 and credit risk.

Mitigation

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 14 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.

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 programme 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.

Risk Management continued

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 The 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 assesses 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.	
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 licences 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. The Group has clear incident management and crisis management strategies and procedures.	
Health, safety or environmental incident		Risk level: Medium 
Description The impact from COVID-19 on the Group has significantly reduced in H2 2022. The 2022 results were affected in H1, due to closed borders and staff illness. This impact/risk to the Group has continued to reduce and the Group is continually monitoring the situation.	Mitigation The Board monitors and follows national and international health and safety guidelines and provides regular updates to its staff and student body. To assist with cost and cash management in 2022, the Group was able to access Government grants across our sites. The Group has also agreed delayed and extended payment plans with key suppliers and with our debt provider, BOOST&Co. Limited. In addition, shorter payment terms were agreed with some key customers to ensure that the Group's working capital requirements are met.	

DIRECTORS' SECTION 172(1) STATEMENT

Stakeholder engagement

The Board is 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 8, 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.

Staff

As an educational services business, Malvern's strength derives from the commitment, capability, and cultural diversity of its employees. The Company aims to adopt a policy of diversity at all levels including candidate selection, role assignment, and individual career development. The Company 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 appointment of a dedicated HR manager has centralised internal communications with staff. Group policies are regularly reviewed and updated and communicated to all staff and are easily accessed via the Company intranet.

The Group incentivises employees through share based incentives and the payment of bonuses and commissions linked to performance objectives. Where appropriate these objectives are linked to profitability.

We continue to focus on enhancing our colleagues' personal development at Malvern, with the introduction of a renewed appraisal system in 2022 and integration of this scheme with a longer-term staff development policy.

Our Executive Management Team ("EMT") (see page 26) is charged with driving the delivery of our Strategic Plan as set out on page 12.

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.

Students

Our purpose, mission and values place our students at the heart of all of our operations, and their success is key to our future strategic developments. We proactively seek student feedback around every aspect of our operations, including regular surveys and informal discussions with individuals and groups of students.

We integrate this continual informal feedback with more formal mechanisms, such as student representative groups and course committees and similar forums in our University Partnerships. We report back to our students as to how their views have informed developments within our centres via regular two way dialogue, and ensure the closeness of relationships between staff and students continues to be identified within accreditation and inspection reports as a strength within Malvern.

Partners

The Board acknowledges that a strong business relationship with partners, customers, and agents is a vital part of our growth strategy. These relationships are informed by our interactions with our students as detailed above.

Within our student recruitment function, we are in continuous contact with our agent and sponsor partners. We arrange to meet with key partners on a regular basis, and take part in industry events to help facilitate joint discussions.

We are members of a range of educational organisations, such as English UK, where we meet with peers and discuss areas of common concern and key developments for our business. We are looking to expand our reach in terms of partner organisations to help realise our strategic goals.

Directors' Section 172(1) Statement continued

Within our University Partnerships division, we will continue to solidify joint governance and management arrangements with our partners. For example, in 2022, we set up a regular joint China operations meeting. This meeting will ensure that recruitment, admissions and compliance are working efficiently to maximise student numbers and to ensure a quality student experience. Our meetings ensure alignment between our role as a service provider and UEL's goals, and enable us to discuss opportunities and challenges collectively.

Whilst day-to-day business operations are delegated to the EMT, 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. For more information please see the CSR section on page 31.

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 RefuAid, offering free language courses to refugees.

More detail can be found in the CSR Statement in this report on page 31.

Shareholders and debtholders

The Board places equal importance on all investors and recognises the significance of transparent and effective communications. As an AIM listed company we are required to provide fair and balanced information in a way that is understandable to all stakeholders and particularly our shareholders, with clear information on the Group's activity, strategy, and financial position. Details of how the Company communicates with its shareholders can be found in the Chairman's Corporate Governance Statement on page 27.

Maintaining high standards of business conduct

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. 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 in 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 the Board

Mark Elliott

Chairman

6 April 2023



CORPORATE GOVERNANCE

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT TEAM

The Board of Directors

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: 1 July 2019

Mark is a Chartered Accountant who 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.

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



Alan Carroll,
Non-Executive Director

Date of appointment: 1 October 2019

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 then as a senior sales manager and adviser 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 was appointed as an independent Non-Executive Director at Ideagen Plc when it listed in July 2012 at a market capitalisation of £13m and was a Board member chairing the audit and remuneration committees until the company was acquired by HG Capital for £1.3 billion in July 2022. 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: Ultris Limited, and Goal Group Limited

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



Richard Mace,
Chief Executive Officer

Date of appointment: 30 June 2020

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.

Committees: n/a



Daniel Fisher,
Chief Financial Officer

Date of appointment: 6 December 2021

Daniel Fisher was appointed to the Board of Directors having worked as Malvern's head of finance since January 2021. Before joining Malvern, Daniel held a number of financial leadership roles including European Financial Controller of Newell Brands plc, Group Financial Controller of QANTM Intellectual Property Ltd., and Head of Finance/ Financial Controller of FPA Patent Attorneys Pty. In addition to leading an SME in Australia through a successful IPO as Head of Finance, Daniel's listed company experience at group level also includes management of audits for a multinational SME and merger and acquisition transactions.

Committees: attends Audit and Risk Committee meetings by invitation

Board of Directors and Executive Management Team continued

Executive Management Team ("EMT")

In addition to the CEO and CFO, the EMT consists of senior members of Malvern's management team, who all have significant experience in working the international education sector and are charged with delivering the Strategy as set out on page 12.

Each member has clear roles and responsibilities. The EMT is in daily communication and meets formally fortnightly 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.

The CEO, Director of University Partnerships, Director of Recruitment, Commercial Director of ELT, Head of Operations, and General Manager of London are collectively responsible for business development.

To facilitate the execution of the Strategic Plan, staff accountable for our divisions and functional areas hold Monthly Business Review ("MBR") meetings, involving staff from each area, to report and review progress being made and key developments.

We envision that additional appointments will be made to the EMT in key areas to realise our goals and as the business grows.



Simon Fitch
Director of University Partnerships, UEL International Study Centre

Date of appointment:
7 January 2021

Simon is accountable for our provision of high quality, student-centred, operations at our UEL International Study Centre and supporting the development of pathway programmes across 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
Director of Student Recruitment

Date of appointment:
6 January 2020

With more than twelve 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.



Emiliano Sallustri
Commercial Director of ELT

Date of appointment:
1 January 2019

Emiliano was promoted, in January 2023, to become the strategic lead for the growth and development of our English Language Training ("ELT") division; adult and junior centres (Language In Action). 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 was the co-founder of the Language In Action brand of junior schools that came into the Malvern Group in 2019.



Kris Hall
General Manager & Principal, Malvern House London

Date of appointment:
7 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.

CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT

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 Group.

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.

At the date of the report, the Board has four members, comprising two Non-Executive Directors and two Executive Directors. Biographies and roles of the Directors are set out on page 24.

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

The Board meets formally at least twelve times a year with additional ad-hoc Board meetings as the business demands. The Board is responsible for 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. 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 in 2022 was maintained at a similar level of the previous year, as the Board managed the dynamic trading environment due to COVID-19. The Board was in regular consultation with regards to the Group's cash resources in order to monitor and manage cash outflows, implementing strict cash control measures and remaining in close contact with our debt provider.

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.

Chairman's Corporate Governance Statement continued

Attendance at meetings during 2022

Director	Board meetings (12 meetings held)	Audit and Risk Committee (4 meetings held)	Nomination and Remuneration Committee (3 meetings held)
Mark Elliott	12	4	3
Alan Carroll	12	4	3
Richard Mace	12	—	—
Daniel Fisher	12	—	—

Strategy and risk management

A description of the Group's business model and strategic priorities can be found on pages 8 and 12 and the key challenges in their execution are detailed in the Chairman's Statement on page 3 and Operating 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 40) has responsibility for the oversight of the Group's risk management, 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 19 to 20.

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*: 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 of 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, CEO and CFO, including the CEO's and CFO's authority limits and the 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 Committee
- The Nomination and Remuneration Committee

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

The Audit and Risk Committee

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

The Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises of the two Non-Executive Directors, Mark Elliott and Alan Carroll (Chairman). Details of the responsibilities of the Nomination and Remuneration Committee are set out on page 37. Where necessary external recruitment consultants are used to assist the process. The Nomination and Remuneration Committee Report is set out on page 37.

Election and re-election of Directors

Directors appointed since the last Annual General Meeting, and those retiring by rotation, will submit themselves for election or re-election at the next Annual General Meeting, as set out in the Directors' Report on page 33 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 their 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 diversity amongst its members, which includes roles and experience with other boards and organisations. This forms 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 Group as a whole and that this will impact the performance of the Group. The Board is aware that the tone and culture set by the Board greatly impacts all aspects of the Group 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 Group 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 Group to achieve its corporate objectives successfully. The Board places great importance on 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 provides 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 these 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 31.

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 not 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 EMT through Group authorisation limits on a structured basis, ensuring that proper management oversight exists at the appropriate level. The composition of the EMT with biographies can be found on page 26, along with an organisational chart. EMT meetings are held fortnightly and are attended by other senior

Chairman's Corporate Governance Statement continued

management as required. Regular updates are provided by the heads of 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 is performed annually.

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 shareholders typically every six months, normally at the time of the final and interim results and when necessary.

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 AGM and attends investor events to engage with retail shareholders. This 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 has regard to the ascertained expectations and needs of its shareholders 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

6 April 2023

CORPORATE SOCIAL RESPONSIBILITY

Employment policies

As an educational services business, Malvern's strength derives from the commitment, capability, and cultural diversity of its employees. We have a policy of diversity at all employee levels including candidate selection, job assignment, and career development. We encourage all employees to participate 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.

Health and safety

The health and safety of our employees is paramount. We provide and maintain healthy and safe working conditions, equipment, and systems of work for all employees, and provide such information, training, and supervision as is needed for this purpose. Appropriate written health and safety information is issued to all new employees.

Throughout 2022, we continued to monitor and follow national and international health and safety guidelines and provides regular updates to its staff and student body. The impact from COVID-19 significantly reduced in H2 2022.

Social responsibilities

The Group has a culture of good corporate citizenship wherever it operates. In addition to offering means-tested scholarships, Malvern has partnered with the RefuAid "Language: A Gateway" project to increase access to English language tuition for people who have claimed asylum in the UK and those in the process of doing so.

In 2022, we offered free ELT tuition to 33 refugees, including 28 from Ukraine to improve their English and take English language exams. We are looking to increase the number of free places we can offer by seeking part-funding for refugees from local authorities. In addition we will begin offering scholarships to under-represented groups in off peak periods.

From 2023, each centre is selecting a charity to raise money for throughout the year.

Environmental policy

While our operations have minimal environmental impact, we recognise our responsibilities to protect and sustain the environment and its resources. Our policy is to meet or exceed the statutory requirements in this area, and we have adopted a code of good environmental practice, particularly in our main areas of environmental impact, namely energy efficiency, use, and recycling of resources and transport. We are rolling out a new environmental policy across our schools to encourage reduced energy consumption, reduced paper usage, and greater recycling.

As expected, international travel in 2022 increased significantly and we were able to meet with clients and conduct recruitment drives face to face once again. With new staff, it is important that relationships are developed and that we attend events. These events are no longer being conducted online, however we remain selective in our overseas trips.

The Company is not required to publish details of its carbon emissions.

Ethics and values

A culture of teamwork, openness, integrity, and professionalism forms a key element of the Group'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.

We are 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. We support and promote the principles of equal opportunities in employment and a culture where every employee is treated fairly.

Anti-Bribery Act

The Group'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 Group maintains a preferred supplier list ("PSL") for payroll companies used by its contractors and undertakes due diligence before allowing companies on to its PSL.

Modern slavery

Malvern 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 implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere in its own business, or its supply chain.

The Group operates a supply chain with a 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 2022, 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 programme to ensure all employees are aware of their responsibilities.

No instances of modern slavery were reported or identified in 2022.

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 to comply with the regulations. The processing and maintenance of personal data is managed in line with GDPR together with strict controls and IT security. Data is regularly updated and obsolete data removed. Training and guidance on the regulations are provided to all staff and form part of each new employee's induction.

DIRECTORS' REPORT

The Directors present their report and the audited accounts for the year ended 31 December 2022.

Principal activities

The principal activities of Malvern International Plc are 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 page 6.

Business model

The Company's business model is to provide:

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

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 businesses operating in the same or related markets.

Additional details of the Company's business model can be found on page 8. The Company benefits from operating in a market which has long-term growth prospects. More information on our markets can be found on page 10.

Strategic priorities

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

Each year the Board and management set strategic priorities, and monitors performance against them throughout the year. The strategic priorities are set out on page 12.

Review of the business and future developments

A review of the business and its outlook, including commentary on the key performance indicators can be found in the Strategic Report on page 2 to 22. The principal risks and uncertainties facing the Company are included on page 19. The Company's social, environmental, and ethical policies are set out in the Chairman's Corporate Governance Statement on page 27. A summary of the outlook for the Group is given within the Chairman's Statement on page 3.

Group results

The Group loss before taxation for the year was £1.08m (2021: loss £1.59m).

Dividends

The Directors do not recommend a final dividend (2021: nil).

Capital structure

The Company completed a share reorganisation in November 2022. Adjusting the nominal value of the Company's ordinary shares provides the market with greater clarity of the Company's share price. The Company now has ordinary shares of 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 transferable.

Going concern

The financial statements have been prepared on a going concern basis. The Directors 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 March 2022, successful negotiations were finalised with BOOST&Co. Limited (the Group's fund manager, acting on behalf of the Company's debtholder IL2

Directors' Report continued

(2018) Sarl to restructure the Group's £2.6m debt facility. Under the original agreement monthly payments were due to commence in April 2022 over a 24-month period. The new agreement provides for a twelve-month payment and interest holiday with monthly payments commencing from March 2023, over a five-year period.

BOOST&Co., acting on behalf of IL2 (2018) Sarl, have again provided a letter of comfort to provide ongoing financial support to the Group for any short-term working capital requirement should that become necessary. It is the present policy of BOOST&Co. to ensure that the Group has adequate financial resources to meet their obligations and to enable it to continue as a going concern for a period of at least twelve months from the date of the signing of the financial statements.

The significant revenue growth seen in H2 2022, in combination with the visibility of University Pathways revenue in H1 2023, and no COVID-19 restrictions affecting students' ability to travel, gives the Board confidence about Malvern's near- and longer-term prospects. The Board expects to achieve growth in all divisions in 2023.

Student numbers in our language schools have returned to pre-pandemic levels and the pipeline for 2023 is encouraging. In our University Pathways division, student numbers are up 247% on the prior academic year (21/22 v 22/23), which reflects the significant investment in this division. Finally, our summer camps successfully returned in 2022, delivering c.£1.35m in revenue to the Group. Pre-bookings for 2023 summer camps are very encouraging and revenue growth is expected as an outcome.

Profit and cash flow projections for the Group indicate that the Group is moving towards profitable growth in its key operating entities. A large part of this assumed growth is driven by the more profitable

University Pathways division.

Despite significant revenue growth in H2 and FY23 forecast, current UK and worldwide macroeconomic factors continue to create uncertainty in the profit and cash flow projections for the Group, in particular lecturers and staff wage inflation. The provision of the letter of comfort from the Group's lenders referred to above provides confidence to the Group with respect to future funding. However, there still remains a material uncertainty with respect to the going concern position of the Group.

Subsequent events

Details of subsequent events can be found in note 27 of the financial statements.

Directors

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

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

Directors' interests in shares

The Directors' beneficial interest in the ordinary share capital of the Company are set out within the Remuneration Report on page 37.

Substantial shareholders

As at 31 December 2022 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 1p	Percentage held
Lombard Odier Asset Management (Europe) Limited	2,292,850	9.38%
IL2 (2018) – BOOST&Co.	1,996,187	8.17%
Mr Richard Mace	1,844,802	7.55%
Chris Woodgate	1,520,380	6.22%
Edward Roskill	1,201,754	4.92%
SPREADEX Limited	787,400	3.22%
Alan Carroll	745,126	3.05%

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 31.

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 (2021: 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 UK adopted international accounting standards and applicable law.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period.

In preparing each of the Group and parent company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements 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 auditor does

Directors' Report continued

not involve the consideration of these matters and, accordingly, the auditor accepts 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

Cooper Parry Group Limited ("Cooper Parry") is the Company's appointed External Auditor and responsible for auditing the Company's financial statements for the financial year to 31 December 2022.

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

6 April 2023

NOMINATION AND REMUNERATION COMMITTEE REPORT

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 Company's remuneration policy encourages and rewards performance against strategic priorities, as well as 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 as follows:

- To consider the nomination and appointment, increments and bonus plans of the Group CEO and Group CFO
- 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 are not suitable for continued employment
- To review the statement with regard to the Remuneration and Nomination policies 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
- To 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 28.

Matters considered in 2022

During the year, the Committee considered the following matters:

- The issuance of share options to key staff as part of the Group incentive plan
- Reviewed Executive Director remuneration

Remuneration policy

Malvern 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. The Company 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. At this point in time the Group has undergone significant reorganisation to ensure its short, medium, and longer-term commercial viability. Remuneration has been set at levels consistent with achieving this aim. Accordingly, overall remuneration is below average levels for those charged with ensuring the success of the Group's transition from a position of a continuum of losses to one of sustainable and growing profitability and will be subject to regular review as the Group achieves its targets.

Non-Executive Directors' remuneration

The Board determines the remuneration of all Independent Non-Executive Directors with the fees being set at a level to attract individuals with the necessary experience and ability to contribute to the Group. Details of all emoluments paid to Directors of the Company are set out on page 38.

Nomination and Remuneration Committee Report continued

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
Daniel Fisher	6 December 2021	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 subject to re-election by rotation at intervals of no more than three years. Richard Mace is required to submit himself for re-election by rotation at the next AGM.

Other than the notice periods afforded to 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 the emoluments and remuneration of individual Directors who served in 2022 are as follows:

	Salary and fees £	Benefits £	Pension £	Other £	Share based payments £	Total 2022	Total 2021 £
Richard Mace	110,000	—	—	—	1,080	111,080	98,943
Alan Carroll	30,000	—	—	—	—	30,000	30,000
Mark Elliott	50,000	—	—	—	—	50,000	50,000
Daniel Fisher	82,500	—	—	—	610	83,110	6,250
Total	272,500	—	—	—	1,690	274,190	185,193

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. All options are settled in equity, automatically lapse five years after the date of grant and generally lapse if an option holder ceases to be a Company employee.

The Company awarded 575,000 ordinary shares of 1p each in the capital of the Company, pursuant to the Company's EMI share option scheme (the "EMI Options") to Richard Mace, Daniel Fisher, and certain employees of the Company in December 2022. The EMI Options granted, when added to the previously granted EMI Options of 2,002,500, represent 8.2% of the existing issued share capital of the Company.

As at 31 December options under these schemes, including those held by Directors, were outstanding over:

	2022		2021	
	Options	Weighted average exercise price	Options*	Weighted average exercise price
Outstanding at beginning of the year	1,460,000	17.00p	695,000	15.00p
Issued during the year	575,000	10.00p	900,000	19.00p
Forfeited during the year	70,000	—	135,000	—
Outstanding at the end of the year	1,965,000	15.54p	1,460,000	17.00p

Non-Executive Directors' annual fees

The below presents the annual fees to be paid to the current Non-Executive Directors in 2023:

	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

	At beginning of the year/At date of appointment*	At end of the year
Richard Mace	1,474,620	1,775,802
Alan Carroll	180,633	480,600
Mark Elliott	315,820	582,277
Daniel Fisher	50,000	68,750

Indirect interests

	At beginning of the year/At date of appointment*	At end of the year
Marzena Mace	69,000	69,000
Louise Carroll	500	264,526

* Adjusted by the share consolidation completed in 2022, increasing the nominal value of the Group's ordinary shares, see note 21 for more information.

AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk 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 Auditor meets 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 auditor, and overseeing and appraising the quality of audit conducted by the Company's External Auditor and reviewing the independence of the External Auditor
- 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 28.

External Auditor

In order to ensure an appropriate balance between audit quality, objectivity and independence, and cost effectiveness, the Audit and Risk Management Committee reviews the nature of all services, including non-audit work, provided by the External Auditor each year. In 2022, the Company reappointed Cooper Parry Group Limited ("Cooper Parry") as its auditor in order to conduct the audit of the Company's financial statements for the financial year to 31 December 2022.

Significant issues relating to the financial statements and Board reporting

The Audit Committee reviewed the following issues for the year under review:

- Review of the information provided to monthly Board meetings
- 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 2022
- Reviewed the Group's Risk Register
- Reviewed the External Auditor's Audit Plan in relation to the year ended 31 December 2022

Going concern

The Committee reviewed forecasts and analysis prepared by executive management in support of the Going Concern Statement and agreed with management's approach and findings.

FINANCIAL STATEMENTS



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 31 December 2022 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 Statement of Cash Flows and the related notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent 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.

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:

In order to assess the risks identified, the engagement team performed an evaluation of identified components and to determine the planned audit responses based on a measure of materiality, calculated by considering the significance of components as a percentage of the group's total revenue and profit before taxation and the group's total assets.

From this, we determined the significance of each component to the group as a whole and devised our planned audit response. In order to address the audit risks described in the key audit matters section which were identified during our planning process, we performed a full-scope audit of the financial statements of the parent company, Malvern International plc, and all of the group's UK trading subsidiaries, providing 100% coverage of revenues and results before tax for these components. The operations that were subject to full-scope audit procedures made up 100% of consolidated revenues and 100% of consolidated loss after tax. Malvern House Group Limited is subject to review-scope audit procedures which made up £Nil of the consolidated revenue and £7,000 profit of consolidated loss after tax. We applied analytical procedures to the Balance Sheets and Income Statements of the entity comprising the remaining operations of the group, focusing on applicable risks identified as above, and their significance to the group's balances.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year 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.

Risk Description	Our response to the risk
<p>Revenue recognition:</p> <p>As detailed in note 3 to the financial statements, Significant Accounting Policies, the Group's revenue is generated from the provision of education services and comprises a number of related income streams.</p> <p>Due to the timing of course payments there is often an element of deferred income arising from differences between the timings of cash flows and provision of services. As a result, there is some complexity with regards to revenue recognition for the group.</p>	<p>We have assessed accounting policies for appropriateness and consistency with the financial reporting framework and in particular that revenue was recognised when performance obligations were fulfilled.</p> <p>We have obtained an understanding of processes through which the businesses initiate, record, process and report revenue transactions.</p> <p>We performed walkthroughs of the processes as set out by management, to ensure controls appropriate to the size and nature of operations are designed and implemented correctly throughout the transaction cycle.</p> <p>A sample of course bookings throughout the year have 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.</p> <p>We tested for understatement of deferred income in sales transaction testing and for overstatement of deferred income in valuation testing of liabilities.</p> <p>Manual journals impacting revenue nominal codes have been selected for further testing when certain risk criteria have been met.</p> <p>Our procedures did not identify any material misstatements in the revenue recognised during the year.</p>
<p>Going concern</p> <p>The Group has been heavily impacted by the global pandemic and resulting restrictions, in particular the travel restrictions which impacted student numbers attending courses.</p>	<p>We have:</p> <ul style="list-style-type: none"> Obtained the assessment made by management and the Board regarding the Group's ability to continue as a going concern. Reviewed the letter of support provided by third parties. Reviewed the assumptions used in their assessment and sensitized key assumptions used. Reviewed debt agreements currently in place to assess compliance with repayment terms. 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 the relevant disclosures included in the Annual Report for consistency with our knowledge of the business.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in determining the nature, timing and extent of our audit procedures, in evaluating the effect of any identified misstatements, and in forming our audit opinion.

The materiality for the group financial statements as a whole was set at £65,000. 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. Performance materiality has been set at 80% of group materiality. We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £3,300, in addition to other identified misstatements that warranted reporting on other qualitative grounds.

The materiality for the parent company financial statements as a whole was set at £25,000 and performance materiality represents 80% of materiality. 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.

Material uncertainty relating to going concern

We draw attention to note 2 (iv) in the financial statements which indicates that due to the current and developing impact on the business of the current UK and worldwide macroeconomic environment, they create uncertainty in the profit and cashflow projections of the group. As stated in note 2 (iv), these events or conditions, along with other matters set out in note 2 (iv), 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 group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Challenging management on key assumptions included in their forecasts including performing sensitivity analysis;
- Considering the potential impact of forecast scenarios on the forecast cash position;
- Reviewing debt agreements currently in place to check terms have been appropriately considered and modelled in the cash flow forecasts;
- Reviewing the letter of support provided by third parties;
- Reviewing management's disclosures in the financial statements.

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.

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

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 included in 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 audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material

misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters 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 35, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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:

Independent Auditor's Report continued

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, UK adopted international accounting standards, United Kingdom Generally Accepted Accounting Practice (UK GAAP) 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 of controls;
- 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.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

Use of our report

This report is made solely to the parent 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 parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent 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

Date: 6 April 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

	Note	2022 £	2021 £
Revenue			
Sale of services	4	6,511,602	2,417,524
Total Revenue		6,511,602	2,417,524
Cost of services sold		(3,558,448)	(1,071,679)
Gross Profit		2,953,154	1,345,845
Other Income	5	84,744	223,989
Salaries and employees' benefits	6	(2,063,363)	(1,346,486)
Share based payments	6, 26	(3,745)	(3,128)
Depreciation of property, plant and equipment	11	(372,457)	(409,271)
Other operating expenses	8	(1,387,080)	(1,135,149)
Operating Loss		(788,747)	(1,324,200)
Finance costs	7	(295,086)	(270,190)
Loss before tax		(1,083,833)	(1,594,390)
Income tax charge	9	—	—
Loss for the year from continuing operations		(1,083,833)	(1,594,390)
Profit from Discontinued Operation		—	448,741
Loss for the year being total comprehensive expense attributable to owners of the parent		(1,083,833)	(1,145,649)

	2022 £	2021 £
Total comprehensive expense for the year	(1,083,833)	(1,145,649)
Continuing operations	(1,083,833)	(1,594,390)
Discontinued operations	—	448,741
Attributable to:		
Equity holders of the parent	(1,083,833)	(1,145,649)

	2022	2021 restated*
Loss per share from continuing operations attributed to equity holders of the Company (in pence)		
Basic	(4.95)	(8.49)
Diluted	10 (4.95)	(8.49)

* Total ordinary shares for 2021 have been restated to provide a meaningful comparison with 2022. A share consolidation was completed in 2022, increasing the nominal value of the Group's ordinary shares.

The notes on pages 54 to 78 form an integral part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

		Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
TOTAL ASSETS					
Non-Current Assets					
Property, plant and equipment	11	30,662	50,427	—	—
Goodwill	13	1,419,350	1,419,350	—	—
Investment in subsidiaries	12	—	—	1,419,350	1,419,350
Right-of-use assets	11	2,215,076	2,553,726	—	—
Total non-current assets		3,665,088	4,023,503	1,419,350	1,419,350
Current Assets					
Trade receivables	14	405,051	705,271	—	—
Other receivables and prepayments	15	1,135,990	289,607	41,771	112,788
Amounts due from subsidiaries		—	—	—	501,409
Cash and cash equivalents	16	1,181,631	377,170	13,101	45,701
Total current assets		2,722,672	1,372,048	54,872	659,898
Total Assets		6,387,760	5,395,551	1,474,222	2,079,248

	Note	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
EQUITY AND LIABILITIES					
Non-Current Liabilities					
Term loan	20	2,052,808	1,791,952	1,997,540	1,723,537
Warrants	20	189,762	72,801	189,762	72,801
Lease liabilities	20	2,624,792	3,075,517	—	—
Deferred tax liabilities	9	10,279	10,279	—	—
Total non-current liabilities		4,877,641	4,950,549	2,187,302	1,796,338
Current Liabilities					
Trade payables	17	416,944	413,297	788	31,896
Contract liabilities	18	2,199,570	899,137	—	—
Other payables and accruals	19	1,640,517	598,253	96,984	108,294
Amounts due to subsidiary		—	—	1,262,410	661,326
Convertible Loan Notes	20	—	275,885	—	275,885
Lease liabilities	20	450,726	278,961	—	—
Term Loan	20	436,341	808,869	415,044	787,573
Total current liabilities		5,144,098	3,274,402	1,775,226	1,864,974
Total Liabilities		10,021,739	8,224,951	3,962,528	3,661,312
Equity attributable to equity holders of the Company					
Share capital	21	11,330,956	11,216,991	11,330,956	11,216,991
Share premium	22	6,797,950	6,603,839	6,797,950	6,603,839
Retained earnings	22	(21,762,885)	(20,679,052)	(20,617,212)	(19,431,716)
Convertible loan reserve	22	—	28,822	—	28,822
Total equity		(3,633,979)	(2,829,400)	(2,488,306)	(1,582,064)
Total Equity and Liabilities		6,387,760	5,395,551	1,474,222	2,079,248

The loss for the year as per the financial statements of the parent company at 31 December 2022 was £1,185,496 (2021: Loss £1,103,278).

The notes on pages 54 to 78 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 6 April 2023 and were signed on its behalf by:

Richard Mace

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	Share Capital £	Share Premium £	Retained Earnings £	Translation Reserve £	Capital Reserve £	Convertible Loan Reserve £	Total £
Balance at 1 January 2021	10,309,811	5,782,394	(19,703,963)	288,149	170,560	28,822	(3,124,227)
Direct costs relating to issue of shares	—	(89,503)	—	—	—	—	(89,503)
Total comprehensive expense for the year	—	—	(1,145,649)	—	—	—	(1,145,649)
Capital reserve transferred to retained earnings on disposal of Singapore	—	—	170,560	—	(170,560)	—	—
Translation reserve transferred to retained earnings on disposal of Singapore	—	—	—	(288,149)	—	—	(288,149)
New Share Issue	891,702	898,598	—	—	—	—	1,790,300
Share based payments (incl. EMI options)	15,478	12,350	—	—	—	—	27,828
Balance at 31 December 2021	11,216,991	6,603,839	(20,679,052)	—	—	28,822	(2,829,400)
Direct costs relating to issue of shares	—	(24,500)	—	—	—	—	(24,500)
Total comprehensive expense for the year	—	—	(1,083,833)	—	—	—	(1,083,833)
Convertible Loan Notes	85,211	14,789	—	—	—	—	100,000
Convertible Loan Note reserve transferred to share premium	—	28,822	—	—	—	(28,822)	—
New Share Issue	25,009	175,000	—	—	—	—	200,009
Share based payments (EMI options)	3,745	—	—	—	—	—	3,745
Balance at 31 December 2022	11,330,956	6,797,950	(21,762,885)	—	—	—	(3,633,979)

The notes on pages 54 to 78 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share Capital £	Share Premium £	Retained Earnings £	Convertible Loan Reserve £	Total £
Balance at 1 January 2021	10,309,811	5,782,394	(18,328,438)	28,822	(2,207,411)
Direct Costs relating to issue of shares	—	(89,503)	—	—	(89,503)
Total Comprehensive expense for the year	—	—	(1,103,278)	—	(1,103,278)
New Share Issue	891,702	898,598	—	—	1,790,300
New Share from share based payments (incl. EMI Options)	15,478	12,350	—	—	27,828
Balance at 31 December 2021	11,216,991	6,603,839	(19,431,716)	28,822	(1,582,064)
Direct costs relating to the issue of shares	—	(24,500)	—	—	(24,500)
New Share Issue	25,009	175,000	—	—	200,009
New Share from share based payment (incl. EMI options)	3,745	—	—	—	3,745
Convertible Loan Notes	85,211	14,789	—	—	100,000
CLN Reserve transferred to Share Premium	—	28,822	—	(28,822)	—
Total Comprehensive expense for the year	—	—	(1,185,496)	—	(1,185,496)
Balance at 31 December 2022	11,330,956	6,797,950	(20,617,212)	—	(2,488,306)

The notes on pages 54 to 78 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

	2022 £	2021 £
Cash Flows from Operating Activities		
Loss after income tax from:		
Continuing activities	(1,083,833)	(1,594,390)
Discontinued activities	—	448,741
Adjustments for:		
Depreciation of tangible assets	372,457	409,271
Fair value movements	(40,019)	16,755
Share based payments	3,745	3,128
Profit/(loss) on disposal of tangible assets	504	2,400
Loss on disposal of discontinued operations	—	(503,040)
Impairment of trade receivables	113,583	311,102
Finance cost	295,086	270,190
Interest paid	(41,117)	(59,526)
Tax paid	—	—
	(379,594)	(695,369)
Changes in working capital:		
(Increase)/decrease in receivables	(659,746)	(110,781)
Increase/(decrease) in payables	2,171,471	(348,043)
Decrease in amounts due to related parties	—	(40,000)
Net cash flows generated/(used) in operating activities	1,132,131	(1,194,193)
Cash Flows from Investing Activities		
Purchases of property, plant and equipment	(14,545)	(11,280)
Net cash used in investing activities	(14,545)	(11,280)
Cash Flows from Financing Activities		
Repayment of lease liabilities	(473,359)	(161,475)
New equity issued	175,509	1,650,797
Term Loan	(15,275)	(10,288)
Net cash generated by financing activities	(313,125)	1,479,034
Net Change in cash and cash equivalents	804,461	273,561
Cash and cash equivalents at the beginning of the year	377,170	103,609
Exchange losses on cash and cash equivalents	—	—
Cash and cash equivalent at the end of the year	1,181,631	377,170

The notes on pages 54 to 78 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

	2022 £	2021 £
Cash Outflows from Operating Activities		
Loss before income tax	(1,185,496)	(1,103,278)
Share based payments	3,745	3,128
Fair value movements	(40,019)	16,755
Finance cost	90,701	102,349
Interest paid	(27,500)	(58,143)
	(1,158,569)	(1,039,189)
Change in working capital		
Increase/(decrease) in receivables	71,018	(59,574)
Decrease in payables	(209,435)	(127,402)
(Decrease)/Increase in amounts due to related parties	—	(40,000)
Decrease in amounts due from subsidiaries	1,088,877	(347,879)
Net cash used in operating activities	(208,109)	(1,614,044)
Cash Flows from Financing Activities		
New equity issued	175,509	1,650,797
Net cash used in financing activities	175,509	1,650,797
Cash Flows from Investing Activities		
Net cash generated from investing activities	—	—
Net increase in cash and cash equivalents	(32,600)	36,753
Cash and cash equivalents at the beginning of the year	45,701	8,948
Cash and cash equivalents at the end of the year	13,101	45,701

The notes on pages 54 to 78 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 3rd Floor 1 Ashley Road, Altrincham, Cheshire, United Kingdom, WA14 2DT. The registration number of the Company is 05174452.

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. 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 United Kingdom, 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 2022. 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 has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

- Amendments to IAS 1 "Presentation of Financial Statements";
- Amendments to IFRS 3 "Business Combinations";
- Amendments to IFRS Practice Statement 2 "Making Materiality Judgements";
- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors";
- Amendments to IAS 12 "Income Taxes".

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

iv. Going concern

The financial statements have been prepared on a going concern basis. The Directors 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 March 2022, successful negotiations were finalised with BOOST&Co. Limited (the Group's fund manager, acting on behalf of the Company's debtholder IL2 (2018) Sarl) to restructure the Group's £2.6m debt facility. Under the original agreement monthly payments were due to commence in April 2022 over a 24-month period. The new agreement

provides for a twelve month payment and interest holiday with monthly payments commencing from March 2023, over a five-year period.

BOOST&Co. Limited, acting on behalf of IL2 (2018) Sarl, have again provided a letter of comfort to provide ongoing financial support to the Group for any short-term working capital requirement should that become necessary. It is the present policy of BOOST&Co. to ensure that the Group has adequate financial resources to meet their obligations and to enable it to continue as a going concern for a period of at least twelve months from the date of the signing of the financial statements. To assist with the uneven nature of our cash flow we have also agreed with BOOST&Co. Limited to vary the timing of these payments during 2023.

The significant revenue growth seen in H2 2022, in combination with the visibility of University Pathways revenue in H1 2023, and no COVID-19 restrictions affecting students' ability to travel, gives the Board confidence about Malvern's short- and long-term prospects. The Board expects to achieve growth in all divisions in 2023.

Student numbers in our language schools have returned to pre-pandemic levels and the pipeline for 2023 is encouraging. In our Pathways division, student numbers are up 247% on the prior academic year (21/22 v 22/23), which reflects the significant investment in this division. Finally, our summer camps successfully returned in 2022, delivering c.£1.4m in revenue to the Group. Pre-bookings for 2023 summer camps are very encouraging and revenue growth is expected as an outcome.

Profit and cash flow projections for the Group indicate that the Group is moving towards profitable growth in its key operating entities. A large part of this assumed growth is driven by the more profitable Pathways division of the Group.

Despite significant revenue growth in H2 and FY23 forecast, current UK and worldwide macroeconomic factors continue to create uncertainty in the profit and cash flow projections for the Group, in particular lecturers and staff wage inflation. The provision of the letter of comfort from the Group's lenders referred to above provides confidence to the Group with respect to future funding. However, there still remains a material uncertainty with respect to the going concern status of the Group.

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 Statement of Comprehensive Income in the year of acquisition.

The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive Income 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 currency of the Group is UK Pound Sterling.

Notes to the Financial Statements continued

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 Statement of Comprehensive Income.

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 were recognised in the Statement of Comprehensive Income as part of the gain or loss on disposal.

The following rates of exchange have been applied:

	Dec 2022	Dec 2021
Pound Sterling to Singapore Dollar		
Closing Rate	—	1.824
Average Rate	—	1.849

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 Statement of Comprehensive Income. Expenditure for additions, improvements, and renewals is capitalised when it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be realised from the use of the items of property, plant, and equipment beyond their originally assessed standard of performance.

Depreciation is calculated based on the straight line method to write off the cost of property, plant, and equipment less their estimated residual value over their estimated useful economic lives as follows:

- Classroom and office equipment is 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
- Property with lease terms of 50 years or less are depreciated over the remaining period of the lease

xii. Impairment of tangible and intangible assets excluding goodwill

An assessment is made at Statement of Financial Position 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income in the year 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 years.

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 Statement of Comprehensive Income.

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 the Statement of Comprehensive Income 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 the Statement of Comprehensive Income.

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 14.

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 Statement of Comprehensive Income based on classes conducted and accommodation provided
- Registration/application/examination fees/course materials – revenue is spread over the duration of the course as stated in the contract, as this fairly represents the value of services provided
- Student activities are recognised at the point in time that the activity takes place

Notes to the Financial Statements continued

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. 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.

xix. 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income, 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income 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

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 and Monte Carlo pricing model. The resulting charge to the Statement of Comprehensive Income requires assumptions to be made regarding future events and market conditions. Due to the complexity of the Monte Carlo model, the Group utilises a third-party option valuation service to run the simulation.

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.

See note 26 for additional information on this scheme.

xxviii. Other Income

Other income relates to all income not incurred in the ordinary trading activities of the Group.

Rental and related income is recognised on an accruals basis in the period it relates to.

Research and development credits are recognised in the period the benefit is received as that is considered to be the point at which the amount can be reliably estimated.

Grants are accounted under the accruals model. Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure. Government grants relating to the receipt of Coronavirus Job Retention Scheme and the Coronavirus Additional Relief Funding ("CARF") income is included within other income in the Consolidated Statement of Comprehensive Income.

xxix. 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 13.

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 27.

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 the Black-Scholes model is an appropriate model to use. The specific estimates used in calculating fair value are detailed in note 20.

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

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 Statement of Comprehensive Income 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.

i) Amounts recognised in the Statement of Comprehensive Income:

	2022 £	2021 £
Interest expense and similar charges		
Interest expense	194,399	162,935
Operating and administrative expenses		
Depreciation of right-of-use assets	338,650	370,036
Depreciation of disposed right-of-use assets	—	—
Total expensed to Statement of Comprehensive Income	533,049	532,971

Notes to the Financial Statements continued

ii) Right-of-use assets

	At 31 December 2022 £	At 31 December 2021 £
Balance as at the beginning of the year	2,553,726	2,612,614
Adjustment to opening balance of depreciation	—	33,614
Depreciation of right-of-use assets	(338,650)	(370,036)
Changes from lease revaluations	—	277,534
Balance as at the end of the year	2,215,076	2,553,726

iii) Lease liabilities

	At 31 December 2022 £	At 31 December 2021 £
Current liability	450,726	278,961
Non-current liability	2,624,792	3,075,517
Total liability	3,075,518	3,354,478

iv) Lease payments

The total lease rent amount payable (excl. VAT) in the year was £473,360 (2021: £536,365). The total amount paid in the year (excl. VAT) was £473,359 (2021: £161,475).

4. (a) Sale of services

	2022 £	2021 £
Course fees	5,338,335	2,189,651
Accommodation fees	965,254	162,106
Application fees, registration and examination fees	143,148	50,264
Course materials and student activities	64,865	15,503
	6,511,602	2,417,524

(b) Segments

The Directors consider that the Group has a single business segment, being the sale of education services. The operations of the Group are managed centrally with Group-wide functions covering sales and marketing, finance, and administration. Geographically, operations are all UK based.

5. Other income

	2022 £	2021 £
Rental income	44,020	23,595
R&D credits	—	48,758
Government subsidies*	40,724	151,636
	84,744	223,989

* Government subsidies includes the amount received from the furlough job retention scheme in 2021 and council grants in 2022.

6. Staff remuneration and benefits

	2022 £	2021 £
Staff* salaries and related costs**	1,760,920	1,129,629
Directors' remuneration (Executive Directors)	192,500	104,166
Directors' fees (Non-Executive Directors)	80,000	80,000
Staff training and welfare	5,518	7,536
Pension	26,115	25,155
	2,063,363	1,346,486
Share based remuneration – staff***	2,055	2,101
Share based remuneration – Directors***	1,690	1,027
	3,745	3,128
Highest paid Director		
Remuneration and benefits	111,080	97,917
Average number of employees	Number	Number
Lecturers	52	38
Marketing staff	14	12
Operational and administration staff	51	39
	117	89

* Staff here includes both employees and contract staff. While contract staff are not employees, they make up a significant portion of the total workforce therefore the Directors consider it appropriate to include contractors within staff costs.

** Salaries and related costs are not inclusive of lecturers.

*** Share based remuneration expenses related to EMI share options (ref note 26).

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

7. Finance costs

	2022 £	2021 £
Interest on leases (IFRS 16)	194,399	162,935
Interest on term loan	68,368	80,845
Interest on Convertible Loan Notes	24,555	21,503
Other finance costs	7,764	4,907
	295,086	270,190

8. Operating expenses

	2022 £	2021 £
Auditor's remuneration:		
Fees payable to the Group's auditor for statutory audit	41,000	30,500
Fees payable to the Group's auditor and associates for statutory audit of subsidiary companies	32,500	31,425
Non-audit fees for taxation compliance fees	8,570	9,200
Administrative and marketing expenses	1,123,930	736,167
Expected credit losses – trade receivables	221,099	311,102
Fair value movements	(40,019)	16,755
	1,387,080	1,135,149

Notes to the Financial Statements continued

9. Income tax

Tax expense attributable to the results is made up of:

	2022 £	2021 £
Current year tax	—	—
Deferred taxation charge	—	—
		—

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

	2022 £	%	2021 £	%
Accounting loss before tax from continuing operations	(1,083,833)		(1,594,390)	
Profit/(Loss) before tax from discontinued operations	—		448,741	
Loss for the year before tax	(1,083,833)		(1,145,649)	
Income tax at the statutory rate	(205,298)	19.0	(217,673)	19.0
Adjustments of income tax in respect of prior years				
Deferred tax asset not recognised	205,298		217,673	
Current year adjustment to deferred tax asset		—	—	—
Income tax charge attributable to continuing operations			—	
Income tax charge in the Consolidated Statement of Comprehensive Income			—	

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.

	2022 £	2021 £
Analysis of provision for deferred taxation:		
Balance at the beginning of the year*	10,279	10,279
Deferred taxation for the year	—	—
Balance at the end of the year	10,279	10,279
Deferred tax asset	—	—
Deferred tax liability	10,279	10,279
Balance at the end of the year	10,279	10,279

* The deferred tax liability was recognised in 2019 in Communicate English School Limited.

The Group has tax losses in excess of £5.5m (2021: £4.4m) which are available to offset against future profits.

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.

10. Loss per share

The basic and diluted loss per share attributable to equity holders of the Company was based on the loss attributable to shareholders of £1,083,833 (2021: loss of £1,145,649) and the weighted average number of ordinary shares in issue during the year of 21,915,119 shares (2021 restated*: 18,788,985 shares). The loss per share (in pence) attributed to shareholders is 4.95 (2021 restated*: loss per share of 8.49).

Calculations for dilutive EPS have not been made in respect of the Convertible Loan Notes (note 25) on the basis the impact would be anti-dilutive.

* Total ordinary shares for 2021 have been restated to provide a meaningful comparison with 2022. A share consolidation was completed in 2022, increasing the nominal value of the Group's ordinary shares.

11. Property, plant and equipment

	Classroom and office equipment	Equipment and property	
		Right-of-use assets	Total
	£	£	£
Cost			
Opening balance, 01 Jan 2021	402,069	3,358,071	3,760,140
Additions	11,280	391,613	402,893
Remeasurement	—	(114,079)	(114,079)
Disposals	(4,800)	—	(4,800)
Closing balance, 31 Dec 2021	408,549	3,635,605	4,044,154
Adjustment to Opening Balance*		(90,950)	(90,950)
Additions	14,545	—	14,545
Disposals	(1,373)	—	(1,373)
Closing balance, 31 Dec 2022	421,721	3,544,655	3,966,376
Accumulated depreciation			
Opening balance, 01 Jan 2021	321,288	745,457	1,066,745
Charge for the year	39,235	370,036	409,271
Remeasurement	—	(33,614)	(33,614)
Disposals	(2,401)	—	(2,401)
Closing balance, 31 Dec 2021	358,122	1,081,879	1,440,001
Adjustment to opening balance*	—	(90,950)	(90,950)
Charge for the year	33,807	338,650	372,457
Disposals	(870)	—	(870)
Closing balance, 31 Dec 2022	391,059	1,329,579	1,720,638
Net book value At 31 December 2022	30,662	2,215,076	2,245,738
At 31 December 2021	50,427	2,553,726	2,604,153

* The Directors have reviewed the right-of-use asset and adjusted the opening balance to match the Group's accounting records.

Notes to the Financial Statements continued

12. Investment in subsidiary companies

Company	2022 £	2021 £
Investment in subsidiaries		
Unquoted equity shares, at cost		
As at the beginning of the year	7,681,847	12,391,048
Disposals	—	(4,709,201)
As at the end of the year	7,681,847	7,681,847
Provision against the cost of investment in subsidiaries		
As at the beginning of the year	6,262,497	10,971,698
Disposal	—	(4,709,201)
As at the end of the year	6,262,497	6,262,497
Net book value at the end of the year	1,419,350	1,419,350

The principal activity of Malvern House International Limited and Communicate English Schools Limited is to provide an educational offering that is broad and geared principally towards preparing students to meet the demands of business and management. The principal activity of Malvern House Group Limited is that of a holding company.

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

Communicate English School Limited (UK).

Malvern House Group Limited (UK).

Malvern House International Limited (UK) is 100% owned by Malvern House Group Limited. For the purpose of Malvern House Group Limited, the Group has decided to take advantage of parental corporate guarantees under s479A of the Companies Act, allowing entities to take audit exemptions and present unaudited statutory financial statements.

In liquidation

SAA Global Education Centre Pte Ltd (Singapore).

Malvern International Academy Pte Ltd (Singapore).

Malvern Language Academy Pte Ltd (Singapore).

13. Goodwill

	2022 £	2021 £
Cost		
Balance as at the beginning of the year	1,419,350	1,419,350
Balance as at the end of the year	1,419,350	1,419,350

Goodwill arose on the acquisition of Communicate English School Limited in 2018. Annual impairment reviews are undertaken each year using discounted future cash flows to ensure the carrying value is recoverable.

The recoverable amount of this CGU is in excess of the carrying value of £1,419,350, therefore no impairment is required. The following assumptions were used to calculate the amount recoverable:

- Discounted Cash Flow model produced modelling cash flow for Communicate English Schools Limited over five years
- Terminal value applied to cash flow from year 6 onwards
- Discount rate of 12% applied reflecting the WACC of the Group
- Dynamic growth rate applied, ranging from 6% in 2023, reflecting additional growth of the anticipated bounce-back from lockdown impacted trade, to 3% annual growth at the end of the five year time horizon, consistent with industry data
- Sensitivities around the model: a 0.1% increase in the discount rate has an impact of approximately £38k in headroom

14. Trade receivables

	2022 £	2021 £
Trade Receivables	405,051	705,271

	2022 £	2021 £
Trade receivables are denominated in the following currencies:		
UK – Pound Sterling	405,051	705,271

At 31 December 2022, the exposure to credit risk for trade receivables was as follows:

	2022 £	2021 £
Not yet due and not impaired	5,450	36,742
Past due but not impaired		
– Past due 0 to 3 months	210,173	402,585
– Past due 3 to 6 months	105,872	179,128
– Past due over 6 months	83,556	86,816
	405,051	705,271
Impaired trade receivables	223,347	336,930
Less: Allowances for impairment loss	(223,347)	(336,930)
	405,051	705,271

A reconciliation of changes in the record of impairments of receivables is provided below.

	2022 £	2021 £
Balance at the beginning of the year	336,930	158,571
Movement in the year	(113,583)	178,359
Balance as at the end of the year	223,347	336,930

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

These are no contract assets within trade and other receivables.

15. Other receivables and prepayments

	Group		Company	
	2022 £	2021 £	2022 £	2021 £
Rent deposits	36,500	36,500	—	—
Prepayments and accrued income	1,067,222	253,107	14,232	112,788
Other debtors	32,268	—	27,539	—
	1,135,990	289,607	41,771	112,788

Notes to the Financial Statements continued

16. Cash and cash equivalents

	Group		Company	
	2022 £	2021 £	2022 £	2021 £
Cash and cash equivalents	1,181,631	377,170	13,101	45,701

17. Trade payables

	Group		Company	
	2022 £	2021 £	2022 £	2021 £
Trade payables	416,944	413,297	788	31,896

18. 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 Statement of Comprehensive Income based on classes and examinations conducted in the subsequent financial year.

The amount of £899,137 recognised in contract liabilities at the beginning of the year has been recognised as revenue for the year ended 31 December 2022.

	2022 £	2021 £
Contract liabilities	2,199,570	899,137
		2022 £
Opening balance		899,137
Deferred income recognised during the year		(899,137)
Course fees invoiced in respect of subsequent financial year		2,199,570
Closing balance		2,199,570

19. Other payables and accruals

	Group		Company	
	2022 £	2021 £	2022 £	2021 £
Other payables	104,574	25,207	17,608	—
Payroll Tax and Other Statutory Liabilities	313,052	199,524	50,310	—
Accrued expenses	1,222,891	373,522	29,066	108,294
	1,640,517	598,253	96,984	108,294

20. Financial liabilities

	Group		Company	
	2022 £	2021 £	2022 £	2021 £
Non-current liabilities				
Term Loan	2,052,808	1,791,952	1,997,540	1,723,537
Warrants	189,762	72,801	189,762	72,801
Lease liabilities	2,624,792	3,075,517	—	—
	4,867,362	4,940,270	2,187,302	1,796,338
Current liabilities				
Convertible Loan Notes	—	275,885	—	275,885
Term Loan	436,341	808,869	415,044	675,251
Lease liabilities	450,726	278,961	—	—
Trade and other payables	2,057,461	1,011,550	97,772	140,191
	2,944,528	2,375,265	512,816	1,091,327
Total	7,811,890	7,315,535	2,700,120	2,887,665

Convertible Loan Notes

The Convertible Loan Note was redeemed in 2022 (see note 25).

Term Loan

In August 2019, Malvern received a Term Loan from BOOST&Co. Limited for £2,600,000. This loan originally carried an interest rate as the higher of (a) 10% per annum, or (b) 8% per annum plus LIBOR. The loan was restructured in March 2022, the new terms include a twelve-month payment and interest holiday with monthly payments commencing from March 2023 over a five-year period, with the interest being set at 7% for the first two years and 10% for the subsequent three years. There are no early repayment penalties on this facility.

During 2020, the Group took advantage of the Government-backed Bounce Back Loan Scheme ("BBLS"), benefitting from a total of £100,000 to be repaid over a six-year period with a 2.5% fixed rate of interest. The first twelve months of this lending facility are free of any obligation to pay capital or interest. The balance outstanding at 31 December 2022 is £76,566 (2021: £89,872).

Warrants

As part of the term loan, Boost & Co. was issued warrants over 1,725,113* shares. These warrants are exercisable at the Strike Price at any time over the following ten years since the inception of term loan in August 2019.

As at the date of financial position, the Group has fair valued these warrants at £189,762. The following estimates were used to calculate this fair value:

- Annualised volatility of 109% and 144% at the inception of term loan and at the year end respectively, calculated using share price volatility over a preceding three-year period
- Maturity of ten years applied, reflecting the duration over which Boost & Co. could exercise these warrants
- Risk free rate of 0.50%, being the Yield on UK ten-year Government bonds
- Strike price of £0.0015, being the 28-day average share price preceding the date (i.e. 27 Aug 2019) of drawdown

* Restated for the share consolidation.

Notes to the Financial Statements continued

21. 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 2021 – 0.1p ordinary shares and 0.1p, 1p & 5p deferred shares	2,109,018,964	2,109,019	2,828,138,750	9,104,659	11,213,678
Additions during the year – 18 February 2022 0.1p ordinary shares	35,211,724	35,212	—	—	35,212
Additions during the year – 20 August 2022 0.1p ordinary shares	50,000,000	50,000	—	—	50,000
Additions during the year – 3 November 2022 0.1p ordinary shares	9,312	9	—	—	9
At 3 November 2022 – pre-share consolidation	2,194,240,000	2,194,240	2,828,138,750	9,104,659	11,298,899
Share consolidation**					
Share consolidation – ordinary shares 0.1p to 1p – 3 November	21,942,400*	219,424	2,828,138,750	9,104,659	9,324,083
Additions during the year – 3 November 2022 1p deferred shares	—	—	197,481,600*	1,974,816	1,974,816
At 3 November 2022 – post-share consolidation	21,942,400	219,424	3,025,620,350	11,079,475	11,298,899
Additions during the year – 14 November 2022 1p ordinary shares	2,500,000	25,000	—	—	25,000
At 31 December 2022 1p ordinary shares and 0.1p, 1p & 5p deferred shares	24,442,400	244,424	3,025,620,350	11,079,475	11,323,899*

* Excludes the accumulated share based payment balance taken to equity, £7,057 (2021: £3,313).

** All ordinary shares were then consolidated on the basis of one consolidated ordinary share for each 20,000 ordinary shares. Each consolidated ordinary share was then sub-divided into 200 new ordinary shares and 1,800 new deferred shares.

On 18 February 2022, Convertible Loan Notes of £50,000 were converted to shares at 0.142p, adding a further 35,211,724 0.1p ordinary shares.

On 20 August 2022, further Convertible Loan Notes of £50,000 were converted to shares at 0.1p, adding a further 50,000,000 0.1p ordinary shares.

On 3 November 2022, 9,312 0.1p ordinary shares were issued as part of the preparation for the ordinary shares split. This was done to ensure that as part of the share reorganisation, an exact whole number of consolidated ordinary shares could be issued.

On 14 November 2022, the Group undertook a placing of 2,500,000 1p ordinary shares at 8p to raise £200,000 to redeem the balance of the Convertible Loan Note.

The Company has an Enterprise Management Incentive share option scheme for certain Directors and employees. The cost related to it £3,745 (2021: £3,128) has been added to share capital in financial statement, further details on note 26.

22. Reserves

The Company has the following types of reserves:

(i) Share premium reserve

	2022 £	2021 £
Balance as at the beginning of the year	6,603,839	5,782,394
Issue of new shares	175,000	910,948
Fundraising expenses	(24,500)	(89,503)
Convertible Loan Notes	14,789	—
Convertible Loan Note Reserve transferred to Share Premium	28,822	—
Balance as at the end of the year	6,797,950	6,603,839

The share premium reserve arises where shares have been issued at a price more than the nominal value of 1p (formerly 5p/1p/0.1p until restructuring of the share capital in June 2018, June 2020 and November 2022 respectively) less any costs of the issue.

(ii) Retained earnings

	Group		Company	
	2022 £	2021 £	2022 £	2021 £
At the beginning of the year	(20,679,052)	(19,703,963)	(19,431,716)	(18,328,438)
Loss for the year	(1,083,833)	(1,145,649)	(1,185,496)	(1,103,278)
Transfer from capital reserve	—	170,560	—	—
At the end of the year	(21,762,885)	(20,679,052)	(20,617,212)	(19,431,716)

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

(iii) Translation reserve

	Group		Company	
	2022 £	2021 £	2022 £	2021 £
At the beginning of the year	—	288,149	—	—
Translation difference on discontinued operations	—	(288,149)	—	—
At the end of the year	—	—	—	—

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

(iv) Convertible loan reserve

	Group		Company	
	2022 £	2021 £	2022 £	2021 £
At the beginning of the year	28,822	28,822	28,822	28,822
Changes in the present value	(28,822)	—	(28,822)	—
At the end of the year	—	28,822	—	28,822

The convertible loan reserve arose on the issue of Convertible Loan Notes in November 2017 (note 25).

Notes to the Financial Statements continued

(v) Capital reserve

The capital reserve arose on the merger of the Company, then AEC Plc, and AEC Edu Group Pte Limited in 2004. The balance of £170,560 related to this has been transferred to retained earnings following the disposal of Singapore operations in the prior year.

23. Related party transactions

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

	2022 £	2021 £
Key management personnel		
Directors' remuneration:		
– Salaries and bonuses	192,500	104,166
– Directors' fees	80,000	80,000
– Share based payments	1,690	1,027
	274,190	185,193

24. Financial instruments**Financial risk management objectives and policies**

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group holds the following financial instruments:

	Notes	Pound Sterling
2022		
Financial assets at amortised cost		
Cash and cash equivalent	16	1,181,631
Trade receivables	14	405,051
Other debtors	15	1,135,990
Total financial assets		2,722,672
Financial liabilities at amortised cost		
Trade and other payables	17,19	2,057,461
Borrowings	20	2,489,149
Lease liabilities	20	3,075,518
Financial liabilities at FVPL		
Warrants	20	189,762
Total financial liabilities		7,811,890
Net position		(5,089,218)

	Notes	Pound Sterling
2021		
Financial assets at amortised cost		
Cash and cash equivalent	16	377,170
Trade receivables	14	705,271
Other debtors	15	36,500
Total financial assets		1,118,941
Financial liabilities at amortised cost		
Trade and other payables	17,19	1,011,550
Borrowings	20	2,600,821
Lease liabilities	20	3,354,478
Convertible Loan Note	20	275,885
Financial liabilities at FVPL		
Warrants	20	72,801
Total financial liabilities		7,315,535
Net position		(6,196,594)

(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. 82% (2021: 49%) of the Group's account receivables are made up of individual students, 18% (2021: 51%) relates to large funding organisations such as universities. All trading activities are concentrated in Europe. The analysis of aging debtors is provided in note 14.

(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.

	On demand or within one year £	Within 2 to 10 years £
2022		
Trade payables	416,944	—
Other payables and Accruals	1,640,517	—
Term Loan	436,341	2,052,808
Lease Liabilities	450,726	2,624,792
Warrants	—	189,762
Total	2,944,528	4,867,362

Notes to the Financial Statements continued

	On demand or within one year £	Within 2 to 10 years £
2021		
Trade payables	413,297	—
Other payables and Accruals	598,253	—
Term Loan	808,869	1,791,952
Lease Liabilities	278,961	3,075,517
Convertible Loan Notes	275,885	—
Warrants	—	72,801
Total	2,375,265	4,940,270

(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 2022				
Singapore Dollar	—	—	—	—
At 31 December 2021				
Singapore Dollar	—	19,688	—	(19,688)

(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 2022, 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.

	Fixed rate interest bearing £	Non-interest bearing £	Total £
At 31 December 2022			
Assets			
Trade and other receivables	—	1,541,041	1,541,041
Cash and bank balances	—	1,181,631	1,181,631
Total assets	—	2,722,672	2,722,672
At 31 December 2022			
Liabilities			
Trade and other payables	—	2,057,461	2,057,461
Borrowings	2,489,149	—	2,489,149
Lease liabilities	3,075,518	—	3,075,518
Warrants	—	189,762	189,762
Total liabilities	5,564,667	2,247,233	7,811,900

	Fixed rate interest bearing £	Non-interest bearing £	Total £
At 31 December 2021			
Assets			
Trade and other receivables	—	994,878	994,878
Cash and bank balances	—	377,170	377,170
Total assets	—	1,372,048	1,372,048
At 31 December 2021			
Trade and other payables	—	1,011,550	1,011,550
Borrowings	2,600,821	—	2,600,821
Lease liabilities	3,354,478	—	3,354,478
Warrants	—	72,801	72,801
Convertible Loan Notes	275,885	—	275,885
Total liabilities	6,231,184	1,084,351	7,315,535

(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			31 December 2022
	1 January 2022	Modification of lease	Net financing cash flows	Interest paid	Fair value movement	Reclassified	Unwinding of interest	
Term loan	2,600,821	—	(15,274)	—	(156,981)	—	60,583	2,489,149
Warrants	72,801	—	—	—	(35,451)	152,412	—	189,762
Convertible Loan Notes*	275,885	—	(178,102)	—	—	(100,000)	2,217	—
IFRS 16 "Lease Liability"	3,354,478	—	(473,359)	—	—	—	194,399	3,075,518

* The convertible loan was redeemed using funds generated from a placing.

	CASH				NON-CASH			31 December 2021
	1 January 2021	Modification of lease	Net financing cash flows	Interest paid	Fair value movement	Reclassified	Unwinding of interest	
Term loan	2,532,115	—	(10,288)	(1,248)	—	—	80,242	2,600,821
Warrants	63,701	—	—	—	9,100	—	—	72,801
Convertible Loan Notes	322,817	—	—	(14,264)	—	(50,000)	17,332	275,885
IFRS 16 "Lease Liability"	2,842,315	862,993	(161,475)	—	—	(352,290)	162,935	3,354,478

(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.

Notes to the Financial Statements continued

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

	Group		Company	
	2022 £	2021 £	2022 £	2021 £
Loans	2,489,149	2,600,821	2,412,584	2,511,109
Lease Liabilities	3,075,518	3,354,478	—	—
Convertible Loan Notes	—	275,885	—	275,885
Total debt	5,564,667	6,231,184	2,412,584	2,786,994
Less: Cash and cash equivalents	(1,181,631)	(377,170)	(13,101)	(45,701)
Net debt	4,383,036	5,854,014	2,399,483	2,741,293
Total equity	(3,633,979)	(2,829,400)	(2,488,306)	(1,582,064)
Debt to equity	1.21	2.06	0.96	1.73

Financial assets are disclosed in notes 14 to 16. 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.

25. Convertible Loan Notes

In November 2022, the balance of the Convertible Loan Note was redeemed following a placing.

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
Unwinding interest	£3,068
Share Conversion at 31/07/2021	(£50,000)
Balance at 31/12/2021	£275,885
Unwinding Interest	£2,217
Share Conversion	(£100,000)
Discount on payout and redemption	(£178,102)
Balance at 31/12/2022	—

26. 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 three-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. In addition, the mid-market share price of the Company on the AIM Market of the London Stock Exchange, must stay at or above the exercise price, for 40 consecutive business days.

The Group used the Black-Scholes valuation framework for all share options awarded pre-2022. These options have also been valued using the Monte Carlo valuation method to validate the reasonableness of the results. The results from the Monte Carlo valuation were not considered materially different from the Black-Scholes valuation.

The inputs into the Black-Scholes model as at 31 December 2022 are as follows:

Grant date	EMI options*	Exercise price (pence)*	Strike price on grant date (pence)*	Vesting period (years)	Expected volatility	Risk free rate	Fair value	Deemed probability of achieving market condition
02/12/2020	336,250	50	15	3	12.30%	0.35%	0.34	5.02%
02/12/2020	336,250	90	15	3	12.30%	0.35%	0.74	0.37%
07/01/2021	50,000	50	15	3	11.98%	0.35%	0.35	5.30%
07/01/2021	50,000	90	15	3	11.98%	0.35%	0.75	0.37%
18/01/2021	60,000	50	15	3	11.98%	0.35%	0.35	5.30%
18/01/2021	60,000	90	15	3	11.98%	0.35%	0.75	0.37%
01/09/2021	283,750	60	22	3	10.45%	0.26%	0.38	1.10%
01/09/2021	283,750	110	22	3	10.45%	0.26%	0.87	0.00%

* Total EMI options have been restated due to the share consolidation that was completed in 2022. The share consolidation increased the nominal value of the Group's ordinary shares.

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 vesting probabilities presented are products of log-normal distribution modelling over a three-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.

The Group has used the Monte Carlo valuation framework for all share options awarded in 2022.

The inputs into the Monte Carlo model as at 31 December 2022 are as follows:

Grant date	EMI options	Hurdles (pence)	Strike price on grant date (pence)	Expiry (years)	Volatility	Option price (pence)	Share price (pence)
30/11/2022	287,500	60	10	5	50%	2.93	12
30/11/2022	287,500	110	10	5	50%	1.34	12

For options with hurdles, early exercise is assumed to take place as soon as the 40-day hurdle requirement is triggered after the three-year vesting period. The Monte Carlo simulation uses 50,000 iterations to enhance the accuracy of the predicted outcome.

Notes to the Financial Statements continued

Year ended 31 December 2022

	Number of options	Weighted average strike price
Outstanding at 1 January 2022*	1,460,000	17.00p
Granted during the year	575,000	10p
Forfeited during the year	70,000	—
Outstanding at 31 December 2022	1,965,000	15.54p
Exercisable	—	—

* Total EMI options and weighted price have been restated due to the share consolidation that was completed in 2022. The share consolidation increased the nominal value of the Group's ordinary shares.

Of the options outstanding at 31 December 2022, 892,500 (2021: 892,500) options have an exercise price of 15p, 567,500 (2021: 567,500) options have an exercise price of 22p, and 575,000 (2021: nil) options have an exercise price of 10p.

The aggregate charge for share options recognised in the Group financial statements in the year was £3,745 (2021: £3,128).

27. Intangible assets

	Brands £	Customer List £	Domain Name £	Development Assets £	Contract Assets £	Total £
Acquisition costs						
Balance at 1 Jan 2021 and 31 Dec 2021	2,489,886	274,637	12,242	434,545	508,000	3,719,310
Balance at 1 Jan 2022 and 31 Dec 2022	2,489,886	274,637	12,242	434,545	508,000	3,719,310
Accumulated amortisation						
Balance at 1 Jan 2021 and 31 Dec 2021	2,489,886	274,637	12,242	434,545	508,000	3,719,310
Balance at 1 Jan 2022 and 31 Dec 2022	2,489,886	274,637	12,242	434,545	508,000	3,719,310
Net book value, 31 Dec 2022 and 31 Dec 2021	—	—	—	—	—	—

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 2022.

Shareholder information

Registered office

3rd Floor
1 Ashley Road
Altrincham
Cheshire
WA14 2DT

Head office

200 Pentonville Road
London
N1 9JP

Website

www.malverninternational.com

Registered number

05174452

Listing information

AIM:MLVN

Date of Annual General Meeting

30 May 2023

Advisers and registrars

Nominated adviser and broker

WH Ireland Limited
24 Martin Lane
London
EC4R 0DR

Solicitors

Knights Plc
Two St Peter's Square
Manchester
M2 3AA

Auditor

Cooper Parry Group Limited
Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

Registrar

Neville Registrars Limited
Neville House
Steelpark Road
Halesowen
B62 8HD

Shareholder enquiries

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

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