London Stock Exchange

RNS Final Results

Final Results

MALVERN INTERNATIONAL PLC

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This announcement contains information which, prior to its disclosure by this announcement, was inside information for the purposes of the Market Abuse Regulation

Malvern International Plc
("Malvern" or the "Company")

Results for the year ended 31 December 2019

Malvern International plc (AIM: MLVN), the global learning and skills development partner, announces its results for the year ended 31 December 2019.

Results

Continuing operations[1]

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

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

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

Post-year end developments and fundraising

- Operations, revenues, and cash flows impacted significantly by Covid-19 resulting in:
  - UK schools closed from 20 March 2020 with London and Manchester reopened 10 August 2020, and the Brighton school reopened in September 2020;
  - Singapore schools closed from April 2020; and
  - the decision to permanently close Singapore school was announced in early August with the majority of existing students either taught to the end of their course or transferred to other institutions.
- Completed the sale of Malaysia operations just after the year end, with all remaining assets sold.

- Raised net amount of £1.15 million in June 2020 by way of a Placing and Subscription to provide the Company with sufficient liquidity and flexibility to allow the Company to manage through the period of expected disruption caused by Covid-19.
- Restructured existing debt (arranged in August 2019) of £2.60m (with Boost & Co.), providing for a two-year capital repayment holiday to March 2022.
- Appointed Richard Mace as Chief Executive Officer.
- Cash at bank and in hand as at 31 August 2020, and after receipt of funds from the fundraising in June, was £0.67m

Commenting on the results and prospects, Mark Elliott, Non-Executive Chairman, said:

"As a result of the impact of Covid-19, the Board took the decision to close the Singapore school due to the significant investment it would have required to maintain the business as a going concern.

"Under the management of our new CEO, Richard Mace, we can now focus entirely on the UK business. We are working on the assumption that business will return to normal levels by the summer of 2021. In the meantime, the London, Manchester and Brighton language schools have now reopened following government social distancing and hygiene guidelines. In addition, our university partners reopened in September with the first cohort of students having the option of remote and streamed classes. The second cohort will start in January."

This announcement contains information which, prior to its disclosure by this announcement, was inside information for the purposes of the Market Abuse Regulation

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Notes to Editors:

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.

Courses include:

- Language: English language teaching,
- Pathway: pre-University programs,
- Junior: Summer language camps for secondary school students, and
- Online: language and higher education.

Established in the 1980s and admitted to AIM in 2004, Malvern employs 65 people and delivers a wide range of courses. For further investor information go to www.malverninternational.com.

Chairman's Statement

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.

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

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

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

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

Sale of Malaysia operations

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

Closure of Singapore operations

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

Results

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

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

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

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

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

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

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

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

In addition to write-offs of goodwill and intangible assets the major balance sheet movements in the period was a new loan of £2.60m from Boost & Co. and the adoption of IFRS 16 Leases which has resulted in lease liabilities being recognised together with right-of-use assets. Further details regarding the adoption of 1FRS 16 are set out in note 2.

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

Fundraising and financing

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

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

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

Board changes

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

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

The Board currently comprises of one executive director, Richard Mace, and two independent non-executive directors, Mark Elliott and Alan Carroll.

Appointment of Richard Mace, CEO

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

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

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

Governance

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

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

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

People

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

Response to Covid-19 and outlook

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

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

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

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

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

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

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

Mark Elliott, Chairman

7 October 2020

Extracts from Strategic Report

HIGHLIGHTS

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

ENGLISH LANGUAGE SCHOOLS

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

Manchester

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

London

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

Brighton

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

PROFESSIONAL EDUCATION

Singapore

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

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

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

Malaysia

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

UNIVERSITY PATHWAY

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

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

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

MALVERN JUNIORS

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

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

ONLINE

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

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

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

CENTRAL SERVICES

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

Sales and marketing

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

FINANCIAL KPIs

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

Loss per share[3]

2019: 3.26p (2018 : 0.31p)

NON-FINANCIAL KPIs

Student weeks delivered (UK only)

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

Number of students (UK only)

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

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

[2] Discontinued operations relate to Malaysia school.

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

Results

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

Loss after taxation and loss per share

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

Disposals and investments

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

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

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

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

Financial position

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

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

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

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

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

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

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

Going concern

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

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

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

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

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

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2020

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

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

	2019	*2018 Restated**
	£	*£*
Loss after tax for the year	**(8,368,301)**	*(566,946)*
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation movements	**(316,716)**	*(150,165)*
Total comprehensive income for the year	**(8,685,017)**	*(717,111)*
Attributable to:		
Equity holders of the parent	**(8,685,017)**	*(717,111)*
Non-controlling interest	**-**	-

	2019	*2018 Restated**
Loss per share from continuing operations attributed to equity holders of the Company (in pence)		
Basic	**(3.26)**	*(0.31)*
Diluted	**(3.26)**	*(0.31)*

		-
Loss per share from discontinued operations attributed to equity holders (in pence)		
Basic and diluted	(0.97)	*(0.19)*

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	Group 2019	*2018*
			-
		£	£
TOTAL ASSETS			
Non-Current Assets			
Property, plant, and equipment		**367,999**	*544,888*
Investment in subsidiaries		**-**	-
Intangible assets	9	**-**	*2,884,562*
Intangible assets - Development assets	9	**-**	*261,736*
Goodwill	10	**1,419,350**	*2,250,018*
Deferred tax asset		**-**	*190,000*
Right-of-use assets	2	**4,912,511**	-
			-
		6,699,860	*6,131,204*
Current Assets			
Inventories		**6,154**	*6,220*
Trade receivables		**751,333**	*1,041,712*
Other receivables and Prepayments		**665,035**	*1,263,360*
Amounts due from subsidiaries		**-**	-
Amounts due from related parties		**-**	*56,679*
Cash and cash equivalents		**83,264**	*105,380*
		1,505,786	*2,473,351*
Total Assets		**8,205,646**	*8,604,555*
EQUITY AND LIABILITIES			
Non-Current Liabilities			
Leasing	11	**-**	*63,957*
Term loan	11	**2,438,573**	*140,135*
Warrants	11	**75,640**	-
Convertible loan notes	13	**-**	*299,280*
Lease liabilities	2	**4,580,165**	-
		7,094,378	*503,372*
Current Liabilities			
Trade payables		**985,056**	*380,677*
Contract liabilities		**756,425**	*653,220*
Other payables and accruals		**689,169**	*569,361*
Amounts due to subsidiary		**-**	-
Amounts due to related parties		**46,646**	*554,694*
Convertible loan notes		**316,587**	-
Financial Liabilities		**-**	*29,846*
Provision for income tax		**10,279**	*92,225*
Lease liabilities	2	**604,863**	
		3,409,025	*2,280,023*
Total Liabilities		**10,503,403**	*2,783,395*
Equity attributable to equity holders of the Company			
Share capital		**9,363,236**	*9,211,736*
Share premium		**5,431,449**	*5,016,849*
Retained earnings		**(17,564,398)**	*(9,196,097)*
Translation reserve		**272,574**	*589,290*
Capital reserve		**170,560**	*170,560*
Convertible loan reserve		**28,822**	*28,822*
Total equity		**(2,297,757)**	*5,821,160*
Total Equity and Liabilities		**8,205,646**	*8,604,555*

CONSOLIDATED STATEMENT OF CASHFLOWS

For the financial year ended 31 December 2020

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

[1] This includes cash arising from shares issued during the year. None of the shares issued arose from non-cash transactions (2018: £1,461,898) in respect of shares issued in lieu of salary, shares issued as consideration for capitalisation of shareholder loans and/or shares issued on conversion of convertible loan notes.

Notes to the Financial Statements

1. General Information

Malvern International plc (the "Company") is a public limited Company incorporated in England and Wales on 8 July 2004. The Company was admitted to AIM on 10 December 2004. Its registered office is 100 Avebury Boulevard, Milton Keynes, MK9 1FH. Its principal place of business is in Singapore till 30 June 2019 and in London from 1 July 2019. The registration number of the Company is 05174452.

The principal activities of the Company are that of investment holding and provision of educational consultancy services. The principal activity of the Group is to provide an educational offering that is broad and geared principally towards preparing students to meet the demands of business and management. The specific principal activities of the subsidiary companies are set out in note 13 to the financial statements. There have been no significant changes in the nature of these activities during the year.

2. Changes in significant accounting policies

IFRS16

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

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

At the date of initial application:

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

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

• The Company has elected not to reassess whether a contract is or contains a lease as defined in IFRS 16 at the date of initial application. For contracts entered into before the transition date, the Company relied on its assessment made when applying IAS 17 and IFRIC 4.

• For the majority of leases, reliance has been placed on previous assessments of whether leases are onerous under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

• Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases. The Company has elected not to recognise the right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less or leases that are of low value. Lease payments associated with these leases are expensed on a straight-line basis over the lease term.

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

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

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

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

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

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

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

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

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

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

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

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

	Carrying amount at 31 December 2018	IFRS 16 adjustments	Carrying amount at 1 January 2019
Assets *(excluding Malaysia)**	**£**	**£**	**£**
Property, plant and equipment	460,034	(63,957)	396,077
Cash and Cash Equivalents	89,224	-	89,224
Trade and Other Receivables	727,433	-	727,433
Right-of-use-assets	-	5,623,656	5,263,656
Prepayments	311,116	-	311,116
Liabilities *(excluding Malaysia)**			
Leasing	63,957	(63,957)	-
Lease liability	-	5,623,656	5,263,656
Trade payables	379,785	-	379,785
Contract liabilities	645,574	-	645,574
Other payables (accrued)	398,626	-	398,626

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

3. Significant accounting policies

(i) Basis of Preparation

These Financial Statements of the Group and Company are prepared on a going concern basis, under the historical cost convention (with the exception of goodwill) and in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union, in accordance with the Companies Act 2006. The Parent Company's Financial Statements have also been prepared in accordance with IFRS and the Companies Act 2006.

The preparation of Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

(ii) Going concern

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

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

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

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

Profitability

- In late 2019, due to difficult trading conditions and substantial financial resources the business required, a decision was made to discontinue the Group's loss-making operations in Malaysia, with the aim being to improve the Group's future profitability.
- Following the closure of the UK and Singapore schools in March/April 2020, operations reopened on a phased basis in August 2020.
- In August 2020, also due to difficult trading conditions (amplified further by the impact of Covid19) combined with the continuing financial resources required for the business, a further decision was made to close the Group's Singapore operations, with the aim being to improve the Group's future profitability.

- The group has now refocused its activity on the UK operations having reduced its operational presence and financial obligations overseas.
- Profit and cash flow projections for the Group assume profitable growth in its key operating entities once operations return to normal.
- The Group is working on the assumption that levels of business will return to normal in during 2021.

Cash flow

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

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

4. (a) Segmental Information

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

The segmental analysis is as follows:

	UK	**Singapore**	**Discontinued operations**	**Total**
2019	**£**	**£**	**£**	**£**
Revenue from external customers	**4,703,864**	**1,802,451**	**-**	**6,506,315**
Depreciation and amortisation	**656,964**	**515,367**	**-**	**1,172,331**
Impairment of Intangibles	**2,211,471**	**664,786**	**-**	**2,876,257**
Profit/(Loss) before taxation	**(3,659,431)**	**(2,036,082)**	**-**	**(5,695,213)**
Taxation charge	**(190,000)**	**-**	**-**	**(190,000)**
Discontinued operations	**-**	**-**	**(2,482,788)**	**(2,482,788)**
Profit/(Loss) for the year	**(3,849,431)**	**(2,036,082)**	**(2,482,788)**	**(8,368,301)**
Segmental assets	**4,007,083**	**2,779,211**	**-**	**6,786,294**
Segmental liabilities	**7,094,348**	**3,409,055**	**-**	**10,503,403**
Additions to non-current assets	**2,541,092**	**1,736,851**	**-**	**4,277,943**
2018	*£*	*£*		*£*
Revenue from external customers	*4,379,667*	*1,957,654*	*-*	*6,337,321*
Depreciation, write-offs and amortisation	*193,789*	*108,919*	*-*	*302,708*
Profit/(Loss) before taxation	*98,225*	*(461,745)*	*-*	*(363,520)*
Taxation credits	*150,828*	*-*	*-*	*150,828*
Profit/(Loss) from continuing operations	*249,053*	*(461,745)*	*-*	*(212,692)*
Discontinued operations	*-*	*-*	*(354,254)*	*(354,254)*
Profit/(Loss) for the year	*249,053*	*(461,745)*	*(354,254)*	*(566,946)*
Segmental assets	*3,924,136*	*4,316,129*	*-*	*8,240,265*
Segmental liabilities	*1,099,408*	*1,683,988*	*-*	*2,783,396*
Additions to non-current assets	*2,524,028*	*138,927*	*-*	*2,662,955*

(b) Discontinued Operations

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

i) Financial performance of discontinued operations.

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

	2019	**2018**
	£	£
Revenue	508,772	1,073,320
Other Income	33,225	85,467

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

ii) Details of the sale/disposal of the subsidiary

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

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

iii) The Details of sale/disposal of the subsidiary

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

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

5. Sale of Services

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

6. Finance Costs

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

7. Operating Expenses

	2019	*2018 Restated**
	£	*£*
Auditors' remuneration:		

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

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

8. Earnings/(Loss) Per Share

The basic and diluted earnings/(loss) per share attributable to equity holders of the Company was based on the loss attributable to shareholders of £8,368,301 *(2018: loss of £566,946)* and the weighted average number of ordinary shares in issue during the year of 256,453,628 shares *(2018: 185,344,459 shares).*

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

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

9. Intangible Assets

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

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

Intangible assets are summarised as follows:

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

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

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

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

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

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

The cash flow projections included specific estimates for five years.

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

10. Goodwill

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

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

To ensure that goodwill on acquisitions is not carried at above its recoverable amount, impairment reviews are performed comparing the net carrying value with the recoverable amount using value in use calculations.

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

Communicate (UK Operations)

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

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

11. Financial Liabilities

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

Convertible Loan Notes

At 31 December 2019, the Group has obligation for £316,587. (See Note: 13).

Term Loan

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

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

Warrants

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

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

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

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

12. Subsequent events

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

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

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

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

13. Convertible Loan Notes

The Company issued the following loan notes in 2017:

Convertible Loan Notes		
Issue Name	Convertible Unsecured Loan Notes 2020	
Date of Issue	17 November 2017	
Date of Redemption	16 November 2020	
Interest Payable	1 Jan 2018-31 Dec 2018	3%
	1 Jan 2019-31 Dec 2019	4%
	1 Jan 2020-16 Nov 2020	5%
Total Issued	£1,200,000	
Amount converted in 2017	(£100,000)	
Balance at 31/12/2017	£1,100,000	
Amount converted in 2018	(£771,898)	
Fair value adjustment	(28,822)	
Balance at 31/12/2018	£299,280	
Fair value adjustment	17,307	
Balance at 31/12/2019	**316,587**	

14. Annual Report and Notice of AGM

The Annual Report will be sent to shareholders shortly and is available to the public, free of charge, on the Company's website www.malverninternational.com.

The 2020 AGM is to be held at 11.00 a.m. on 15 October 2020. Notice of the meeting has been sent to shareholders and is available on the Company's website www.malverninternational.com.

END

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