RNS Final Results

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MALVERN INTERNATIONAL PLC

Released 17:11:35 28 June 2019

RNS Number : 9113D
Malvern International PLC
28 June 2019

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Malvern International Plc
('Malvern', the 'Group' or the 'Company')
Final Results for 12 months to 31 December 2018

Malvern International Plc, the global learning and skills development partner, is pleased to announce its final results for the 12 months to 31 December 2018.

Highlights include:

- Revenue for the period of £7.6m showing an increase of 85% over 2017 (2017: £4.1m)
- Adjusted EBITDA of £180,466, after positive adjustment of £506,653 for one-off costs of Restructuring in Malaysia and Integration in Singapore which brings significant future benefits.
- Year on year growth in London of approximately 85% (53% growth in 2017)
- Acquisition of Communicate School of English in July - broadening Malvern's offering and resources in the UK.
- £4m raised to fund the acquisition of Communicate School of English
- Improvements made to Singapore operations
- Agreement with University of East London
- Achieving Platinum and Gold status from ACCA in Singapore and London respectively

Post year end:

- £606,000 raised for Group working capital
- Malvern International plc (AIM: MLVN), the global learning and skills development partner, is pleased to announce the appointment of Mark Westcombe Elliott as a Non-Executive Director of the Company with effect from 28 June 2019.

Commenting on the Group's prospects Gopinath Pillai, Chairman at Malvern, said:

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

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

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

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Notes to Editors:

Malvern International is a global learning and skills development partner preparing students and learners to meet the demands of a professional life. Courses are delivered on sites in London, Manchester, Singapore, and Malaysia; with the option of studying across multiple campus' over the duration of the same course; and online through the Malvern Online Academy - making step change education accessible while taking part in the learner's journey to success.

Courses include:

- Certificate, Diploma and pre-University programs;
- University degree and post-graduate programs;
- Courses for professional examinations;
- Tuition services for secondary school students and English language teaching.

Established in the 1980's and admitted to AIM in 2004, Malvern employs approximately 250 people and delivers a wide range of courses. Malvern's growth strategy is driven by organic growth initiatives complemented by strategic acquisitions. For further investor information go to www.malverninternational.com www.walbrookpr.com/malvern

CHAIRMAN'S STATEMENT

Overview and Group strategy

Malvern is in the business of providing young people with employable skills. Its ambition is to be a global partner in learning and skills development and, building on its experience and infrastructure, has a clear strategy to achieve this which includes:

- promoting Malvern globally by offering excellent service;
- continuing to strengthen management and administrative systems to achieve world class delivery and quality standards;
- innovating to improve and expand the range of products and services offered directly or in collaboration with its prestigious partners;
- extending distribution through its regional network and collaborations;
- delivering organic growth through making training accessible to an increasingly mobile student population using multi-location and technology options; and
- making complementary acquisitions to broaden geographical reach and subject range.

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

Operational and business review

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

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

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

Europe

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

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

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

Asia

In Asia the Group has operations in Singapore and Malaysia.

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

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

Financial review

Group

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

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

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

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

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

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

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

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

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

By sector and subsidiaries

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

United Kingdom

London (Malvern House)

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

Manchester (Communicate School of English)

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

Asia

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

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

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

Dividend

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

Brexit

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

Board and senior management changes

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

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

Acknowledgments

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

Finally, I would like to personally thank all members of the Board for their time and guidance at the Board level and the various committee levels in which they serve.

Outlook and prospects

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

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

Gopinath Pillai
Chairman
Date: 28 June 2019

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	£	£
Loss for the year after income tax	**(566,946)**	*(701,328)*
Foreign currency translation movements	**(150,165)**	*(266,067)*
Total comprehensive income for the year	**(717,111)**	*(967,395)*
Attributable to:		
Equity holders of the parent	**(717,111)**	*(967,395)*
Non-controlling interest	**-**	-
Total comprehensive income for the year	**(717,111)**	*(967,395)*

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	Group		Company	
		2018	2017	2018	2017
		£	£	£	£
TOTAL ASSETS					
Non-Current Assets					
Property, plant and equipment		**544,888**	*245,956*	**-**	-
Investment in subsidiary				**8,100,495**	*4,490,081*

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

STATEMENT OF FINANCIAL POSITION ***(Continued)***

		Group		Company	
	Note	2018	*2017*	2018	*2017*
		£	*£*	£	*£*
EQUITY AND LIABILITIES					
Non-Current Liabilities					
Financial liabilities-Leasing		**63,957**	*20,320*	-	-
Financial Liabilities-Term Loan		**140,135**	*159,178*	-	-
Financial liabilities-Convertible Loan Notes		**299,280**	*995,813*	**299,280**	*995,813*
		503,372	*1,175,311*	**299,280**	*995,813*
Current Liabilities					
Trade payables		**380,677**	*277,151*	-	-
Deferred income		**653,220**	*668,775*	-	-
Other payables and accruals		**569,361**	*748,072*	**129,983**	*113,947*
Amounts due to a subsidiary		-	-	**601,348**	*80,625*
Amounts due to related parties		**554,694**	*835,853*	**297,197**	*489,748*
Financial liabilities		**29,846**	*31,524*	-	-
Provision for income tax		**92,225**	-	-	-
		2,280,023	*2,561,375*	**1,028,528**	*684,320*
Total Liabilities		**2,783,395**	*3,736,686*	**1,327,808**	*1,680,133*

Equity attributable to equity holders of the Company				
Share capital	**9,211,736**	*7,919,356*	**9,211,736**	*7,919,356*
Share premium	**5,016,849**	*896,111*	**5,016,849**	*896,111*
Retained earnings	**(9,196,097)**	*(8,629,151)*	**(4,771,282)**	*(4,856,730)*
Translation reserve	**589,290**	*739,455*	-	-
Capital reserve	**170,560**	*170,560*	-	-
Convertible loan reserve	**28,822**	*104,187*	**28,822**	*104,186*
Total equity	**5,821,160**	*1,200,518*	**9,846,125**	*4,485,786*
Total Equity and Liabilities	**8,604,555**	*4,937,204*	**10,813,933**	*6,165,919*

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share Capital	Share Premium	Retained Earnings	Translation Reserve	Capital Reserve	Convertible Loan Reserve	At T F (
	£	£	£	£	£	£	
Balance at 1 January 2017	*6,823,838*	*896,111*	*(7,927,823)*	*1,005,522*	*170,560*	-	
Convertible loan reserve						*104,187*	
Profit / (Loss) for the year			*(701,328)*				(
Other comprehensive income				*(266,067)*			(
Total comprehensive income for the year			*(701,328)*	*(266,067)*			(
New Share Issue	*1,095,518*	-	-	-	-	-	/
Balance at 31 December 2017 / 1 January 2018	**7,919,356**	**896,111**	**(8,629,151)**	**739,455**	**170,560**	**104,187**	1
Convertible loan reserve						**(75,365)**	
Profit / (Loss) for the year			**(566,946)**				(
Fund raising expenses		**(324,780)**					(
Other comprehensive income				**(150,165)**			(
Total comprehensive income for the year			**(566,946)**	**(150,165)**			(
New Share Issues - - - 5,502 - 5,502 - 5,502 -	**1,292,380**	**4,445,518**					5
Balance at 31 December 2018	**9,211,736**	**5,016,849**	**(9,196,097)**	**589,290**	**170,560**	**28,822**	5

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £	*2017 £*
Cash Flows from Operating Activities		
Loss after income tax from continuing activities	**(566,946)**	*(706,712)*
Profit/(loss) before income tax from discontinued activities	**-**	-
Adjustments for:		
Adjustment made in prior year retained earning	**-**	-
Amortisation of intangible assets	**217,940**	*158,333*
Depreciation of property, plant and equipment	**129,050**	*63,880*
Impairment of property, plant and equipment	**-**	*2,169*
Impairment of goodwill	**-**	-
Impairment of intangible assets	**-**	*(150,000)*
Loss on disposal of plant and equipment	**-**	-
Non-cash elements of profit on discontinued activities	**-**	-
Interest expense	**-**	*(14,693)*
Others	**-**	-
	(219,956)	*(646,773)*
Changes in working capital:		
Receivables	**(994,594)**	*2,014*
Payables	**(633,272)**	*(347,588)*
Inventories/Development Expenditure	**(120)**	*(2,970)*
Related parties and associated companies	**-**	*1,173,550*
Taxation	**(150,827)**	-
Net cash used from operating activities	**(1,998,769)**	*178,233*
Cash Flows from Investing Activities		
Interest received	**-**	*3*
Purchase of software	**(5,946)**	-
Purchase of development assets	**(260,231)**	-
Purchases of property, plant and equipment	**(302,058)**	(28,654)
Acquisition of Subsidiary, net of cash acquired	**(1,387,244)**	*82,531*
Net cash used in investing activities	**(1,955,479)**	*53,880*

Cash Flows from Financing Activities

Interest paid	**-**	*14,694*
Term loan	**(20,721)**	*185,708*
Finance leases	**(19,371)**	*(3,956)*
Convertible Loan Note	**-**	*-*
New Share Issues	**3,675,220**	*250,000*
Net cash generated by/(used in) financing activities	**3,635,128**	*446,446*
Net decrease in cash and cash equivalents	**(319,120)**	*678,559*
Cash and cash equivalents at the beginning of the year	**479,565**	*116,541*
Exchange losses on cash and cash equivalents	**(55,065)**	*(315,535)*
Cash and cash equivalents at the end of the year	**105,380**	*479,565*

NOTES

1. General Information

Malvern International plc (the "Company") is a public limited liability company incorporated in England and Wales on 8 July 2004. The Company was admitted to AIM on 10 December 2004. Its registered office is Witan Gate House, 500-600 Witan Gate West, Milton Keynes MK9 1SH and its principal place of business is in Singapore. The registration number of the Company is 05174452.

The principal activities of the Company are that of investment holding and provision of educational consultancy services. The principal activity of the group is to provide an educational offering that is broad and geared principally towards preparing students to meet the demands of business and management. There have been no significant changes in the nature of these activities during the year.

2. Segmental Information

All revenue and profit before taxation arises from operations in the education sector. Reportable segments are based on the geographical area where operations are based comprising Europe (UK) and South East Asia/Middle East (Malaysia and Singapore). These segments represent the respective sub-groups of Malvern House Group Limited (Europe) and Malvern Singapore (South East Asia/Middle East).

The segmental analysis is as follows:

	Europe	**Asia**	**Total**
2018	**£**	**£**	**£**
Revenue from external customers	**4,379,667**	**3,030,975**	**7,410,642**
Depreciation, write offs and amortisation	**171,975**	**177,245**	**349,220**
Profit/(Loss) before taxation	**155,167**	**(872,940)**	**(717,773)**
Taxation credits	**150,827**	**-**	**150,827**
Profit/(Loss) for the year	**305,994**	**(872,940)**	**(566,946)**
Segmental assets	**3,924,136**	**4,316,129**	**8,240,265**
Segmental liabilities	**1,099,408**	**1,683,988**	**2,783,396**
Additions to non-current assets	**2,524,028**	**138,927**	**2,662,955**
2017			
Revenue from external customers	*2,017,681*	*1,941,825*	*3,959,506*
Depreciation, write offs and amortisation	*82,500*	*(10,036)*	*72,464*
Loss before taxation	*(258,565)*	*(448,147)*	*(706,712)*
Taxation charge	*-*	*5,384*	*5,384*
Loss for the year	*(258,565)*	*(442,763)*	*(701,328)*
Segmental assets	*1,207,264*	*3,729,940*	*4,937,204*
Segmental liabilities	*(1,263,560)*	*(2,473,166)*	*(3,736,726)*
Additions to non-current assets	*36,000*	*768,057*	*804,057*

Alternative Performance Measures reconciliation (EBITDA excluding One-off Costs and HQ Costs)

	Europe	**Asia**	**Total**
2018 (including Communicate acquisition in the year)	**£**	**£**	**£**
Profit/(Loss) for the year	**305,994**	**(872,940)**	**(566,946)**
Interest	**14,347**	**30,249**	**44,596**
Taxation credits	**(150,827)**	**-**	**(150,827)**
Depreciation	**50,004**	**79,046**	**129,050**
Amortisation	**121,142**	**96,798**	**217,940**
Impairment reversal	**-**	**-**	**-**
EBITDA (incl. Head office costs and discontinued activities)	**340,660**	**(666,847)**	**(326,187)**
Integration one-off costs*	**-**	**247,104**	**247,104**
Restructure one-off costs**	**-**	**259,549**	**259,549**

Restructure one-off costs	-	[illegible]	[illegible]
Total Integration and Restructure one-off costs	**-**	**506,653**	**506,653**
EBITDA (incl. Head Office costs and excl. one-off costs)	**340,660**	**(160,194)**	**180,466**
Others - Head Office costs allocation* **	**195,075**	**142,340**	**337,415**
EBITDA (excl. Head Office Costs and one-off costs)	**535,735**	**(17,854)**	**517,881**
2017	**£**	**£**	**£**
Loss for the year	(258,565)	(442,763)	(701,328)
Interest	19	14,691	14,710
Tax	-	(5,384)	(5,384)
Depreciation	15,000	48,880	63,880
Amortisation	67,500	91,083	158,583
Impairment charge	-	(150,000)	(150,000)
EBITDA (incl. Head Office costs)	**(176,046)**	**(443,493)**	**(619,559)**
Others - Head office Costs allocation	193,178	392,114	585,292
EBITDA (excl. Head Office costs)	**17,132**	**(51,399)**	**(34,267)**

Note that the Segmental liabilities figure for South East Asia is shown as a net asset due to the treatment of the amount due from Europe to South East Asia for funding being shown as a liability in the former and an asset in the latter.
* One-off integration costs relate to the integration of operations in Singapore during 2018 following the SAAGE acquisition in late 2017. These costs include cover property, people, systems and termination of contracts.
** One-off restructuring costs relate to the restructuring and streamlining of operations in Malaysia during 2018. These costs cover people, property and termination of contracts.
*** Group HQ costs of £337,415 (2017-£585,292) were allocated to each segment based on the revenue for each segment. In 2018, the allocation was 58% (2017-51%) for Europe and 42% (2017-49%) for Asia.

3. Earnings/(Loss) Per Share

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

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

There were no outstanding options in 2018.

4. Trade Receivables

	2018 £	*2017* £
Trade Receivables	**1,041,712**	*398,642*
Trade receivables are denominated in the following currencies:		
Singapore Dollar	**273,681**	*47,668*
Pound Sterling	**363,161**	*103,466*
Malaysian Ringgit	**404,870**	*220,757*
Euro	**-**	*26,751*
Other	**-**	-
	1,041,712	*398,642*

The age analysis of trade receivables is as follows:

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

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

	2018	*2017*
	£	£
Balance at the beginning of the year	**102,040**	*241,946*
Allowances reversed during the year	**-**	*(122,084)*
Allowances made during the year-continuing operations	**92,305**	-
-discontinued operation	**-**	-

Allowances written-off during the year	**(53,318)**	*(17,822)*
Currency realignment	**-**	-
Balance as at the end of the year	**141,027**	*102,040*

5. Goodwill

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

On the 1st July 2018, Malvern International plc acquired 100% of the shareholding of Communicate English School Limited in Manchester, UK. In reviewing the consolidation of the subsidiary for the first time under IFRS3, a resultant intangible asset of £1,775,811 was acquired by the Group on consolidation. The intangible asset has been identified as purely a Goodwill asset after a review of the acquired assets and liabilities of the new acquisition.

Goodwill has arisen on acquisitions by the Group. Goodwill is allocated to the Group's cash generating unit ("CGU") identified according to business result and country of operation presented in the table below:

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

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

6. New Acquisition for the Malvern Group

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

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

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

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

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

[1] In accordance with IFRS 3, a fair value review of the intangible asset acquired was undertaken by Management through an external consultant and the conclusion are as follows. The Board concurs with the analysis as provided by the external consultant. The fair value consideration is a pro-rata calculation based on the fair value consideration of £2,980,290. The breakdown of the intangible asset on the consolidation of the new business is as follows:

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

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

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

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

7. Contingent Asset

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

8. 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 AGM held at 11.00 a.m. on 28 June 2019 was adjourned to the 22 July 2019. The adjourned meeting will be held at 11.00 a.m. on 22 July 2019 at the offices of WH Ireland at 24 Martin Lane, London EC4R 0DR.

The adjourned meeting will be regarded as a continuation of the original AGM and accordingly no new notice or new proxy forms will be circulated for the adjourned meeting. No business will be dealt with at the adjourned meeting, other than that stated in the original Notice. The original Notice will remain valid and all Forms of Proxy lodged for the original AGM will be valid for the adjourned meeting.

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