London Stock Exchange

RNS Half-year/Interim Report

Half-year Report

MALVERN INTERNATIONAL PLC

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Malvern International PLC
("Malvern", the "Company" or the "Group")

Interim results for the six months ended 30 June 2019

Malvern International plc (AIM: MLVN), the global learning and skills development partner, is pleased to announce its interim results for the six months ended 30 June 2019.

Financial highlights

- Revenues increased 28% to £3.33m (2018: £2.61m) slightly ahead of management expectations.
- Adjusted EBITDA was £0.38m (H1 2018: loss of £0.22m) excluding one-off integration and restructure costs of £0.08m[1]. If IFRS 16 had not been implemented, the adjusted EBITDA for H1 2019 would have been break even.
- Impairment of £1.07m applied to the intangible assets of the Malaysia operation, reflecting the continued difficult trading conditions.
- Loss before tax £1.46m[2] (H1 2018: loss of £0.37m).
- Loss per share[3] on continuing activities of 0.60p (H1 2018: 0.29p).
- Placing completed in February 2019 raising £606,000 before expenses.
- Cash as at 30 June 2019 was £0.43m (H1 2018: £3.11m, H2 2018: £0.11m).
- Strong second half expected in UK and Singapore due to natural seasonality of the business; as at 30 June 2019 booked forward revenues for H2 stood at £4.10m (as at 30 June 2018: £3.10m).

[1] One-off integration and restructure costs of £0.08m relate to Singapore and Malaysia respectively.

[2] Including impairment from Malaysia of £1.07m.

[3] Calculated using weighted average number of shares in issue during the period 256,459,444 (H1 2018: 125,763,888).

Operational highlights

- The UK has continued to show an improved performance delivering an operating profit of £0.60m (H1 2018: £0.09m) on revenues of £2.03m (H1 2018: £1.08m).
- Performance in South East Asia was mixed resulting in an operating loss of £0.30m on revenues of £1.30m. Trading in Singapore remained consistent for the period as compared to last year whilst Malaysia continued to perform below expectations.
- Pursued our strategy to diversify our offering and establish new partnerships, including:
    - taking full operational control of a former joint venture to develop further Malvern Juniors, which runs summer camps, for a nine year period.
    - growing forward bookings in our first year working with University of East London, with approximately £0.50 million of sales due to fall in H2;
    - forming a partnership with Wrexham Glendwr University, Wales, to deliver International Foundation Year and pre-sessional English courses;
    - opening a new English language site in Brighton, expanding the chain of our language schools in the UK;
    - offering new courses in Singapore and securing larger contracts with leading accounting firms; and
    - increasing cross-selling opportunities between UK and South East Asia.

Post period highlights

- Secured a loan agreement with Boost & Co Ltd with £2.60m drawn on 27 August 2019 to repay a shareholder loan and provide additional working capital. An option to draw down up to a further £4.00m, subject to certain conditions, is available to fund a permitted acquisition;
- the Board has made the decision to seek a buyer for the Malaysian operation; and
- strengthened the Board with the appointment of Mark Elliott as a Non-Executive Director in July 2019.

Commenting on the results and prospects, Dr Sam Malafeh, Chief Executive Officer, said:

"We have made considerable progress in our strategy to expand and diversify our product offering, form partnerships, and acquire or establish profitable businesses. Malvern has received a number of new course approvals and is in discussions with a several of its partners to offer new courses, providing a platform for future growth. In addition, we have established a new English Language learning centre in Brighton and acquired full operational control of a youth language centre in London.

We are very disappointed with the continued poor trading in Malaysia, which has led to the Board taking the decision to fully impair the intangible assets of the operation for the value of £1.07m in the half year. Given the considerable management support and financial resources the Malaysia operation continues to absorb, the Board has made the difficult decision to seek a buyer for the business.

Malvern has continued broadening its sales and marketing reach through specific region-based marketing officers. The second half started with a healthy booked revenue base of £4.10m (as at 30 June 2018: £3.10m), giving our traditional second half weighting a good start. The fundraising in February, combined with the loan agreement signed post year end, gives us the resources to continue to invest in and grow our business.

We are pleased with our progress so far this year and believe we are in strong position to continue to grow our business profitably."

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 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, Brighton, Singapore, and Malaysia; with the option of studying across multiple campuses over the duration of the same course; and online through the Malvern Online Academy.

Courses include:

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

Established in the 1980s 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

Chief Executive's Review

Introduction

During the first half of 2019, Malvern progressed its strategy to diversify its offering through the development of new products, the establishment of new partnerships and the acquisition and integration of existing profitable businesses. In parallel the Group continued to strengthen its administration function and made significant improvements to the systems linked to product quality.

We have continued to actively develop our international market with a focus on Asia, Middle East and Latin America attracting students to the UK and Singapore campuses, with particular success in the Chinese market for students studying in the UK. This is reflected in a number of new contracts signed in those regions to bring students to the UK and Singapore, with the related uplift in bookings falling in the second half of 2019.

Financial and trading review

Revenue performance for the first half was slightly ahead of management's expectations. Revenues increased by 28% to £3.33m when compared to the equivalent period in 2018 (H1 2018: £2.62m) as a result of 10% organic growth in the UK, and from the acquisition of Communicate English School Limited.

Adjusted EBITDA was £0.38m (H1 2018: loss of £0.22m) excluding one-off integration and restructure costs of £0.08m relating to Singapore and Malaysia. If IFRS 16 had not been implemented, the adjusted EBITDA for H1 2019 would have been break even. Under IFRS16, operating lease costs of £0.38m previously included at the operating expense level are now treated as depreciation and finance charges.

The impact of IFRS 16 on the loss before tax is an additional expense of £0.05m for the six months, relating to a higher depreciation and interest charge on the right-of-use assets in the early years of the lease. The depreciation and interest charge on the right-of-use assets replaces the office/equipment rental leases for the year. The effect of the depreciation and interest charge on the individual right-of-use asset will reduce as we near the final years of each individual lease agreement.

The performance in Malaysia continued to absorb the Group's management time and financial resources in H1. Whilst significant efforts were made to control the operational costs and stabilise revenues at a lower level, a review by the Board led to the decision to fully impair the value of the Malaysia operation for its brand value and licenses amounting to £1.07m in H1. This produced a Group loss before tax of £1.46m (H1 2018: loss of £0.37m). The Board is considering seeking a buyer for the Malaysia operation.

The basic and diluted loss per share on the continuing business was 0.60p (H1 2018: 0.29p), calculated as the weighted average number of shares in issue during the period at 256,459,444 (H1 2018: 125,763,888).

In February 2019, the Group completed a placing of 15,150,000 new ordinary shares at a price of 4 pence per share raising £606,000 (before expenses) to provide the Group with additional working capital. Net cash as at 30 June 2019 was £0.43m (at 31 December 2018: £0.11m).

The UK has continued to show an improved performance with revenues almost doubling. The result from South East Asia was mixed with trading in Singapore remaining broadly similar level to the same period in 2018, while Malaysia's revenues reduced by some 40% lower, in part because of a downsizing strategy but also as a result of continued lower than expected performance.

A breakdown of the financial performance for our two operating geographies is set out below and shows the effect of the poor performance in Malaysia on the rest of the Group:

H1 2019	**UK** **£m**	*UK Increase/ decrease on H1 2018*	**SE Asia *Singapore*** **£m**	**SE Asia *Malaysia*** **£m**	*SE Asia Increase/ decrease on H1 2018*	**Total** **£m**	*Increase*
Revenues	2.03	*+£0.95*	0.96	0.34	*-£0.23*	3.33	*+28%*
Operating profit/(loss)[1]	0.60	*+£0.51*	(0.13)	(0.17)	*-£0.01*	0.30	
Adjusted EBITDA profit/(loss)[2]	0.60	*+£0.51*	(0.10)	(0.12)	*+£0.07*	0.38	
Adjusted EBITDA (On a like-for-like basis)[3]	0.49	*+£0.40*	(0.30)[4]	(0.19)	*-£0.12*	0.00	

[1] Reported Operating Profit /(Loss) excludes depreciation and amortisation charge.

[2] Adjusted for One-off integration and restructure costs of £0.08m relate to Singapore and Malaysia respectively.

[3] Adjusted EBITDA (On a like-for-like basis) takes into account the original lease costs for H1 at £0.38m. Under IFRS16, these costs are now treated as depreciation and finance costs and thus are excluded from the EBITDA.

[4] Adjusted EBITDA loss from Singapore includes £0.18m of costs related to the shared services company, Malvern International Services Pte Ltd, which provides digital marketing, enrolment processing and finance function of the Group.

Operating Review

United Kingdom

During the period the Group broadened its UK footprint and at the same time diversified its international customer base with students from the Middle East and Asia.

Communicate English School in Manchester, acquired in July 2018, has now been fully integrated into the Group and is performing well. Revenue has increased by 15% since the acquisition, reflecting the additional marketing and sales support provided to the Manchester operation and the penetration in their existing markets.

The success of Manchester provided the impetus to open a second regional English language school, Malvern House Brighton, during H1, which became operational from late July 2019. Initial demand for courses in Brighton has been encouraging, as it provides a number of advantages to foreign students studying in the UK. Students can benefit from living in a smaller but vibrant city in close proximity to London without the associated cost of studying in the capital. The first courses commenced in late July and forward bookings are growing. As, the upfront investment in Brighton was modest (at around £0.30m) we expect that the school will breakeven for the full year.

Both Brighton and Manchester benefit from our centralised shared services and marketing office which operates out of London and Singapore with regional marketing officers in Brazil, London, Saudi Arabia, Taiwan, China, Korea and Japan. Together with London, the schools provide prospective students a greater choice when making decisions on their educational investment in terms of where to study, choice of courses and provides additional flexibility on start dates.

The partnership with University of East London has continued to develop with enrolments growing for this year. There are now discussions taking place with the university to add more programmes to the agreement.

South East Asia

The Singapore operation continued to perform at the expected level with the number of diploma and degree student enrolments increasing to more than 200 students (H1 2018: 140). This was the result of an international marketing effort which led to a larger number of in-bound course enquiries. In addition, our improved sales agent follow up processes meant that we significantly improved our lead conversion rate. Students in Singapore continued to perform highly in our SAA Global Education Singapore Chartered Accountant qualification, solidifying our teaching reputation in this area. As a result we have secured larger contracts with the several top accounting firms. The Singapore operation is expected to have stronger second half due to the degree courses starting in September and because the training contracts for the audit firms are mostly delivered during the period.

We added a number of new programmes to the Singapore portfolio, which includes the IELTS English Language training, Doctor of Business Administration from the University of Gloucestershire, and the International Foundation Year from the University of London. In addition to these, further progress is being made with the approval of degrees in Business and Management, Accounting and Business, International Tourism and Hospitality, and MBA courses from the University of Gloucestershire. These programmes will offer a pathway to the existing SAA Global Education students and will also be open to other students applying from Singapore or overseas.

Acquisitions, partnerships and product development

The Group had a number of successes with its strategy to form partnerships and develop its product range.

We are pleased to have reached agreement with Wrexham Glendwr University, Wales to deliver the onsite International Foundation Year and pre-sessional English classes. This is another milestone in Malvern's strategy to establish a fully operational International Foundation unit supporting students coming from overseas at different universities.

Online education is a key part of our diversification plan and we are committed to seeing a return on investment in this area. With the arrival of additional funds, we have been able to bring focus to the Malvern Online Academy once again. We will be deploying more resources in this area to develop courses that can be delivered online over the coming months.

In the meantime, Malvern received approval from Qualifi, an OFQUAL approved UK qualification provider, to offer their foundation, certificate and diploma courses through its online platform. These qualifications provide graduates a pathway to the top up degrees in the UK. The products are expected to be offered to the market during the first half of 2020.

During the period we took full operational control of a former joint venture to further develop Malvern Juniors, which runs summer camps, for a nine year period.

Central and shared services

The establishment of a centralised shared services operation has been a key strategic goal for Malvern International during the last two years. We now have fully operational central services in digital marketing, admission and enrolment, and finance, providing further support to the branches and bringing greater synergies across the Group. The efficiencies gained in these areas have enabled an improved lead conversion rate as a result of 24 hour response times to issue offers to international students, which previously took more than a week.

Our Group marketing and sales department has grown with sales and support staff now located in key regions including South America, Europe, Middle East and Asia. Since the half year end, a new team member has started in Africa to provide support with enrolment from that region. As a result of the additional support and effort, sales are growing steadily. A further benefit we are seeing is the ability to cross sell products across the regions whilst having one cost of staffing and travelling.

Board changes

Since the period end a number of changes have been made to the Board. Gopinath Pillai and Haider Sithawalla after many years of service and financial support of the Company via KSP Investment have decided to step aside and have resigned as directors with immediate effect. KSP remains a significant shareholder and it has been agreed that KSP may elect a director if it chooses.

On 1 July 2019 Mark Elliott was appointed as an independent non-executive director of the Company. Mark is already making a significant contribution to the Company with his governance and financial expertise.

Outlook

The forward bookings of £4.10 million provide a strong base for our performance in the second half of 2019, and is consistent with the historical seasonal weighting of the business.

The recent loan agreement which allowed us to draw down £2.60m has provided the Group with sufficient working capital for the foreseeable future and gives us the funds to invest in our marketing, launch new courses, finalise the delivery of online courses, as well as consider opening new teaching centres and forming new partnerships. Furthermore, the option to draw down up to a further £4.00m to fund acquisitions gives us the ability and agility to pursue opportunities.

Following the decision to fully impair the value of the Malaysia operation, the Board is now seeking a buyer for the business.

Around 60% of Malvern's revenue is derived from English Language training and our expansion and continued investment in this area is a direct result of our sales and marketing efforts. We have a record number of new programmes due to come online in the UK and Singapore, including post graduate, corporate training and professional qualifications which will maintain longer term relationships with our clients. Furthermore, the newly announced UK government policy on post study work rights for degree students which will allow them find employment in the UK for a period of two years upon graduation, is expected to add more value to our university partnerships.

The Board is pleased by the progress in the first half of the year and the Group is currently trading in-line with management expectations.

Dr Sam Malafeh
Chief Executive Officer

UNAUDITED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months to 30 June 2019	Six months to 30 June 2018	Twelve months to 31 December 2018

	£'000 Unaudited	£'000 Unaudited	£'000 Audited
Revenues			
Sales of services and other revenue	3,329	2,607	7,594
Cost of services sold & operating expenses	(3,027)	(2,824)	(7,920)
Operating profit / (loss)	**302**	**(217)**	**(326)**
Finance costs	(80)	(18)	(45)
Depreciation & amortisation	(611)	(136)	(347)
Impairment (note 3)	(1,069)	-	-
Loss before taxation	(1,458)	(371)	(718)
Income tax credit / (charge)	(60)	-	151
Loss for the period / year from continuing activities (All activities are continuing activities)	(1,518)	(371)	(567)
Loss for the period / year	**(1,518)**	**(371)**	**(567)**
Loss attributable to equity holders	**(1,518)**	**(371)**	**(567)**

Loss per share on total activities (All activities are continuing activities)

	Pence	Pence	Pence
Basic *	(0.60)	(0.29)	(0.31)
Diluted *	(0.60)	(0.29)	(0.31)

* Calculated at the weighted average number of shares in issue during the period at 256,459,444 (H1 2018: 125,763,888).

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	As at 30 June 2019 £'000 Unaudited	As at 30 June 2018 £'000 Unaudited	As at 31 December 2018 £'000 Audited
Total Assets			
Non-current assets			
Property, plant & equipment	637	274	545
Right-of-use assets (note 2)	2,859	-	-
Intangible assets, development & goodwill	4701	2,880	5,397
	8,197	**3,154**	**5,942**
Current assets			
Inventory	11	-	6
Debtors (note 4)	1,594	1,154	1,042
Prepayments	1,404	888	1,263
Deferred tax assets	190	-	190
Due from related parties	-	-	57
Cash at bank and in hand	432	3,106	105
	3,631	**5,148**	**2,663**
Total Assets	**11,828**	**8,302**	**8,605**
Equity & Liabilities			
Non-current liabilities			
Lease liabilities (note 2)	2,089	23	64
Finance term loan	150	129	168
Finance convertible loan	299	496	299
	2,538	**648**	**531**
Current liabilities			
Trade payable (note 5)	1,283	377	384
Other payable and accruals	396	381	569
Lease liabilities (note 2)	815	-	-

Amount due to related parties	564	673	555
Provision for Income Tax	115	-	92
Deferred Income	1,387	1,187	653
	4,560	**2,618**	**2,253**
Total Liabilities	**7,098**	**3,266**	**2,784**

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	As at 30 June 2019 £'000 Unaudited	**As at 30 June 2018 £'000 Unaudited**	**As at 31 December 2018 £'000 Audited**
Equity attributable to equity holders of the Company			
Share capital	9,364	9,027	9,212
Share premium	5,471	4,012	5,017
Reserves	(10,105)	(8,003)	(8,408)
	4,730	**5,036**	**5,821**
Total Equity and Liabilities	**11,828**	**8,302**	**8,605**

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Share Capital	**Share Premium**	**Retained Earnings**	**Translation Reserve**	**Capital Reserve**	**Convertible Loan Reserve**	**Total Other Reserves**	**Attributable to Equity Holders of the Company**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 January 2018	**7,919**	**896**	**(8,629)**	**739**	**171**	**104**	**(7,615)**	**1,200**
(Loss) for the period			(371)				(371)	(371)
Total Other Comprehensive income				23			23	23
Convertible Loan Reserve						(40)	(40)	(40)
Total New Shares	**1,108**	**3,116**						4,224
Balance at 30 June 2018	**9,027**	**4,012**	**(9,000)**	**762**	**171**	**64**	**(8,003)**	**5,036**
(Loss) for the period			(196)				(196)	(196)
Total Other Comprehensive income				(173)			(173)	(173)
Convertible Loan Reserve						(36)		(36)
Total New Shares	185	1,005						1,190
Balance at 31 December 2018 / 1 January 2019	**9,212**	**5,017**	**(9,196)**	**589**	**171**	**28**	**(8,372)**	**5,821**
	Share Capital	**Share Premium**	**Retained Earnings**	**Translation Reserve**	**Capital Reserve**	**Convertible Loan Reserve**	**Total Other Reserves**	**Attributable to Equity Holders of**

								the Company
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
(Loss) for the year			(1,518)				(1,518)	(1,518)
Total other comprehensive income				(179)			(179)	(179)
Total comprehensive income for the period			(1,518)	(179)			(1,697)	(1,697)
New Shares from Placement	152	454						606
Balance at 30 June 2019	**9,364**	**5,471**	**(10,714)**	**410**	**171**	**28**	**(10,069)**	**4,730**

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months to 30 June 2019 £'000 Unaudited	Six months to 30 June 2018 £'000 Unaudited	Twelve months to 31 December 2018 £'000 Audited
Cash flows from operating activities			
(Loss) / profit before income tax from continuing activities	(1,518)	(371)	(567)
Adjustments for:			
Depreciation & amortisation	611	136	347
Impairment	1,069	-	-
Interest paid	80	18	-
	242	(217)	(220)
Changes in working capital			
(Increase) / decrease in debtors & prepayments	(1,046)	(695)	(995)
Increase / (decrease) in creditors	942	213	(633)
(Increase) / decrease in inventories	(5)	6	-
Increase / (decrease) in related parties	66	(163)	-
Cash flows from operating activities	199	(856)	(1,848)
Taxation			
Taxes recovered / (paid)	23	-	(151)
Net cash used in operating activities	**222**	**(856)**	**(1,999)**
Cash flows from investing activities			
Purchase of property, plant and equipment	(92)	(76)	(302)
Purchase of Intangible Assets	(185)	(90)	(266)
Acquisition of subsidiary, net of cash acquired	-	-	(1,387)
Net cash used in investing activities	**(277)**	**(166)**	**(1,955)**
Cash flows from financing activities			
(Decrease) / increase in finance lease liabilities	-	(2)	(19)
Interest Paid	(80)	(18)	-
New Share Issue	606	3,684	3,675
Repayment of term loan	(84)	(30)	(21)
Net cash used in financing activities	**442**	**3,634**	**3,635**
Effect of foreign exchange rate changes on consolidation	(60)	23	(55)
Net increase in cash and cash equivalents	327	2,635	(374)
Cash and cash equivalents at beginning of period / year	105	471	479
Cash and cash equivalents at end of period / year	**432**	**3,106**	**105**

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 the UK. 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 period

2. Significant accounting policies

Basis of preparation

The accounting policies adopted are consistent with those of the previous financial year.

This interim consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with IAS 34, 'Interim financial reporting'. This interim consolidated financial information is unaudited and is not the Group's statutory financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards (IFRS) and have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was unqualified, but did include, without qualifying their report, references to which the auditors drew attention by way of emphasis of matter in respect of the preparation of the financial statements on a going concern basis.

The interim consolidated financial information for the six months ended 30 June 2019 is unaudited. In the opinion of the Directors, the interim consolidated financial information presents fairly the financial position, and results from operations and cash flows for the period. Comparative numbers for the six months ended 30 June 2018 are unaudited.

This interim consolidated financial information is presented in £ sterling, rounded to the nearest thousand.

Adoption of new and revised International Financial Reporting Standards

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.

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. For leases where the right-of-use asset has been determined as if IFRS 16 had been applied since the lease commencement date, this expedient has not been taken.

• 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 (£5,000). 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 taking into account 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. The right-of-use asset is typically depreciated on a straight-line basis over the lease terms. In addition, the right-of-use asset may be adjusted for certain remeasurements of the lease liability, such as indexation and market rent review uplifts.

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 30 June 2019:

Lease liabilities	**£'000**
Operating lease commitment disclosed as at 31 December 2018	5,064
Less short-term and low value lease	1,100
Operating lease commitment at 31 December 2018 that falls under IFRS 16	**3,964**
Discounted using borrowing incremental rate at initial application	(666)
Lease liabilities recognised at 1 January 2019	**3,298**
Current Lease Liabilities	756
Non-current Lease Liabilities	2,542

Lease liabilities movement from 1 January 2019 to 30 June 2019	**£'000**

At 1 January 2019	3,298
New leases in the period	7
Prepaid and accrued lease payments	(464)
Interest charge	63
Total lease liabilities at 30 June 2019	**2,904**
Current lease liabilities	815
Non-current lease liabilities	**2,089**

Right-of-use assets	**£'000 30 June 2019**	**£'000 1 January 2019**
Properties	2,791	3,261
Equipment	68	37
Total right-of-use	**2,859**	**3,298**

3. Impairment

The Company has undertaken an impairment assessment of its Intangible Assets that are classified as Brand, Licenses, Trademark, Customer List and Domain Name for each of its geographical operating entities being UK, Singapore and Malaysia.

The methodology for assessing the impairment of the operating entity is to calculate the discounted cashflow of the entities performance over the next five years. The discount rate utilised is 9.19% which reflects the average risk of equity for the Company.

Trading conditions in Malaysia continued to be challenging with no improvement expected in the short to medium term. Therefore the Board has deemed it prudent to impair fully the intangible assets relating to Malaysia, being the Brand value (£0.34m) and Licenses (£0.73m) amounting to £1.07m for the six months ended 30 June 2018.

Both UK and Singapore are showing a Discounted Value higher than the value of the respective Intangibles in the Company's balance sheet.

4. Debtors

The aged debtors are shown by region. As can be seen, the main debtors are related to the UK and that is directly due to the Summer Camps. The aged debtors in Singapore that are older than two months relate to an instalment scheme that have bene put in place for students. The aged debtors in Malaysia that are older than two months also relate to students paying by a combination of instalment and through the Malaysian government loan scheme.

Debtors	Less than 1 Month £'000	2 Months £'000	Greater than 2 Months £'000	Total £'000
UK	897	46	106	1,049
Singapore	11	37	210	258
Malaysia	14	-	273	287
Total	**922**	**83**	**589**	**1,594**

5. Trade payable

The aged trade payables are shown by region below. The trade payable in the UK are directly related to the accommodation and operational expenses for the summer camps. The trade payable that are older than two months are predominantly outstanding leases that have now been cleared.

Trade payable	Less than 1 Month £'000	2 Months £'000	Greater than 2 Months £'000	Total £'000
UK	473	114	261	848
Singapore	47	30	268	345
Malaysia	45	16	29	90
Total	**565**	**160**	**558**	**1,283**

6. Dividend

No interim dividend for this financial year is proposed.

7. Loss per share

The basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the relevant period. The weighted average number of shares in issue during the period was 125,763,888 (2018: 102,233,393).

The diluted loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the relevant period diluted for the effect of share options and warrants in existence at the relevant period. The weighted average number of shares in issue diluted for the effect of share options and warrants in existence during the period was 256,459,444 (H1 2018: 125,763,888).

8. Share capital

On 21 February 2019 the Company announced a placing of 15,150,000 new ordinary shares at a price of 4 pence per share to raise gross proceeds of £606,000.

As at 30 June 2019, the total number of Ordinary Shares held in the Company was 258,576,293 (30 June 2018: 224,988,333).

9. Subsequent events

Malvern has entered into a loan agreement with Boost & Co Ltd ("Boost" or the "Lender") for working capital purposes, to repay a shareholder loan and to fund the continued development of the Group.

Subject to certain terms of the loan agreement, Boost has agreed to make available to Malvern a cash advance facility comprising two tranches:

- The first tranche ("Tranche 1") of £2,600,000 which will be drawn in full immediately; and,
- an optional second tranche ("Tranche 2") of up to £4,000,000, which, subject to certain conditions, will be available to the Group to fund a permitted acquisition.

Interest on the amounts drawn down will be charged as the higher of (a) 10% per annum, or (b) 8% per annum plus LIBOR, calculated on the relevant drawdown date and thereafter monthly on each repayment date.

An arrangement fee of 1.25% is payable on the drawn down amounts with the arrangement fee of Tranche 1 being paid on the signing of the loan agreement.

Part of the net proceeds of Tranche 1 will be used to repay a shareholder loan of £564,000 owed to KSP Investments Pte Ltd, the Company's largest shareholder.

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