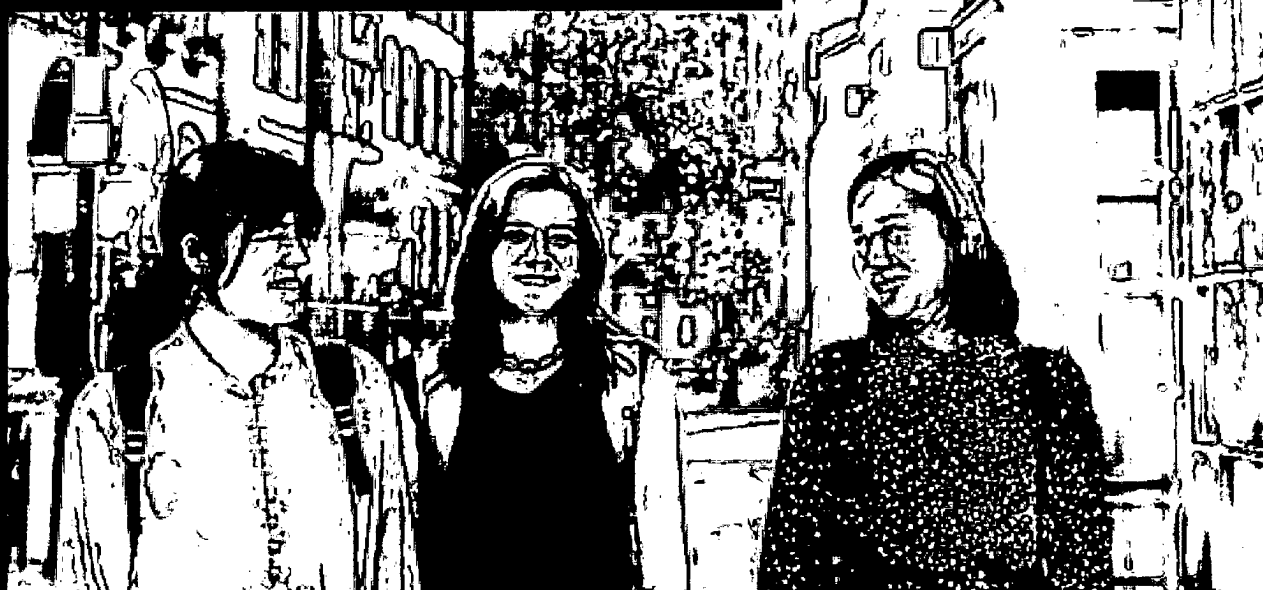


MALVERN INTERNATIONAL PLC



Annual Report 2021



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COMPANIES HOUSE

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

HIGHLIGHTS

For the year ended 31 December 2021

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.

"Student numbers were rebuilding throughout 2021 and by Q4 we had reached 80 percent of pre-pandemic levels, although ongoing international travel restrictions impacted higher education starts for the 2021/22 academic year. We have made strong progress in building our sales and marketing team to target key territories such as China and Middle East and North Africa ("MENA"). All our language schools are now approved by the Kuwaiti Cultural Office which presents a significant opportunity to attract a consistent number of students and recurring income streams.

Since the year end, we successfully renegotiated the Company's £2.6m debt facility which is now payable over six years up to 2028.

We expect student numbers to reach pre-pandemic levels during this year and, with fewer international student providers today than two years ago due to M&A activity and closures, we believe we are well placed to build the business in 2022 and beyond."

Richard Mace, Chief Executive Officer

CONTINUING OPERATIONS¹

REVENUE (£M)

2020	1.90
2021	2.42

OPERATING LOSS (£M)

2020	1.33
2021	1.32

LOSS FOR THE YEAR (£M)

2020	1.66
2021	1.59

LOSS PER SHARE²

2020	0.23 pence
2021	0.08 pence

¹ Continuing operations include activities in the UK only, following the closure of the Singapore operations in 2020. Further information relating to the discontinued operation for the period to the date of the closure is set out in note 4(b) of the financial statements.

² Calculated using weighted average number of shares in issue during the period 1,878,898,511 (2020: 735,661,044).

A black and white photograph of a man and a woman smiling in a modern building. The man, on the left, has a beard and is wearing a dark t-shirt with a strap over his shoulder. The woman, on the right, has short hair and is wearing a light-colored top. They are standing in front of a large, modern building with a glass facade and a curved roofline. The text "STRATEGIC REPORT" is overlaid on the right side of the image.

STRATEGIC REPORT

CHAIRMAN'S STATEMENT

Mark Elliott, Non-Executive Chairman



Introduction

Student numbers were rebuilding throughout 2021 as we were able to reopen schools and offer in-class teaching. However the dynamic situation around international travel affected student applications and bookings during crucial windows, particularly for higher education students for the start of the 2021/22 academic year. English Language Training ("ELT") student numbers reached 80 percent of pre-pandemic levels in Q4 2021.

Revenues increased 27 percent to £2.42m (2020: £1.90m). The operating loss for the year was £1.32m (2020: loss £1.33m) reflecting strong cost control measures coupled with increased investment in our sales and marketing team to ramp-up student recruitment efforts in key territories.

The loss for the year from continuing operations was £1.59m (2020 loss: £1.66m), resulting in a loss per share on continuing operations of 0.08 pence (2020 loss: 0.23 pence).

The total loss including discontinued operations was £1.15m (2020 loss: £2.14m).

As at 31 December 2021, the cash position was £0.38m (2020: £0.10m) and net debt was £5.85m (2020: £5.59m). Net debt includes £3.35m (2020: £2.84m) of lease liabilities (see note 28).

Financing and debt restructure

To ensure we had the cash resources to trade through the continued difficulties caused by COVID-19 and to build on the very significant progress made, the Company raised £1.70m in an oversubscribed fundraising in April 2021.

Since the year end, the management successfully renegotiated its £2.6m debt facility with BOOST&Co., providing for a 12-month payment and interest holiday to March 2023, over a five-year period, with revised interest terms and no early repayment penalties. Full details of the new debt structure can be found in the announcement of 4 March 2022.

Board appointment

We were delighted to appoint Daniel Fisher in December 2021 to the Board of the Company as an Executive Director and Chief Financial Officer. Daniel joined the Board having acted as the Company's head of finance since January 2021. Daniel has a wealth of experience in financial leadership roles.

Share option scheme

The Company continued to offer an EMI share option scheme to retain, incentivise and align the interests of employees with certain performance targets and strategic goals. A total of 146,000,000 ordinary shares of 0.1 pence each were granted in 2020 and 2021 to Directors and staff in three tranches, representing 6.9 percent of the existing issued share capital of the Company. The EMI options will vest three years after the date they were granted, once defined share price targets have been attained.

Staff and staff appointments

Malvern has made a few strategic appointments to the sales and marketing team to support the growth in student numbers and target key territories, including China, South East Asia and MENA. I would like to take this opportunity to thank all our colleagues for their continued dedication in delivering quality education to our students.

Chairman's Statement continued

Governance

We continue to make improvements to our corporate governance systems. Following the appointment of a dedicated, Group HR Manager we have reviewed and updated our internal policies, making them available to staff and suppliers as appropriate.

The role of Company Secretary has been taken on by our Chief Financial Officer, Daniel Fisher, with the support of external advisors, Oakwood Corporate Services Limited.

During the year we carried out an internal review and audit to ensure that we continue to comply with the Quoted Companies Alliance Corporate Governance Code 2018. We also updated our website to ensure continued compliance with the AIM rules.

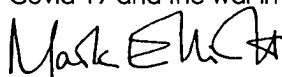
Outlook

The easing of travel restrictions is attracting international students back into the UK.

We are making significant investments in our sales and marketing function, expanding our global sales operations and agency network, including growing our South Asian and Chinese operations. We expect this investment to benefit all areas of our business particularly our partnerships with University of East London ("UEL"), NCUK, and Wrexham Glyndwr University.

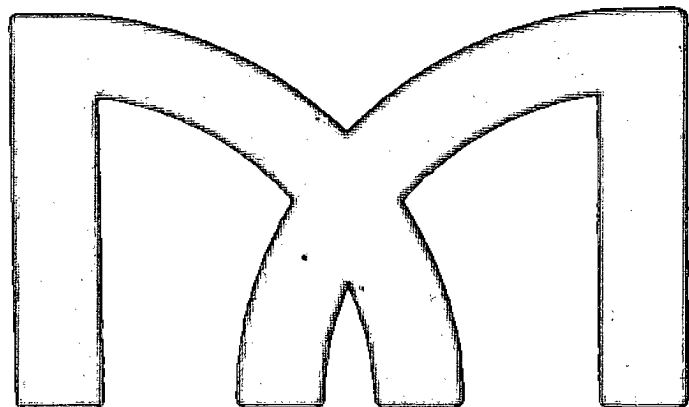
The ELT market has continued to consolidate with fewer providers today than two years ago due to M&A activity and closures. We are focused on building relationships with existing customers such as the cultural offices of governments from the MENA regions. We are also investing in our lead-management system to respond efficiently to an increased number of enquiries which are the result of these initiatives. Together, these factors are enabling us to build student numbers at our Brighton centre in its first full year of operation and are supporting our expectations to reach pre-pandemic levels in London and Manchester during 2022, ahead of overall sector expectations.

As a business, we have shown great resilience in overcoming the challenges of the last 2 years and are well positioned to take advantage of the expected growth in overseas student numbers over the coming years. We are confident in our ability to rebuild the business in 2022 and beyond, whilst recognising that some uncertainty remains with Covid-19 and the war in Ukraine.



Mark Elliott, Chairman

3 May 2022



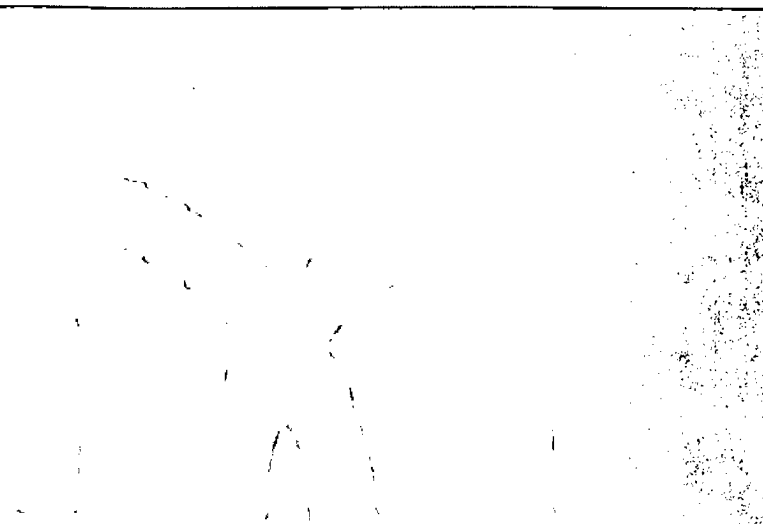
AT A GLANCE

Every student is unique.

We offer something for each one.

Malvern International is a learning and language skills development partner.

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



50,000+
Students trained*



120+
Nationalities taught

6

Study locations

malvern house
LONDON

University of
East London

COMMUNICATE
SCHOOL
Part of a network of 100 schools

malvern house
BRIGHTON

malvern
ONLINE ACADEMY

University of
Worcester

University of
Surrey

* Since foundation



University Pathways

Offering

On and off-campus University Pathways programmes helping students progress to a range of universities.

Description

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

Courses

Undergraduate and Postgraduate Foundation programmes in: Business and management, Accounting and finance, Humanities and social science, and Engineering and science.

International Year One in Business and engineering.

In-sessional and pre-sessional courses.

Locations

UEL

Wrexham Glyndwr University,
NCUK, Malvern House London.

Malvern House Schools

Offering

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

Description

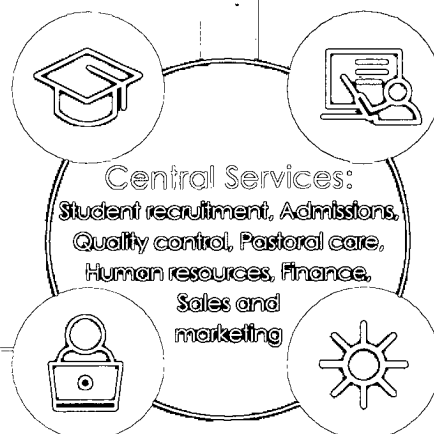
A range of interactive language programmes ranging from General English to CELF teaching programmes.

Courses

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

Locations

Malvern House London, Communicate School Manchester, Malvern House Brighton.



Malvern Online Academy

Offering

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

Description

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

Courses

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

Delivery options

Full time, part time, one to one.

Juniors and summer camps

Offering

English language and travel experience for secondary school students.

Description

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

Courses

General English and cultural experiences.

Locations

Summer study centres.

BUSINESS MODEL

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

Group inputs

People

The Group employs over 80 members of staff.



Premises

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



Technology

Malvern has developed its own online education platform, offering online courses and additional learning support. The Group has a central student management and accounting system.



Financial Investment

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



What we offer

Excellent quality, accredited education

Malvern's success and growth is reliant on maintaining its reputation as a quality educator. We ensure all our staff have access to training and development and we continually look for ways to improve our educational services.

Flexibility for students

Malvern's courses are available in multiple locations so that students can have a variety of experiences during their learning. Students can also choose the time they commit to their education, whether it is part-time, full-time, or evening classes.

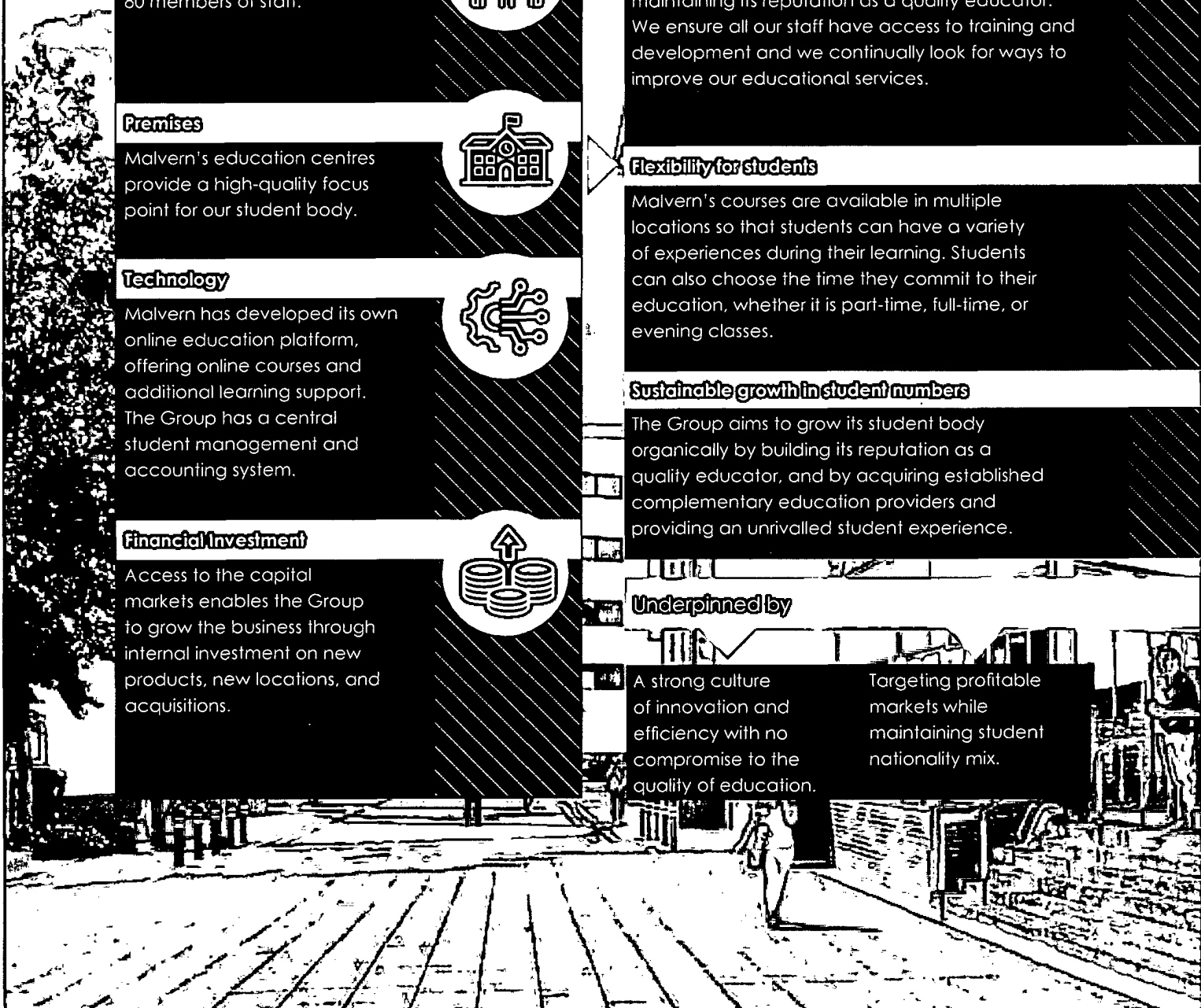
Sustainable growth in student numbers

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

Underpinned by

A strong culture of innovation and efficiency with no compromise to the quality of education.

Targeting profitable markets while maintaining student nationality mix.



Long-term partnerships

The Group looks to improve and expand the range of products and services offered directly or in collaboration with its prestigious partners, including Universities, corporate customers, and accreditors. Its partnerships with regional distribution and sales agent network are key to student recruitment.

An inclusive community

Many of Malvern's customers are students living and learning in a foreign country. They therefore look to Malvern to help guide them find accommodation, organise outings and social events, to make the most of their cultural experience. Malvern education centres aim to be a hub for their student and staff bodies.

Strong cost control

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

Varied courses and high-quality, results-driven teaching.

Embedded quality control processes, formalised risk management, and strong IT infrastructure.

Stakeholder outcomes

Students

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



Partners

Our education products and services are an important student recruitment tool for our partners and expands their own geographic reach. We are able to ensure that students are better prepared and have the right qualifications and skills in order to embark on their chosen courses.



Shareholders

Our aim is to deliver long-term shareholder value through capital gain and, in time, through the payment of dividends.



Staff

We offer long-term career opportunities for our staff in a rewarding and innovative environment.



MARKETS

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

In February 2021, the UK Government published its UK International Education Strategy, aiming to achieve £35bn in education exports per year.

International Higher Education ("IHE")



605,130

international students enrolled
in 2020/21 academic year
(2019/20: 556,625)

75%

of international students
come from outside Europe

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

The Government's UK International Education Strategy published in February 2021 aimed to have 600,000 IHE students enrolled each year by 2030. This target was achieved well-ahead of schedule for the first time in the 2020/21 academic year, leading to calls to target one million IHE students in the UK by 2030.

Malvern's sales and marketing strategy focuses around the recruitment of non-European students (which make up around 75 percent of total IHE students in the UK). The Company targets the largest and fastest-growing student sending markets, including China, India and Nigeria among others. Together these three countries account for 55 per cent. of non-European students. Since the 2016/17 academic year the number of Chinese IHE student enrolments has grown from 95,595 to 143,820. While the numbers of student enrolments from India are not as high as from China, there has been a notable increase from 16,900 to 84,555 in the same period. Nigeria, the third largest sending market at 21,305 students in 2021/22, and Pakistan (12,975 students) have also seen significant increases in the last five years. Each of these markets are expected to see continued growth.

English Language Training ("ELT")



125%

increase in ELT student numbers
between Q1 and Q4 2021

69

fewer ELT centres in UK in 2020
compared to 2019

The current focus of ELT providers is to rebuild student numbers to pre-pandemic levels (c. 510,000 students in 2019). Recent research from BONARD published in November 2021 suggests that this is likely to take place in Q1 2023. However, since this report, providers like Malvern experienced better than expected enrolments in Q4 2021, improving market sentiment.

To add to this, the number ELT schools has declined due to M&A activity and closures. Today, there are an estimated 69 fewer accredited centres than there were at the start of the pandemic in March 2020, giving the remaining providers opportunities to grow their student numbers further.

The ELT market consists of two segments: adult courses and Junior provision in the form of summer camps. Market research typically combines these two audiences, although they have different recruitment strategies and business models. This distinction is important in the current market climate for Malvern. While the Junior market is proving slower to recover, adult course enrolments are building at a much faster rate, supported by a high number of embassy-sponsored students who study for a consistent number of student weeks and provide high-quality income streams.

Longer term, the pace of the recovery will be dependent on vaccination rates in source markets and the receiving country's recognition and acceptance of proof of vaccination, as well as evolving rules around under-18 travel for the Junior market. However, the easing of visa requirements are intended to support UK entry. Students from Saudi Arabia and China, two key ELT markets for Malvern, are able to study for up to six months on a visitor visa, and Europeans can come and study in the UK for six months without a visa, making the UK an attractive destination.

Sources:

- Higher Education Student Statistics: UK, 2020/21 – Where students come from and go to study, January 2022.
- English UK, Student Statistics report 2021, May 2021.
- BONARD, Quarterly Intelligence Cohort, 2021 Executive Summary, prepared on behalf of English UK.
- BONARD, Navigating ELT Recovery: What are destinations doing to stimulate the market?, November 2021.

OUR STRATEGIC PRIORITIES

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

Strategic priorities for 2021	Progress in 2021	Strategic priorities for 2022
University Pathways		
• Work with existing university partners to deliver pre-university courses in line with university re-openings and easing of travel restrictions. • Offer new courses at UEL and capitalise on NCUK accreditation to support the rebuilding of student numbers during 2021. • Continue to develop relationships with UEL, NCUK, and Wrexham Glyndwr University. • Build sales from Chinese and South East Asian markets. • Explore new partnership opportunities and broaden scope of existing partnerships.	• Traffic light system for international travel affected students applications process, reducing the number of Pathways students year on year by c. 15 percent This was mainly due to restrictions with the India market in September 2021. • Developed extra programmes at UEL such as a short MBA in-session programme. • Strengthened relations with UEL with the development of the governance board for our International Study Centre within UEL. • Appointed an experienced Academic Director at UEL, to drive academic provision. • Launch of NCUK International Study Centre in London. Welcomed first academic year with a cohort of 16 students. Passed first full audit from NCUK. • We are building our sales and marketing capacity. • We continue to look for new university partnerships and entered tender process for different contracts.	• Realise the potential of our International Study Centres by evolving our governance structures to broaden of scope of our university partnerships. • Further develop teaching and learning excellence in our Pathways programmes, via targeted investment in key academic staff at our International Study Centres. • Expand our UEL International Study Centre via increased recruitment to Pathways at undergraduate and postgraduate level. • Launch new routes at our NCUK London centre, offering programmes in science and engineering alongside the business-focused International Foundation Year launched in 2021. • Work with Wrexham Glyndwr University to establish a base on campus and welcome students to our Welsh International Study Centre. • Continue to diversify our key student recruitment markets, including capitalising on the establishment of our China regional office

Strategic priorities for 2021	Progress in 2021	Strategic priorities for 2022
English Language Training ("ELT")		
• Focus on targeting student recruitment from within the UK. • Continue to re-build and grow international student numbers.	• Improved SEO for the language school websites, which resulted in more inbound requests for Brighton, Manchester, and London. • Recruited a record number of part-time students into London school. • 2021 benefited from all our ELT schools gaining approval from the Kuwait Cultural Office in December 2020, enabling Kuwaiti sponsored students to be accepted in London, Brighton, Manchester, and our London NCUK programme. • Language school student numbers returned to 80 per cent. of pre-pandemic levels in 2019 by the end of 2021. • Brighton school achieved has the highest number of students since it opened in late 2019. It also passed its first full British Council Inspection 2021.	• Return our ELT student numbers in Manchester and London to return to pre-pandemic levels, ahead of overall market expectations • Grow our Brighton centre in its first full year of operations • Focus on targeting student recruitment from agent and direct recruitment channels.
Malvern Online Academy ("MOA")		
• Review the technology platform to grow the variety of courses that can be offered and how they are delivered. • Expand the range of courses offered to include add-on subscription-based lessons to support in-class teaching and follow-on courses for students that have completed class-based studies.	• The system was moved to a well-known and open-source platform making the store easier for customers to interact and make purchases, while offering a greater variety of course options. • MOA has been used primarily for hybrid learning when students have not been able to attend classes during the pandemic and has been a crucial support.	• Expand the range of products delivered on MOA.

Our strategic priorities continued

Strategic priorities for 2021	Progress in 2021	Strategic priorities for 2022
Management Team		
- Strengthen the management structure and appoint a Chief Financial Officer to the Board of Directors. - Identify additional skills gaps at senior management level and provide training as required.	- Group Head of Finance was appointed to the Board of Directors as Chief Financial Officer. - A UEL Centre Director joined in January 2021 before being promoted to Director of University Partnerships, strengthening relations at UEL and developing our new NCUK Pathways programme in London. - Whilst Junior programmes haven't been running, the Director of Juniors has built a team and developed the Malvern House Brighton language school.	- Appoint a Head of Operations to provide leadership across ELT and shared services. - Appoint Head of Marketing to drive digital strategy and expansion of our China operations. - Identify additional skills gaps at senior management level and provide training as required.
Health and safety		
Safeguard the health and safety of staff and students, following government guidelines regarding social distancing.	- Continued to follow health and hygiene government guidelines where required. - Promoted success of UK's vaccination programme to students looking to access programmes in our centres.	Continued to safeguard the health and safety of staff and students, following government guidelines regarding social distancing.

Strategic priorities for 2021	Progress in 2021	Strategic priorities for 2022
Central offices: student-bookings, customer relationship management, finance, sales and marketing		
• Establish a Chinese and South East Asia market sales function with particular focus on Juniors and NCUK students. • Build on new branding and develop the Company image and perception amongst key partners and students. • Continue to improve internal controls and financial reporting.	• Appointed two sales managers in Chengdu and Beijing, China. • Launched a China website to build our brand presence in the biggest higher education student recruitment market. • International student recruitment markets are reopening and our international sales team visited agencies and attended conferences in late 2021, with the aim to build our network and build new opportunities with our existing partners. • Internal controls and reporting improved further with the appointment of the Group CFO.	• Establish a Chinese and South East Asia market sales function with particular focus on Pathways and Junior students. • Continue to develop the Company image and perception amongst key partners and students. • Further develop in-house management information, CRM and data to drive decision making. • Refine our systems and processes to constantly improve the student journey

OPERATING REVIEW

Richard Mace, Chief Executive Officer



Summary

- Executive Management Team appointments; CFO and Director of University Partnerships
- ELT student numbers reached 80% of pre-pandemic levels achieved in Q4 2021
- All language schools now approved by the Kuwaiti Cultural Office
- Expanded sales team to target key student recruitment geographies
- Pathway student numbers impacted by pandemic but positioned to grow significantly in 2022
- £2.6m loan restructured over six years (post year end)

English Language Training ("ELT")

The English language schools provided a mixture of in-class, online, and blended learning throughout 2021, with MOA supporting students with supplementary and hybrid learning where required.

In Q4 2021, all three schools had grown their student bodies back to around 80 percent of pre-pandemic levels. With fewer international students the proportion of UK-based students increased as a result of a concerted sales and marketing effort, including upgrading our website. This audience will remain important to us going forward.

All our schools are now approved by the Kuwait Cultural Office ("KCO") which allows us to accept sponsored students into all our schools as well as our NCUK programme. With an average of 8,000 sponsored students per year studying for an average of 36 weeks, the KCO approval presents a significant opportunity for us to attract a consistent number of students and recurring income streams.

The focus to make profitable language schools is to have a student acquisition model that balances agency and embassy students combined with students recruited directly via digital methods. With our investment in systems and people, we are well placed with this model for 2022 and beyond.

University Pathways

A total of 144 students enrolled in University Pathways courses for the 2021/22 academic year compared to 170 students in the previous year. Of these, 16 students are part of our first ever NCUK cohort based out of our London Kings Cross school, a number on which we can build for the next academic year. NCUK is a consortium of leading universities dedicated to giving international students guaranteed access to universities worldwide.

The lower overall figures are the result of the traffic light system on international travel extending into the autumn of 2021 which coincided with application deadlines for key geographies. However an increased intake in January 2022 of 80 students compared to 43 students in January 2021 is indicative of a gradual return of international students to the UK.

University of East London ("UEL")

Since the year end, the governance of our partnership with UEL has been enhanced with the formation of a joint Strategic Management Group, which met for the first time in March 2022. Within the centre, an experienced Academic Director has been appointed with primary responsibility for the quality of all aspects of our learning and teaching, building on structural and staffing changes made within the study centre in 2021. Increased numbers of students were recruited for the January cohort, and the centre is now well placed to support the projected significant growth in student numbers for the 2022/23 academic year.

NCUK

2021 saw the launch of our NCUK International Foundation Year programme, and we welcomed a cohort of 16 students. For 2022/23 academic year we are growing our NCUK portfolio by offering Science and Engineering routes, in parallel with our Business oriented programme, and look forward to welcoming students looking to progress to high-quality universities in our London centre.

Malvern Juniors

Due to Covid-19, all of our Junior language camps were postponed into 2022. There remains strong demand from Italian students with four camps running in the summer of 2022. Hungarian groups will resume in 2023.

In parallel, we have been building our sales and marketing teams, targeting Junior students from China and South East Asia in particular. We expect this to reflect in significant growth in student numbers for 2023.

Central services

The Group continued to make improvements to its central shared services, which includes both back-office and sales and marketing. More positions have been brought into the head office function in Manchester to strengthen the Executive Management Team and supporting team including a CFO, Management Accountant, Deputy Head of Sales, Marketing Manager, Group HR Manager. The transactional support team in Nepal has expanded to support post pandemic growth in admissions. Our continued investment in the development of our HubSpot CRM has seen a tighter control of all enquiries and management of service level agreements. Further development, process controls, and automation is planned for 2022.

We have continued to build our sales and marketing capability. In China – the biggest international student market to the UK for Higher Education and Junior summer camps – we appointed two Regional Sales Managers based in Chengdu and Beijing and launched a Chinese website. In addition we appointed a Sales Manager based in Indonesia and a Regional Director for MENA and Turkey. We are in late stages of appointing an international recruitment advisor in India and one in Nepal. Both are growth markets for Higher Education student recruitment. We are expecting the new recruits to drive the growth of a global partner network and in turn our student numbers across University Pathways and ELT adult and Junior programmes.

Richard Mace
Chief Executive Officer

3 May 2022



KEY PERFORMANCE INDICATORS

FINANCIAL KPIs – CONTINUING OPERATIONS*

REVENUE (£M)

2020 1.90

2021 2.42

OPERATING LOSS (£M)

2020 1.33

2021 1.32

Performance: Revenues grew 27 percent during the year reflecting a return of ELT student as travel restrictions were eased and a concerted effort on recruiting students from within the UK.

Performance: The operating loss remained steady as tight cost control measures continued to be implemented in 2021. In parallel, the Company invested in its sales and marketing team to support recruitment efforts across key territories.

LOSS FOR THE YEAR (£M)

2020 1.66

2021 1.59

LOSS PER SHARE

2020 0.23 pence

2021 0.08 pence

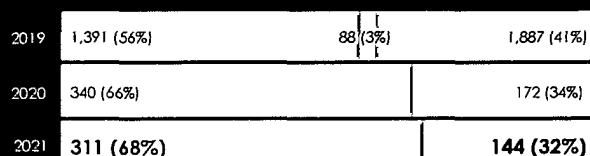
Performance: The loss for the year from continuing operations remained steady.

Performance: The loss per share is calculated using weighted average number of shares in issue during the period 1,878,898,511 (2020: 735,661,044). The total loss per share including discontinued activity was 0.06 pence (2020: 0.29 pence).

* Continuing operations included activities in the UK only. Further information relating to the discontinued operation for the period is set out in note 4(b) of the financial statements.

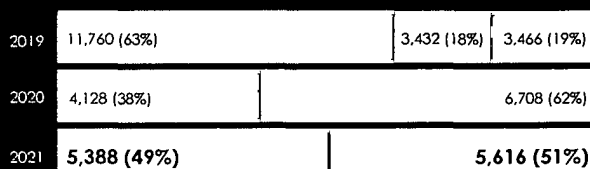
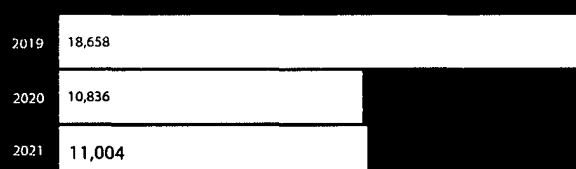
NON-FINANCIAL KPIs – UK ONLY

STUDENT NUMBERS



■ English Language Teaching ■ University Pathways ■ Juniors

STUDENT WEEKS



■ English Language Teaching ■ University Pathways ■ Juniors

Performance: The number of students is calculated as the number of full-time students who have undergone tuition for a minimum of 10 hours per week during the course of the year. Student weeks are defined as the total number of weeks delivered to students who undergo a minimum of 10 hours per week including in-class and online courses. The overall number of students number and weeks delivered continued to be affected by Covid-19, school closures, and the cancellation of Juniors camps in 2021. Although there were fewer students, more student weeks were sold as a result of the earlier return of MENA students who typically study for longer periods. The number of ELT students in Q4 had rebuilt to 80 percent of pre-pandemic levels, giving a strong indication of future performance.

FINANCIAL REVIEW

Daniel Fisher, Chief Financial Officer



The trading landscape presented many challenges for the Group in 2021 due to the impacts of the pandemic. Despite these challenges, significant progress was made in 2021 to stabilise our balance sheet. We continued to demonstrate effective cash management under very challenging trading conditions.

In the past twelve months, we forged strong relationships with key suppliers and customers. All historical debt was moved successfully onto long-term payment plans, and in some cases, large arrears have been waived or discounted. Strategic and operational meetings have been established with key customers. In addition to drastically improving student recruitment and enrolment conditions, these more frequent interactions have enabled us to increase the efficiency of the collection of receivables.

Revenues during the year increased 27 percent to £2.42m (2020: £1.90m). The operating loss for the year was £1.32m (2020: loss £1.33m) reflecting strong cost control measures coupled with increased investment in our sales and marketing team to ramp up student recruitment efforts in key territories.

Cost control continues to be a focus across the Group. New systems and policies befitting a PLC were implemented in 2021 to aid the control and tracking of our spending. Our shared services function based in Nepal has also been expanded, which benefits the Group through lower staffing costs, and helps us to achieve required synergies as the Group continues to scale up. Additional smarter spending strategies include our more targeted digital approach to marketing, which will continue to bring down customer acquisition costs. This approach is accompanied by an increase in travel costs as our sales staff return to key markets to build the Group's brands, and to enhance our relationships with key agents.

The disposal of the main operating entity in Singapore significantly reduced the expenditure in that region and is another step towards a much healthier balance sheet.

We continued to work closely with BOOST&Co, the Group's largest debt provider, to ensure that the Group had sufficient working capital to operate through periods of very difficult trading in 2021. In March 2021, BOOST&Co invested in the Group as part of a wider £1.70m fundraise that we undertook. This investment was an indicator of BOOST&Co's confidence in the management and prospects for the business. As described in the Strategic Report and the Going Concern Statement, BOOST&Co has committed to supporting the Group in 2022 and beyond.

Looking forward, we will continue to invest strategically for the future with the expectation of higher revenue growth accompanied by increased costs from our growing sales and marketing team, along with continued investment in our new Chinese student recruitment function and a resumption in staff travel. This critical investment accelerates the Group's drive towards profitability.

Daniel Fisher
Chief Financial Officer

3 May 2022

RISK MANAGEMENT

The Board, through the Audit and Risk Management Committee, assesses the Group's risks on an ongoing basis and maintains a risk register which is updated quarterly. Risk governance culture is embedded across the Company. There are four main types of risks faced by the Group financial exposures, regulatory and compliance changes, competition and commercial changes, and reputational risks.

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

Financial exposures

Risk level: high



Description

The Group faces a number of financial risks which could potentially impact future operations. These include liquidity and credit risk.

Mitigation

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

The Group is exposed to credit risk primarily in respect of its trade receivables, which are stated net of provision for estimated impaired receivables as set out in note 16 of the financial statements. Exposure to credit risk is mitigated by evaluation of the granting of credit, close monitoring, and the management of collections from trade receivables.

Regulatory and compliance changes

Risk level: low



Description

From time to time, Malvern is subject to regulatory changes and enforcement, which can have a significant impact to the Group through diminished student enrolments.

The Board is mindful that its partners and governing bodies can potentially withdraw accreditation if the Company does not meet the required standards.

Mitigation

Management regularly assess exposures in each territory and for each product offering.

The Company ensures it has the correct accreditations in place in order to operate. A register of accreditations and renewal dates is maintained.

Management regularly reviews the standards required for each accreditation and receives updates on any future changes to make plans and adjustments in order to reach the standards required.

An ongoing programme of internal assessment is carried out to ensure the Group maintains standards in an 'always-ready' approach for planned and un-planned assessments by governing bodies. Each centre has an individual responsible for quality assurance.

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

Risk management continued

Competition and commercial changes		Risk level: low	↓
Description	Mitigation		
While the Board does not perceive there to be any abnormal risk from the dominance of competitors or changes to consumer demand, the Group can face strong short-term competition in the form of intermittent price discounting, which can have an immediate and negative impact on forward bookings.	The management monitors closely forward bookings to identify any changes to anticipated sales. For short-term fluctuations in competition, the Group maintains close dialogue with its sales agent partners and monitors competitor pricing, in order to adjust its own pricing and remain competitive. The Board regularly assesses the portfolio of products available and its exposure to changes in consumer demands. The demand for the majority of the courses Malvern offers are not subject to volatility in consumer tastes and this stability allows for diversification into new areas of education. Around 60 accredited English language centres have closed as a result of COVID-19, and therefore the Group is likely to face less competition in the short to medium term.		
Reputational risks		Risk level: low	↔
Description	Mitigation		
Maintaining Malvern's reputation as a quality education provider is vital to the success of the Company. A loss in confidence from accreditors, partners, and customers could have an immediate and profound impact on the business and its ability to recruit and retain staff.	The Board ensures it has the required accreditation and licences to operate (see above for Regulatory and compliance changes). The Group has clear policies on responsible and ethical behaviour and has a zero-tolerance policy on corruption and bribery. These policies are displayed in every school and online. The Group provides induction training and regular training to all staff. The Group has clear incident management and crisis management strategies and procedures.		
Health, safety, or environmental incident		Risk level: high	↓
Description	Mitigation		
Covid-19 has affected all areas of the Group and the impact and mitigation of the risk presented to the Company is reported in the outlook section of the Chairman's Statement of this report. The impact and risk to the Group includes: - infection of its staff or students; - a fall in forward-bookings, cancellations, and delays to course start-dates, resulting in a negative impact on the Group's financial performance; and - the closure of schools and operations, significantly reducing revenues and placing significant cash constraints on the business.	The Board monitors and follow national and international health and safety guidelines and provides regular updates to its staff and student body. In order to preserve cash, the following cost-saving plans were implemented in 2020 and into 2021: - the majority of staff and all Directors agreed to salary reductions; - the Group took advantage of government support schemes where they were available; - rental payments were and, where possible, renegotiated; - the existing debt with BOOST&Co. was restructured providing for a two-year capital repayment holiday and interest free period; and - the Company raised a total of £2.75m (net) by way of two fundraising rounds in June 2020 and March 2021 in order to provide sufficient working capital until such time that business returns to normal levels.		

STAKEHOLDER ENGAGEMENT

Section 172(1) of the Companies Act obliges the Directors to promote the success of the Company for the benefit of the Company's members as a whole.

The section specifies that the Directors must act in good faith when promoting the success of the Company and in doing so have regard (amongst other things) to:

- a. the likely consequences of any decision in the long term;
- b. the interests of the Company's employees;
- c. the need to foster the Company's business relationship with suppliers, customers, and others;
- d. the impact of the Company's operations on the community and environment;
- e. the desirability of the Company maintaining a reputation for high standards of business conduct;
- f. the need to act fairly as between members of the Company.

The Board is collectively responsible for the decisions made towards the long-term success of the Company and how the strategic, operational, and risk management decisions have been implemented throughout the business is detailed in this Strategic Report.

The Company's main stakeholders are identified in the Business Model on p. 8, being staff (employees), students (customers), partners, (either customers or joint venture partners), and shareholders.

We value the feedback we receive from our stakeholders and we take every opportunity to ensure that where possible their wishes are duly considered in the Company's decision making, and the formulation of its strategy.

Employees

As an educational services business, Malvern strength derives from the commitment, capability, and cultural diversity of its employees. The Company aims to adopt a policy of diversity at all levels including candidate selection, role assignment, and individual career development. The Company encourages the participation of all employees in the operation and development of the business by offering open access to senior management, including the Executive Directors, and adopting a policy of regular communications through road shows and the intranet.

The appointment of a dedicated HR manager has centralised internal communications with staff. Group policies have been reviewed and updated, have been communicated to all staff and are easily accessed via the Company intranet.

The Group incentivises employees through share based incentives and the payment of bonuses and commissions linked to performance objectives. Where appropriate these objectives are linked to profitability and performance targets. The Group is currently reviewing its approach to performance appraisal and career progression, with a view to implementing an improved talent development programme.

The Nomination and Remuneration Committee oversees and makes recommendations of executive remuneration and any long-term share based incentives. The Board encourages management to improve employee engagement and to provide necessary training in order to use their skills in the relevant areas in the business. The Board periodically reviews the health and safety measures implemented in the business premises and improvements are recommended for better practices.

Partners, customers, and agents

The Board acknowledges that a strong business relationship with partners, customer, and agents is a vital part of the growth. Whilst day-to-day business operations are delegated to the Executive Management, the Board sets directions with regard to new business ventures and initiatives.

In 2021, we entered into a more robust governance practice with one of our key customers, UEL, meeting with key stakeholders from the University Executive Board ("UEB") every quarter. Our meetings ensure alignment between our role as a service provider and UEL's goals, and ensure that we can address key issues collectively.

Suppliers

The Board upholds ethical business behaviour across the Group and encourages management to seek comparable business practices from all suppliers doing business with the Company. For more information please see the CSR section on p. 33.

Stakeholder engagement continued

Community

The Board recognises its responsibility towards the community and environment and it is Group policy to be a good corporate citizen wherever it operates.

The Group adopts a proactive approach towards community education-driven initiatives, particularly where they involve the education of those less fortunate. The Group is currently involved with RefuAid, offering free language courses.

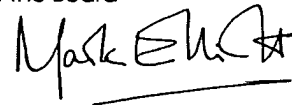
More detail can be found in the Corporate Social Responsibility Statement in this report on p. 33.

The importance of making all employees feel safe in their environment is maintained and a Whistleblowing policy is in place to enable staff to confidentially raise any concerns freely and to discuss any issues that arise. Strong financial controls are in place and are well documented.

On behalf of the Board

Mark Elliott
Chairman

3 May 2022



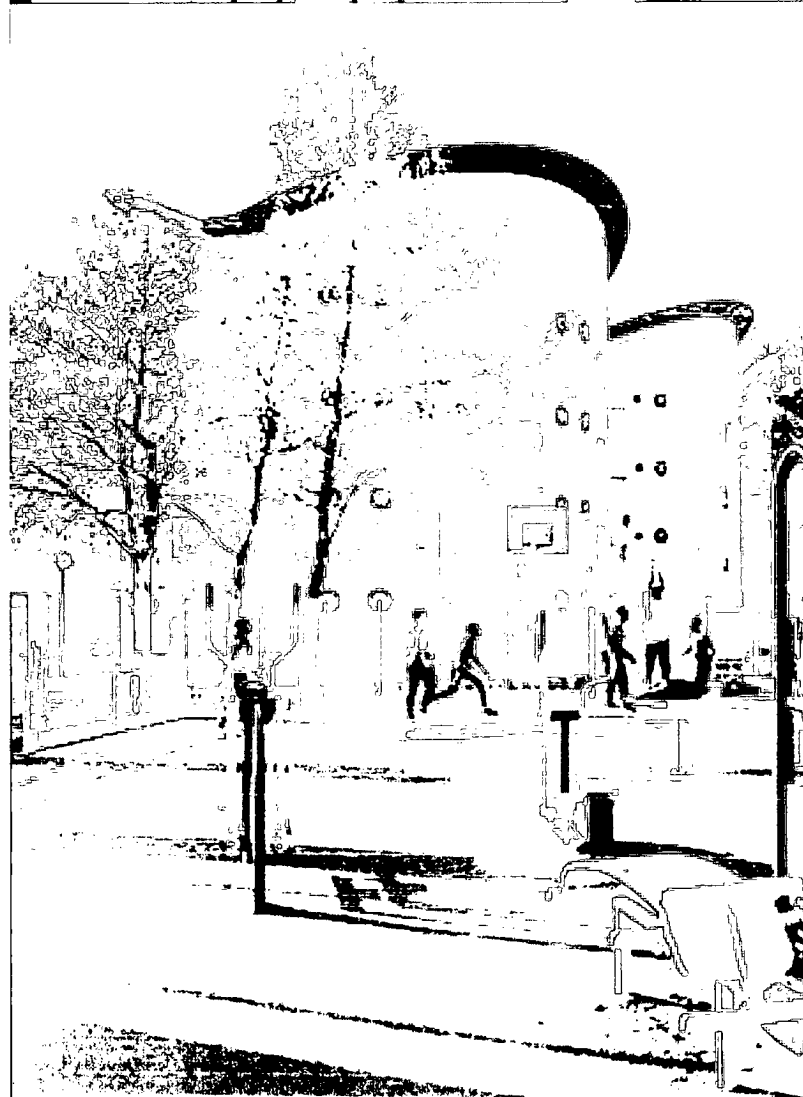
Shareholders and debtholders

The Board places equal importance on all investors and recognises the significance of transparent and effective communications. As an AIM listed company there is a need to provide fair and balanced information in a way that is understandable to all stakeholders and particularly our shareholders. Details of how the Company communicates with its shareholders can be found in the Chairman's Corporate Governance Statement on p. 29.

Maintaining high standards of business conduct

The Company is incorporated in the UK and governed by the Companies Act 2006. The Company has adopted the Quoted Companies Alliance Corporate Governance Code 2018 (the "QCA Code") and the Board recognises the importance of maintaining a good level of corporate governance, which together with the requirements to comply with the AIM Rules, ensures that the interests of the Company's stakeholders are safeguarded.

The Board seeks to ensure that ethical behaviour and business practices are implemented across the business. Anti-corruption and anti-bribery training are compulsory for all staff and contractors and the anti-bribery statement and policy is contained in the Group's Employee Manual. The Group's expectation of honest, fair, and professional behaviour is reflected by this and there is zero tolerance for bribery and unethical behaviour by anyone relating to the Group.



CORPORATE GOVERNANCE



BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT TEAM

The Board of Directors

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

**Mark Elliott,
Non-Executive Chairman**



Date of appointment: 1 July 2019
Committees: Audit and Risk (Chairman) and Nomination and Remuneration

Mark has had a long executive career in the education, technology, and corporate finance sectors, including finance and management roles operating in Europe, the USA, and South Africa. He has extensive AIM experience having brought two technology companies to the market together with associated fund raises. He brings with him a strong knowledge in governance, public markets, and investor relations.

External appointments: Chairman of AIM listed Journeo Plc and trustee of two charities, the National Benevolent Society of Watch and Clockmakers, and the Metropolitan Drinking Fountain and Cattle Trough Association

**Alan Carroll,
Non-Executive Director**



Date of appointment: 1 October 2019
Committees: Nomination and Remuneration (Chairman) and Audit and Risk

Alan has over 25 years' experience in the information systems industry, including working in a senior capacity in the development of the Ministry of Defence's Information System Strategy and as a senior sales manager and advisor to a number of major software and systems integration companies. He is the founder and Managing Director of Ultris Limited, a niche software and services organisation operating in the confidential government sector. In addition, he is the senior independent Non-Executive Director at Ideagen Plc, a fast-growing UK-based international software company. He has been a Board member since Ideagen listed on AIM in July 2012 and has chaired the audit and remuneration committees throughout this time. He is also a non-executive director at Goal Group Limited, a private UK listed company. Alan was voted Non-Executive Director of the year in the May 2019 Money Week Mello awards.

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

**Richard Mace,
Chief Executive Officer**

Date of appointment: 30 June 2020

Richard Mace was formerly the co-owner of the Communicate School of English, Manchester which he co-founded in 2013 before it was acquired in July 2018 by Malvern. He was responsible for overseeing year-on-year growth in the business in terms of student numbers, revenue, and EBITDA. In addition he successfully built a well-trusted brand, established an international B2B sales agency network, set up digital marketing strategies, introduced and developed IT systems, and successfully gained British Council and Independent Schools Inspectorate accreditations.

Prior to founding Communicate, Richard worked in telecoms for large organisations such as Vodafone.

External appointments: none

**Daniel Fisher,
Chief Financial Officer**

Date of appointment: 6 December 2021

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

Daniel attends Audit and Risk Committee meetings by invitation.

External appointments: none

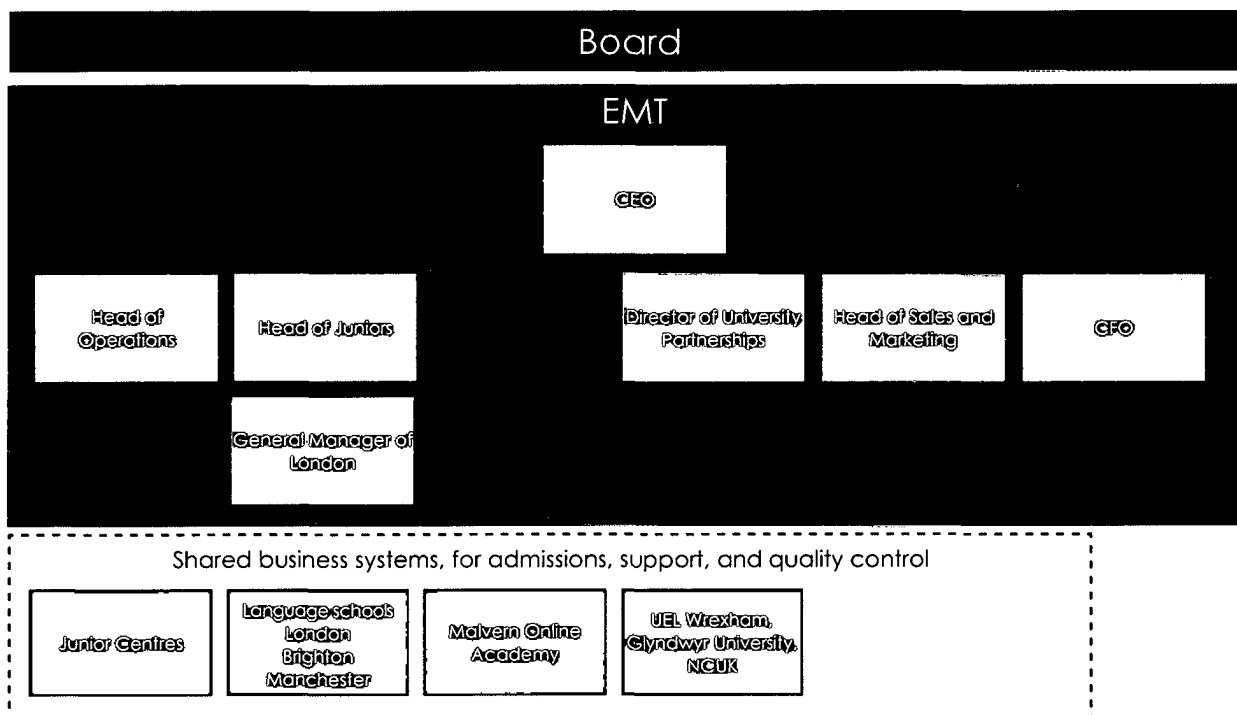
Executive Management Team ("EMT")

In addition to the CEO and CFO, the EMT consists of senior members of Malvern's management team, who all have significant experience in working the international education sector.

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

The Head of Operations role is currently carried out by the CEO, Head of Juniors and General Manager of London and Brighton in order to maintain tight controls during the prolonged period of uncertainty due to the pandemic. This role will be replaced in due course by a Director of Centres.

The CEO, Director of University Partnerships and Head of Sales and Marketing, Head of Juniors and General Manager of London and Brighton are collectively responsible for business development.



Board of Directors and Executive Management Team continued

Executive Management Team

Richard Mace,
Chief Executive Officer



For details see p. 16

Daniel Fisher,
Chief Financial Officer



For details see p. 20

Simon Fitch,
Director of University
Partnerships



Date of appointment: 7 January 2021

Simon is accountable for our provision of high-quality, student-centred, operations at our UEL International Study Centre and supporting the development of Pathways programmes across the Group.

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

Ashleigh Veres,
Group Head of Sales
and Marketing



Date of appointment: 6 January 2020

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

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

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

Kris Hall,
General Manager
of London



Date of appointment: 7 August 2017

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

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

Emiliano Sallustri,
Head of Juniors
and General Manager
of Brighton



Date of appointment: 1 January 2019

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

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

CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT

Dear Shareholder,

As Non-Executive Chairman, I am responsible for instilling high standards of corporate governance within the Company. It is my responsibility to ensure the effectiveness of the Board on all aspects, including good governance in dealing with all of our stakeholders. This includes ensuring that Board meetings are held in an open manner, that the Directors receive accurate, timely, and clear information and allowing sufficient time for agenda items to be discussed. I am also responsible for ensuring the Company has effective communications with shareholders and relaying any shareholder concerns to fellow Directors.

The Board is committed to applying high standards of corporate governance and evolving them as the business grows. The Company has adopted the Quoted Companies Alliance Code ("QCA") to provide a framework against which to do this, it being the most appropriate recognised governance code for the size and structure of the Company.

During the year, the Board completed a review of the Company's compliance with the QCA code. As the Group shifts into a growth phase post pandemic, this review was another opportunity for the Board to refine / reflect on our key governance principals. More details on our corporate governance can be found [here](http://www.malverninternational.com/corporate-governance); www.malverninternational.com/corporate-governance.

Workings of the Board

The Directors consider seriously the effectiveness of the Board, its Committees, and individual performance. The Board is responsible for formulating, reviewing, and approving the Company's strategy, budgets, and corporate actions.

At the date of the report, the Board has four members, comprising two Non-Executive Directors and two Executive Directors. Biographies and roles of the Directors are set out on p.26.

The Directors believe that the Board, as a whole has a range of commercial and professional skills which enable it to discharge its duties and responsibilities effectively. The independent Non-Executive

Directors ensure that independent judgement is brought to Board discussions and decisions. All Directors are encouraged to use their independent judgement and to challenge all matters whether strategic or operational.

The Board meets formally at least 12 times a year with additional ad-hoc Board meetings as the business demands. The Board is responsible for setting and monitoring Group strategy, reviewing trading performance and formulating policy on key issues. The time commitment formally required by the Group is an overriding principle that each Director will devote as much time as is required to carry out the roles and responsibilities that the Director has agreed to take on.

There is a strong flow of communication between the Directors. Board meeting agendas are set in consultation with both the CEO and Chairman, with consideration being given to both standing agenda items and the strategic and operational needs of the business. Comprehensive Board papers are circulated well in advance of meetings, giving Directors ample time to review the documentation and enabling an effective meeting. Minutes are drawn up to reflect a true record of the discussions and decisions made. Resulting actions are tracked for appropriate delivery and follow up. The Board maintains close dialogue by email, telephone, and conference calls between scheduled meetings. The frequency of communications at Board level in 2021 was maintained at similar level of the previous year, as the Board continued to understand the dynamic trading environment due to Covid-19. The Board was in regular consultation with regards to the Company's cash resources in order to monitor and manage cash outflows, implementing strict cash control measures.

New Directors receive a comprehensive, formal, and tailored induction to the Group's operations including corporate governance, the legislative framework, and visits to Group premises. The Non-Executive Directors endeavour to ensure that their knowledge of best practices and regulatory developments is continually up to date by attending relevant seminars and conferences.

Chairman's Corporate Governance Statement continued

Attendance at meetings during 2021

Director	Board meetings (12 meetings held)	Audit and Risk Committee (4 meetings held)	Nomination and Remuneration Committee (3 meeting held)
Mark Elliott	12	4	3
Alan Carroll	12	4	3
Richard Mace	12	0	0

Strategy and risk management

A description of the Group's business model and strategic priorities can be found on p. 8 and 12 and the key challenges in their execution are detailed in the Chairman's Statement on p. 3 and Operational Review on p. 16. The Board is responsible for establishing and maintaining the Group's systems of internal financial controls and importance is placed on maintaining robust operational controls.

The Audit Committee (see p. 42) has delegated responsibility for the oversight of the Group's risk management and internal controls and procedures and for determining the adequacy and efficiency of internal control and risk management systems. The Board continuously monitors and upgrades its internal control procedures and risk management mechanisms and conducts an annual review, where it assesses both for effectiveness. This process enables the Board to determine if the risk exposure has changed during the year and these disclosures are included in the Annual Report. In setting and implementing the Group's strategies, the Board, having identified the risks, seeks to limit the extent of the Group's exposure to them having regard to both its risk tolerance and risk appetite. Further details on the Group's risk management and internal controls can be found on p. 21 to 22.

Matters reserved for the Board

The Board has a formal schedule of matters reserved for its specific approval which includes:

- *Strategy and management*: review and approval of long-term Group strategic, operational, and financial matters such as proposed acquisitions and divestments
- *Financial reporting and controls*: approval of the annual accounts and interim report, the annual budget, significant transactions, major capital expenditure

- *Internal controls*: ensuring maintenance of a sound system of internal control and risk management
- *Finance*: raising new capital or major financing facilities, operating and capital expenditure budgets
- *Communications*: approval of resolutions put forward to shareholders, approval of circulars, and approval of press releases concerning matters decided by the Board
- *Board membership* and other appointments
- *Delegation of authority*: division of responsibilities between the Chairman, CEO and CFO, including the CEO's and CFO's authority limits and the establishment of Board committees and approval of terms of reference of Board committees

The Board delegates specific responsibilities to two Committees:

- the Audit and Risk Management Committee; and
- the Nomination and Remuneration Committee.

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

The Audit and Risk Committee

The Audit and Risk Committee comprises the two Non-Executive Directors, Mark Elliott (Chairman) and Allan Carroll. The Audit and Risk Committee meets at least three times a year. Details of the responsibilities of the Audit and Risk Management Committee are set on p. 42. Where necessary, specialist external consultants are used to assist the Committee. The Audit and Risk Committee Report is set out on p. 42.

The Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises of the two Non-Executive Directors, Mark Elliott and Alan Carroll (Chairman). Details of the responsibilities of the Nomination and Remuneration Committee are set out on p. 39. Where necessary external recruitment consultants are used to assist the process. The Nomination and Remuneration Committee Report is set out on p. 39.

Election and re-election of Directors

Directors appointed since the last Annual General Meeting, and those retiring by rotation, will submit themselves for election or re-election at the next Annual General Meeting, as set out in the Directors' Report on p. 35 and in the separate Notice of Annual General Meeting sent to all shareholders.

Board evaluation

Annual appraisals are held of each Director, providing feedback and reviewing any training or development needs. Each member of the Board takes responsibility for maintaining their skill set. All Directors have the opportunity to undertake relevant training and attend relevant seminars and forums at the Company's expense.

The Board are aware of the importance of attaining greater diversity amongst its members, which includes roles and experience with other boards and organisations. This forms part of any recruitment consideration if the Board concludes that replacement or additional Directors are required.

Corporate culture and social responsibility

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is aware that the tone and culture set by the Board greatly impacts all aspects of the Company and the way that employees behave.

The corporate governance arrangements that the Board has adopted are designed to ensure that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

The Group's activities are centred on addressing customer needs. Therefore, the importance of sound ethical values and behaviours, as well as open and respectful dialogue with employees, customers, and other stakeholders, is crucial to the ability of the Company to achieve its corporate objectives successfully. The Board places great importance on these aspects of corporate governance and seeks to ensure that it flows through all the Group's activities.

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

The Group is committed to ensuring that the highest quality of teaching and education standards are embedded in the services it provides. The Group aims to provide the highest levels of service standards in order to maintain long-term partnerships with its customers and sales agents. This is reflected in the growth of the customer base, and the ability to maintain existing and form new partnerships that support the overall growth of the business.

The Group has in place a range of policies to ensure the highest standards are maintained and that the Group's corporate culture is well understood by all individuals and adopted into everyday behaviours. These policies form part of the Group's Employee Handbook and are updated and reviewed on a regular basis.

Details on corporate social responsibility can be found on p. 33.

Internal controls

The Directors are responsible for the Group's system of internal control and for reviewing its effectiveness. Internal control systems and procedures are reviewed annually and are designed to meet the needs of the Group and the risks to which it is exposed. The procedures are designed to manage rather than eliminate risk faced by the Group, and can only provide reasonable but no absolute assurance against material misstatement or loss. The key procedures which the Directors have established with a view to providing effective internal controls are as follows:

Management structure and delegated authority

Authority is delegated to the Executive Management Team ("EMT") through Group authorisation limits on a structured basis, ensuring that proper management oversight exists at the appropriate level. The composition of the EMT with biographies can be found on p. 28, along

Chairman's Corporate Governance Statement continued

with an organisational chart. EMT meetings are held fortnightly and are attended by other senior management as required. Regular updates are provided by the heads of divisions and operations. Any key issues from these meetings are reported to the Group Board.

Control environment

The Group's control environment is the responsibility of the Directors and managers at all levels. A review of the key risks facing the business and the effectiveness of the Group's internal controls was last performed in July 2020.

Monitoring systems used by the Board

The Board reviews the Group's performance against budgets on a monthly basis. The Group's cash flow is monitored monthly by the Board.

Shareholder communications

The Board attaches great importance to providing shareholders with clear and transparent information on the Group's activities, strategy, and financial position, and regards regular communications with shareholders as one of its key responsibilities. The Group is committed to engaging with shareholders and this effort is led by the Chairman and CEO.

A clearly laid out investor relationship strategy is in place. The primary communication tool with shareholders is through the Regulatory News Service ("RNS") on regulatory matters and matters of material substance.

The Group's website provides details of the Company's Annual Report and Notices of Annual General Meetings ("AGM") are available to all shareholders along with the Interim Report and investor presentations.

In order to gauge shareholder sentiment, the Company meets with the key institutional shareholders typically every six months, normally at the time of the final and interim results and when necessary. The Company solicits feedback from its larger shareholders via its Nominated Advisor.

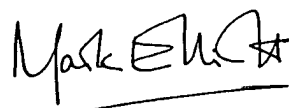
The Board is aware of the need to protect the interests of minority shareholders and balancing these interests with those of more substantial shareholders. The Company holds an open Q&A session at every AGM and attends investor

events to engage with retail shareholders. The communication allows the Board to understand shareholders' views, and to ensure that the strategies and objectives of the Group are aligned with shareholders. In its decision making, the Board has regard to the ascertained expectations and needs of its shareholders in accordance with its statutory and fiduciary duties.

The Company welcomes shareholder contact at any time and contact details can be found on the website at www.malverninternational.com.

Mark Elliott
Chairman

3 May 2022



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CORPORATE SOCIAL RESPONSIBILITY

Employment policies

As an educational services business, Malvern's strength derives from the commitment, capability, and cultural diversity of its employees. We have a policy of diversity at all employee levels including candidate selection, job assignment, and career development. We encourage all employees to participate in the operation and development of the business by offering open access to senior management, including the Executive Directors, and adopting a policy of regular communications through road shows and the intranet.

We have a dedicated Group HR manager, who works across the Company. In 2021, the Company reviewed and updated all its staff policies, and engaged staff on these to ensure compliance and understanding.

Health and safety

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

- First aid: each office has at least one named person qualified in first aid. First aid boxes are readily accessible, and records are kept of all accidents and injuries
- Fire safety: each office has an evacuation marshal who liaises with building management or local emergency authorities in the event of an incident. Evacuation assembly points are agreed for every location and a full evacuation drill is carried out every six months. Fire alarms are tested regularly
- Employees' health: any employee who believes they are suffering from an illness or condition related to their working environment, including mental health issues, is encouraged to report this to their line manager for investigation

Throughout 2021, we ensured that all Government guidelines in relation to Covid-19 were followed to protect staff and students from contracting and spreading the virus. Remote, online, and blended teaching was provided during school closures and there were regular communications to staff and

students outlining expectations and health and safety protocols. Reminders in the form of posters are displayed in public areas. Sanitising equipment is provided for the use of all regular cleaning of classrooms and public areas is carried out.

Social responsibilities

The Company has a culture of good corporate citizenship wherever it operates. In addition to offering means-tested scholarships, Malvern has partnered with the RefuAid 'Language: A Gateway' project to increase access to English language tuition for people who have claimed asylum in the UK and those in the process of doing so. In 2021, we offered 4 refugees free tuition places to improve their English and take English language exams. The exams provide the necessary qualification to go onto work or further study.

Environmental policy

While our operations by their very nature have minimal environmental impact, we recognise our responsibilities to protect and sustain the environment and its resources. Our policy is to meet or exceed the statutory requirements in this area, and we have adopted a code of good environmental practice, particularly in our main areas of environmental impact, namely energy efficiency, use, and recycling of resources and transport

- Recycling: we recycle a high proportion of materials used in our operations, such as paper, ink cartridges and electrical waste which is sent to recycling plants
- Paper usage: we implement paper-saving practices to reduce wastage and encourage staff and students to 'think before you print'. Our internal documentation is almost entirely digital and our teaching practices are increasingly paperless
- Electricity: we reduce our energy consumption by encouraging staff and students alike to switch off lights and computers when not in use. Signs and reminders are posted in rooms requesting that energy sources are switched off by the last person leaving a room. In communal areas, movement sensors and timed switches are fitted so that electricity is used only when required

Corporate social responsibility continued

In 2021, our travel budget for sales and marketing activities reduced dramatically as many events were held online due to travel restrictions. Whilst we expect business travel to increase once again, we re-assessed our international student recruitment methods going forward. We will continue to use a combination of face-to-face and digital events going forward taking lessons from our experience in 2021 to be more selective in overseas trips we make and the number of people we send abroad.

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

Ethics and values

A culture of teamwork, openness, integrity, and professionalism forms a key element of the Company's principles and values, which sets out the standards of behaviour we expect from all our employees. The Board and management conduct themselves ethically at all times and promote a culture in line with the standards set out in the employee handbook.

Our values that underpin our culture:

- Our approach should always reflect our deep commitment to, and understanding of our students, staff, and partners, and their aspirations, expectations, and success.
- We are flexible and accountable. We act with integrity and seek partnerships with organisations who share our values.
- We aim for excellence in every aspect of our operations, building on our rich history to underpin the high-quality learning, teaching, and student support we provide.

We are committed to maintaining the highest standards of ethics, professionalism, and business conduct as well as ensuring that we act in accordance with the law at all times. We support and promote the principles of equal opportunities in employment and a culture where every employee is treated fairly.

Anti-Bribery Act

The Company's Anti-Bribery and Corruption policy is written to follow the UK regulatory requirements in relation to the Anti-Bribery Act. The policy is the responsibility of the CEO and is available on the Group's intranet. Client and supplier arrangements are regularly reviewed and guidance forms part of each employee's induction.

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

Modern slavery

Malvern has a zero-tolerance approach to modern slavery and is committed to acting ethically and with integrity in all its business dealings and relationships, and to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere in its own business, or its supply chain.

The Company operates a supply chain with a low inherent risk of slave and human trafficking potential. The supply chain is mainly made up of UK-based suppliers of professional services, computer software and equipment, office supplies, and contractor and associate workers. Nevertheless, this assessment is kept under continual review and due diligence is conducted with any new suppliers.

During 2021, the Group has continued to provide training to all new employees on the Modern Slavery Act 2015 and its own Modern Slavery Policy as part of its on-boarding programme to ensure all employees are aware of their responsibilities.

No instances of modern slavery were reported or identified in 2021.

General Data Protection Regulations ("GDPR")

The Company takes its data protection obligations seriously. The Company has maintained and makes available policies on Data Protection, Privacy, Information Security, Cookies, and Data Breach policies to comply with the regulations. The processing and maintenance of personal data is managed in line with GDPR regulations with strict controls and IT security. Data is regularly updated and obsolete data removed. Training and guidance on the regulations are provided to all staff and form part of each new employee's induction.

DIRECTORS' REPORT

The Directors present their report and the audited accounts for the year ended 31 December 2021.

Principal activities

The principal activities of Malvern International Plc are to provide quality education services, preparing students and learners to meet the demands of a professional life. Courses are delivered in the UK and online, and focus on English language teaching and preparing students for higher education.

A detailed explanation of the Company's principal activities can be found on p. 6.

Business model

The Company's business model is to provide:

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

We compete in the market by offering excellent quality and competitive education. The Company's growth is driven by organic growth through the acquisition of new customers and, when appropriate, acquiring established businesses operating in the same or related markets.

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

Strategic priorities

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

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

Review of the business and future developments

A review of the business and its outlook, including commentary on the key performance indicators can be found in the Strategic Report on p. 2 to 24. The principal risks and uncertainties facing the Company are included on p. 21. The Company's social, environmental and ethical policies are set out in the Chairman's Corporate Governance Statement on p. 29. A summary of the outlook for the Group is given within the Chairman's Statement on p. 3.

Group results

The Group's loss including discontinued operations before taxation for the year was £1.15m (2020: loss £2.11m).

Dividends

The Directors do not recommend a final dividend (2020: nil).

Capital structure

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

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

Going concern

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

In March 2022, the Group finalised negotiations with BOOST&Co (the Group's fund manager, acting on behalf of the Company's debtholder IL2 2018) to restructure the Group's £2.6m debt facility. Under the original agreement monthly payments were due to commence in April 2022 over a 24-month period.

Directors' Report continued

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

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

In making their assessment of going concern the Group's Directors have considered the impact on the business of the Covid-19 pandemic. Whilst this has been very disruptive to the Group's operations, the business was able to adapt its service offering through online learning. The Government announcement to remove testing for fully vaccinated arrivals into the UK, provides the Directors with confidence that student numbers will return to pre-pandemic levels in 2022.

In Q4 2021, the number of students across the Group's English language schools grew back to approximately 80 percent of 2019 levels. In Q1 2022, this figure increased, which supports the Directors' 2022 recovery assumptions.

Pathways numbers in January 2022 also indicate an encouraging recovery from the impact of Covid-19, with a 55 percent increase in students year on year for one of the Group's key partners. In addition, Malvern Juniors are expected to return in the summer of 2022 with four centres.

Profit and cash flow projections for the Group assume profitable growth in its key operating entities once operations return to normal. A large part of this assumed growth is driven by the more profitable Pathways division of the Group.

The global pandemic continues to create uncertainty in the profit and cash flow projections for the Group. The provision of the letter of comfort from the Group's lenders referred to above provides confidence to the Group with respect to future funding. However, there still remains a material uncertainty with respect to going concern of the Group.

The above factors provide the Directors with confidence that it is appropriate to prepare the accounts on a going concern basis. Refer to accounting policies on page 57 for further details.

Subsequent events

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

Directors

Biographical information for each of the Directors is set out on p. 26, together with details of the date of appointment, membership of the Board committees, and any external appointments.

The Company's Articles of Association requires that each Director retire from office and seek reappointment at the third AGM after the general meeting at which they were last appointed. "There are no Directors due for reappointment in 2021".

Directors' interests in shares

The Directors' beneficial interest in the ordinary share capital of the Company are set out within the Remuneration Report on p. 39.

Substantial shareholders

As at 31 December 2021 the Company was aware of the following major shareholders representing 3 percent or more of voting rights attached to the issued ordinary share capital of the Company.

	Number of ordinary shares 0.1p	Percentage held
Lombard Odier Asset Mgt	221,784,998	10.52%
IL2 (2018) - BOOST&Co	175,000,000	8.30%
Mr Richard Mace	147,462,001	6.99%
VIDACOS NOMINEES LIMITED Des:IGUKCLT	136,954,916	6.49%
INTERACTIVE INVESTOR SERVICES NOMINEES LIMITED Des:SMKTNOMS	104,997,695	4.98%
PERSHING NOMINEES LIMITED Des:WRCLT	90,121,724	4.27%
THE BANK OF NEW YORK (NOMINEES) LIMITED Des:672938	87,366,375	4.14%
HSBC CLIENT HOLDINGS NOMINEE (UK) LIMITED Des:731504	83,592,087	3.96%
SPREADEX LIMITED	80,240,047	3.80%
Chris Woodgate	77,500,000	3.67%
HSBC GLOBAL CUSTODY NOMINEE (UK) LIMITED Des:941346	73,250,000	3.47%

Directors' and officers' liability insurance and indemnity

The Company has purchased insurance to cover its Directors and officers against their costs in defending themselves in any legal proceedings taken against them in that capacity and in respect of damages resulting from the unsuccessful defence of any proceedings.

Corporate social responsibility

The Group recognises its corporate social responsibilities and reports on these in a separate statement of social, environmental, and ethical policies on p. 33.

This statement covers the Group's Employment Policies, Environmental Policy, and Health and Safety Policy.

Political donations

There were no political donations made by the Group during the year (2020: none).

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the UK (IFRS as adopted by the UK) and applicable law.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Group and parent Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for safeguarding the assets of the Group and parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations. They are also responsible for ensuring that the Strategic Report and the Directors' Report and other information included in this Annual Report and financial statements is prepared in accordance with applicable law in the United Kingdom.

Directors' Report continued

The maintenance and integrity of the Malvern International Plc website is the responsibility of the Directors; the work carried out by the auditor does not involve the consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

Auditor

Cooper Pary Group Limited ("Cooper Pary") is the Company's appointed external auditor and responsible for auditing the Company's financial statements for the financial year to 31 December 2021.

Statement of disclosure to the Independent Auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that so far as that Director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware. Each Director has confirmed that they have taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Annual General Meeting

The resolutions to be proposed at the Annual General Meeting will appear in the Notice of the Annual General Meeting together with the explanatory notes. This will be circulated with the Annual Report when sent to all shareholders.

ON BEHALF OF THE BOARD

Mark Elliott
CHAIRMAN



3 May 2022

NOMINATION AND REMUNERATION COMMITTEE REPORT

The Nomination and Remuneration Committee is a standing committee of the Board of the Company and is comprised of two Non-Executive Directors, Alan Carroll (Chairman) and Mark Elliott.

The Committee's primary objectives are to ensure that remuneration arrangements are aligned with the strategy and culture of the Company and its subsidiaries. To this end, it ensures the Company's remuneration policy encourages and rewards performance against strategic priorities, as well as the right behaviours, values, and culture.

The Committee also ensures that there is a robust process for the appointment of new Board Directors and senior management positions. It works closely with the Company's Board of Directors and external advisers to identify the skills, experience, personal qualities, and capabilities required for the next stage in the Company's development, linking the Company's strategy to future changes on the Board.

Within the Terms of Reference for the Nomination and Remuneration Committee as approved by the Board, the responsibilities of the committee are as follows:

- to consider the nomination and appointment, increments and bonus plans of the Group CEO, subsidiary General Manager and Group senior management team members;
- to review any letter of resignation from the Group CEO or Directors of the Company, and any questions of resignation or dismissal;
- to review whether there is reason (supported by grounds) to believe that the Senior Managers of the Group or its subsidiaries are not suitable for continued employment;
- to review the statement with regard to the Remuneration and Nomination policies of the Group for inclusion in the Annual Report and report the same to the Board;
- to consider any other functions as may be agreed between the Committee and the Board; and
- to review the Board and Board Committees' effectiveness. The committee members keep themselves fully informed of all relevant developments and best practice by reference to the QCA's Remuneration Committee guide.

Attendance at meetings

Details of attendance at meetings by the committee members can be found on p. 30.

Matters considered in 2021

During the year, the Committee considered the following matters:

- The appointment of an additional Executive Director of the Board of the Directors and Chief Financial Officer
- The issuance of share option to key staff as part of the Group incentive plan

Remuneration policy

Malvern aims to recruit, motivate, and retain high-calibre executives capable of achieving the objectives of the Group and to encourage and reward appropriately superior performance in a manner which enhances shareholder value. Accordingly, the Company operates a remuneration policy which ensures that there is a clear link to business strategy and a close alignment with shareholder interests and current best practice and aims to ensure that senior executives are rewarded fairly for, and commensurate to, their respective individual contributions to the Group's performance. Details of all emoluments paid to Directors of the Company are set out on p. 40.

Non-Executive Directors' remuneration

The Board determines the remuneration of all Independent Non-Executive Directors with the fees being set at a level to attract individuals with the necessary experience and ability to contribute to the Group.

The Non-Executive Directors do not receive bonuses and are entitled to be reimbursed for reasonable expenses incurred by them in carrying out their duties as Directors of the Company.

The Board, with the assistance of the Nomination and Remuneration Committee, reviews the remuneration level of Non-Executive Directors on an annual basis to ensure it remains competitive in attracting suitable talent. All Board appointments are made subject to the Company's Articles of Association.

Nomination and Remuneration Committee continued

Directors' service contracts

Contractual arrangements for current Directors are as follows:

	Contract date	Notice period
Richard Mace	30 June 2020	6 months
Daniel Fisher	6 December 2021	6 months

Contractual arrangements for current Non-Executive Directors are as follows:

	Date of letter of appointment	Notice period	Appointment term
Mark Elliott	1 July 2019	1 month	3 years
Alan Carroll	1 October 2019	1 month	3 years

The Directors are required to retire by rotation and the appointment of new Directors has to be approved at the next AGM subsequent to their appointment by the Board. No Directors are retiring by rotation in 2021.

Other than the notice periods afforded to the Directors, there are no special provisions for compensation in the event of loss of office. The Remuneration Committee considers the circumstances of individual cases of early termination and determines compensation payments accordingly.

Directors' remuneration

Details of individual Directors emoluments and remuneration who served in 2021 are as follows:

	Salary and fees £	Benefits £	Pension £	Other £	Share based payments £	Total 2021 £	Total 2020 £
Mark Elliott ¹	50,000	—	—	—	—	50,000	63,789
Richard Mace ²	97,916	—	—	—	1,027	98,943	38,542
Alan Carroll	30,000	—	—	—	—	30,000	35,794
Daniel Fisher ³	6,250	—	—	—	—	6,250	—
Sam Malafeh ⁴	—	—	—	—	—	—	192,970
Total	184,166	—	—	—	1,027	185,193	331,095

¹ Appointed on 1 July 2019.

² Appointed on 30 June 2020.

³ Appointed on 6 December 2021.

⁴ Resigned on 25 June 2020.

Share Option Scheme

In order to retain, incentivise and align the interests of employees with certain performance targets and strategic goals, the Company introduced an EMI share option scheme in 2020. The Company awarded over 89,250,000 ordinary share options to Richard Mace and certain employees of the Company during December 2020 and January 2021 (Tranche 1 and Tranche 2). Further in September 2021, the Company awarded 56,750,000 ordinary share options (Tranche 3). The EMI options granted represent 6.9 percent of the existing issued share capital of the Company. Of the total EMI options granted, 48,000,000 were granted to Executive Director, Richard Mace.

The EMI options will vest after three years once defined share price levels have been attained for 40 consecutive business days. For Tranche 1 and Tranche 2, half of the individual EMI options awards will vest when the mid-market share price of the Company reaches 0.5 pence and the remaining half will vest when the mid-market share price of the Company reaches 0.9 pence. For Tranche 3, half of the individual EMI options awards will vest when the mid-market share price of the Company reaches 0.6 pence and the remaining half will vest when the mid-market share price of the Company reaches 1.1 pence.

The exercise price of Tranche 1 and Tranche 2 EMI Options is 0.15 pence each and for 0.22 pence each for Tranche 3.

Non-Executive Directors' annual fees

The below presents the annual fees to be paid to the current Non-Executive Directors in 2022:

	Fees £
Mark Elliott	50,000
Alan Carroll	30,000

Directors' interest in shares

The beneficial interests of the Directors who served during the year and their families in the ordinary share capital of the Company are shown below:

Direct interests

Name of Director	At beginning of the Year/At date of Appointment	At end of the Year
Mark Elliott	10,332,000	31,582,000
Richard Mace	86,361,334	147,462,001
Alan Carroll	8,063,333	18,063,333

Indirect interests

Name of Director/Company	At beginning of the Year/At date of Appointment	At end of the Year
Marzena Mace	6,900,000	6,900,000

AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee is a sub-committee of the Board and comprises two Non-Executive Directors, with Mark Elliott as Chairman.

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

- complying with specified accounting standards and required disclosure as administered by AIM, relevant accounting standards bodies, and any other Laws and regulations as amended from time to time;
- presenting a balanced and understandable assessment of the Group's position and prospects;
- establishing a formal and transparent arrangement for maintaining an appropriate relationship with the Company's auditor and overseeing, appraising the quality of audit conducted by the Company's external auditor and reviewing the independence of the external auditor; and
- determining the adequacy of the Group's administrative, operating, accounting and financial controls, and internal controls.

Attendance at meetings

Attendance at the meetings can be found in the table on p. 30.

Matters considered in 2021

During the year, the Committee considered the following matters:

- review of the monthly management accounts;
- reviewed the Annual and Interim Report and financial statements of the Group, and the clarity of disclosures made;
- oversaw the relationship with the external auditor, including a review of the external auditor's findings during the audit in relation to the year ended 31 December 2021;
- reviewed the Group's Risk Register; and
- reviewed the external auditor's Audit Plan in relation to the year ended 31 December 2021.

External auditor

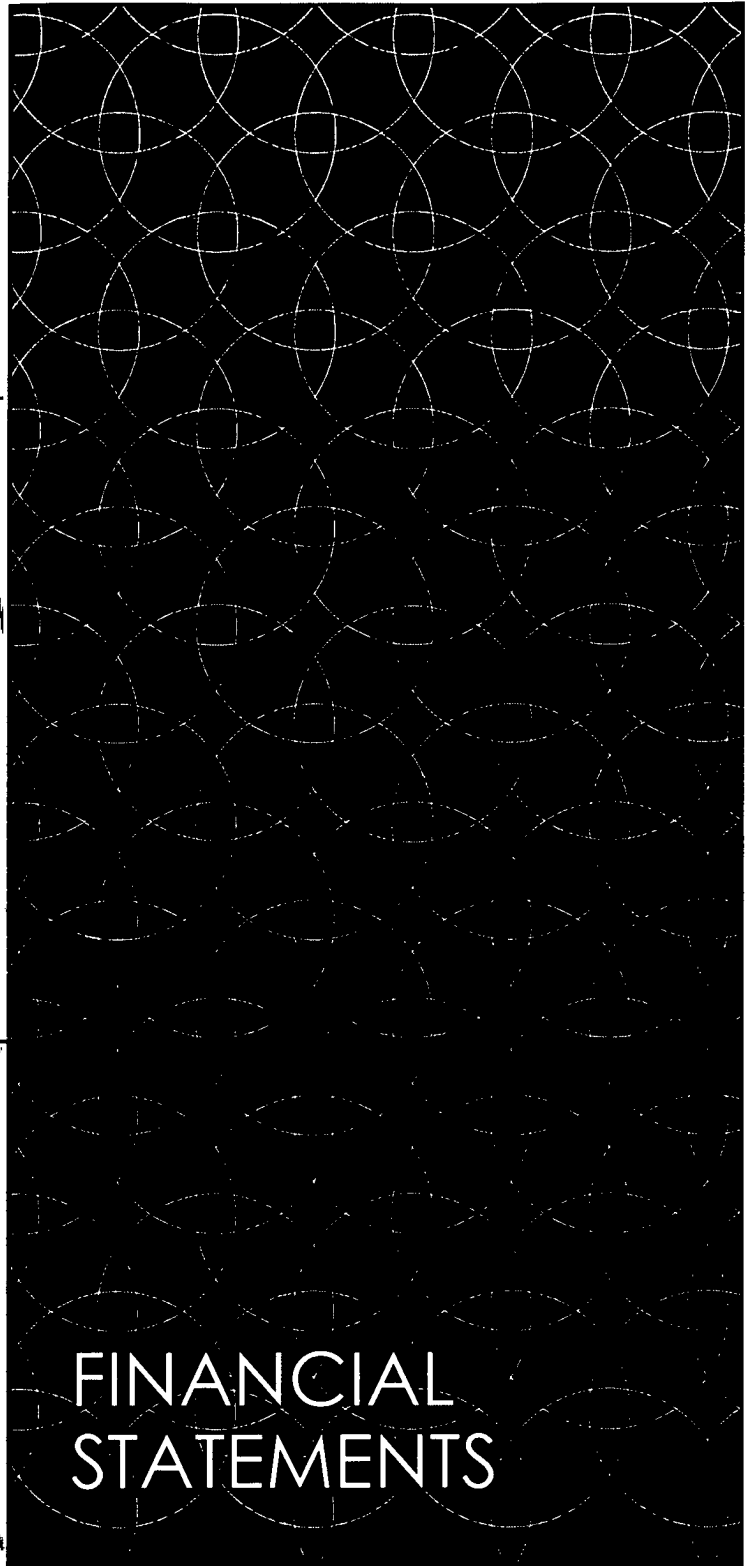
In order to ensure an appropriate balance between audit quality, objectivity and independence, and cost effectiveness the Audit and Risk Management Committee reviews the nature of all services, including non-audit work, is provided by the external auditor each year. In 2021 the Company reappointed Cooper Parry Group Limited (Cooper Parry) as its auditor in order to conduct the audit of the Company's financial statements for the financial year to 31 December 2021.

Significant issues relating to the financial statements

The Audit Committee reviewed the following issues in relation to the financial statements for the year under review:

Going concern

The Committee reviewed a paper prepared by Executive Management in support of the Going Concern Statement and agreed with management's approach and findings.



FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MALVERN INTERNATIONAL PLC

Opinion

We have audited the financial statements of Malvern International plc (the 'parent company') and its subsidiaries ('the group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our approach to the audit

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

Of the group's five reporting components, we subjected three to audits for group reporting purposes. The components within the scope of our work covered: 100% of group revenue, 98% of group loss before tax and 100% of group net assets.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our scope addressed this matter
Revenue Recognition The group operating revenues arise from the provision of education services and have a number of related income streams that are recognised as outlined in note 3 (xvi). Due to the timing of course payments there is often an element of deferred income arising from differences between the timings of cash flows and provision of services. As a result there is some complexity with regard to revenue recognition for the group.	We have understood the sales system and key controls within the revenue cycle and assessed revenue recognition policies used by the group; A sample of course bookings throughout the year has been vouched from the booking system to attendance records, sales invoices and to nominal postings, including recalculating any deferred income required at year end across the trading subsidiaries; We tested for understatement of deferred income in sales transaction testing and for overstatement of deferred income in valuation testing of liabilities. Manual journals impacting revenue nominal codes have been selected for further testing when certain risk criteria have been met.
Going concern The group has been heavily affected by the Covid-19 pandemic and resulting restrictions, in particular the restriction of travel into and out of the UK which has severely impacted student numbers attending college courses.	We have: Obtained the assessment made by management and the Board regarding the Group's ability to continue as a going concern. Reviewed the letter of support provided by third parties. Reviewed the assumptions used in their assessment and sensitised key assumptions used. Reviewed debt agreements currently in place to assess compliance with repayment terms. Discussed with management and the Board any additional industry factors or other issues which could impact the Group's ability to continue as a going concern. Reviewed relevant disclosures included in the <i>Annual Report for consistency with our knowledge of the business.</i>

Our application of materiality

The materiality for the Group financial statements as a whole was set at £24,000. This has been determined with reference to the benchmark of the Group's revenue which we consider to be an appropriate measure for a group of companies such as these. Materiality represents 1% of Group revenue as presented in the Consolidated Statement of Comprehensive Income.

The materiality for the parent company financial statements as a whole was set at £16,000. This has been determined with reference to the parent company's net assets, which we consider to be an appropriate measure for a holding company with investments in trading subsidiaries. Materiality represents 1% of net assets as presented on the face of the parent company's Statement of Financial Position.

Independent Auditor's Report continued

Performance materiality

Performance materiality is the application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality should be set at 80% of overall materiality, namely £19,000. We have set performance materiality at this percentage based on our assessment of the likelihood of misstatements. Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £8,000 to £17,000, including parent company performance materiality of £13,000.

Material uncertainty relating to going concern

We draw attention to note 2 (iv) in the financial statements which indicates that the current and developing impact on the business of the Covid-19 pandemic has caused significant disruption. As stated in note 2 (iv), these events or conditions, along with other matters set out in note 2 (iv), indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

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

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

Other Information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard:

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit;

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 37, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the

group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Our assessment focused on key laws and regulations the group and parent company have to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Companies Act 2006, UK adopted international accounting standards, and relevant tax legislation.

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

- obtaining an understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework;
- obtaining an understanding of the entity's policies and procedures and how the entity has complied with these, through discussions and sample testing;

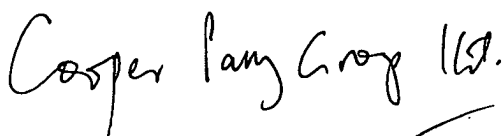
Independent Auditor's Report continued

- obtaining an understanding of the entity's risk assessment process, including the risk of fraud;
- designing our audit procedures to respond to our risk assessment; and
- performing audit testing over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.

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

Use of our report

This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members, as a body, for our audit work, for this report, or for the opinions we have formed



Katharine Warrington
SENIOR STATUTORY AUDITOR

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

3 May 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Note	2021 £	2020 £
Revenue			
Sale of services	5	2,417,524	1,901,307
Total Revenue		2,417,524	1,901,307
Cost of services sold		(1,071,679)	(1,016,393)
Gross Profit		1,345,845	884,914
Other Income	6	223,989	418,363
Salaries and employees' benefits	7	(1,346,486)	(1,095,012)
Share based payments	30	(3,128)	(169,278)
Depreciation of property, plant and equipment	12	(409,271)	(414,349)
Other operating expenses	9	(1,135,149)	(950,745)
Operating Loss		(1,324,200)	(1,326,107)
Finance costs	8	(270,190)	(302,066)
Loss before tax		(1,594,390)	(1,628,173)
Income tax charge	10	—	(31,300)
Loss for the year from continuing operations		(1,594,390)	(1,659,473)
Profit/(Loss) from discontinued operations	4(b)	448,741	(480,092)
Loss for the year		(1,145,649)	(2,139,565)
Attributable to:			
Equity holders of the Company		(1,145,649)	(2,139,565)

	2021 £	2020 £
Loss for the year	(1,145,649)	(2,139,565)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation movements	—	15,575
Total comprehensive income/(expense) for the year	(1,145,649)	(2,123,990)
Continuing operations	(1,594,390)	(1,659,473)
Discontinued operations	448,741	(464,517)
Attributable to:		
Equity holders of the parent	(1,145,649)	(2,123,990)

	2021	2020
Loss per share from continuing operations attributed to equity holders of the Company (in pence)		
Basic	(0.08)	(0.23)
Diluted	(0.08)	(0.23)
Profit/(Loss) per share from discontinued operations attributed to equity holders (in pence)		
Basic and diluted	0.02	(0.06)

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

		Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
TOTAL ASSETS					
Non-current assets					
Property, plant, and equipment	12	50,427	80,781	—	—
Goodwill	15	1,419,350	1,419,350	—	—
Investment in subsidiaries	13	—	—	1,419,350	1,419,350
Right-of-use assets	12	2,553,726	2,612,614	—	—
Total non-current assets		4,023,503	4,112,745	1,419,350	1,419,350
Current assets					
Trade receivables	16	705,271	1,033,105	—	—
Other receivables and prepayments	17	289,607	162,093	112,788	53,214
Amounts due from subsidiaries		—	—	501,409	527,749
Cash and cash equivalents	18	377,170	103,609	45,701	8,948
Total current assets		1,372,048	1,298,807	659,898	589,911
Assets disposed	4b(iii)	—	1,846	—	—
Total assets		5,395,551	5,413,398	2,079,248	2,009,261

	Note	Group 2021 £	Group 2020 £	Company 2021 £	Company 2020 £
EQUITY AND LIABILITIES					
Non-current liabilities					
Term loan	23	1,791,952	2,532,115	1,723,537	2,432,115
Warrants	23	72,801	63,701	72,801	63,701
Convertible loan notes	23	—	272,817	—	272,817
Lease liabilities	23	3,075,517	2,491,486	—	—
Deferred tax liabilities	10	10,279	10,279	—	—
Total non-current liabilities		4,950,549	5,370,398	1,796,338	2,768,633
Current liabilities					
Trade payables	19	413,297	603,631	31,896	182,274
Contract liabilities	20	899,137	676,287	—	—
Other payables and accruals	21	598,253	1,229,743	108,294	140,219
Amounts due to subsidiary		—	—	661,326	1,035,546
Amounts due to related parties	22	—	40,000	—	40,000
Convertible loan notes	23	275,885	50,000	275,885	50,000
Lease liabilities	23	278,961	350,829	—	—
Term loan	23	808,869	—	787,573	—
Total current liabilities		3,274,402	2,950,490	1,864,974	1,448,039
Liabilities directly associated with assets disposed	4b(iii)	—	216,737	—	—
Total liabilities		8,224,951	8,537,625	3,661,312	4,216,672
Equity attributable to equity holders of the Company					
Share capital	24	11,216,991	10,309,811	11,216,991	10,309,811
Share premium	25	6,603,839	5,782,394	6,603,839	5,782,394
Retained earnings	25	(20,679,052)	(19,703,963)	(19,431,716)	(18,328,438)
Translation reserve	25	—	288,149	—	—
Capital reserve	25	—	170,560	—	—
Convertible loan reserve	29	28,822	28,822	28,822	28,822
Total equity		(2,829,400)	(3,124,227)	(1,582,064)	(2,207,411)
Total equity and liabilities		5,395,551	5,413,398	2,079,248	2,009,261

The loss for the year as per the financial statements of the parent company at 31 December 2021 was £1,103,278 (2020: Loss £896,815).

The financial statements were approved by the Board of Directors on 3 May 2022 and were signed on its behalf by:

Richard Mace
Chief Executive Officer



Daniel Fisher
Chief Financial Officer



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

	Share Capital £	Share Premium £	Retained Earnings £	Translation Reserve £	Capital Reserve £	Convertible Loan Reserve £	Attributable to Equity Holders of the Company £	Total £
Balance at 1 January 2020	9,363,236	5,431,449	(17,564,398)	272,574	170,560	28,822	(2,297,757)	(2,297,757)
Direct costs relating to issue of shares	—	(122,250)	—	—	—	—	(122,250)	(122,250)
Total comprehensive income for the year	—	—	(2,139,565)	15,575	—	—	(2,123,990)	(2,123,990)
New Share Issue	833,333	416,667	—	—	—	—	1,250,000	1,250,000
Share based payments (inc. EMI options)	113,242	56,528	—	—	—	—	169,770	169,770
Balance at 31 December 2020	10,309,811	5,782,394	(19,703,963)	288,149	170,560	28,822	(3,124,227)	(3,124,227)
Direct costs relating to issue of shares	—	(89,503)	—	—	—	—	(89,503)	(89,503)
Capital reserve transferred to retained earnings on disposal of Singapore	—	—	170,560	—	170,560	—	—	—
Translation reserve transferred to retained earnings on disposal of Singapore	—	—	—	(288,149)	—	—	(288,149)	(288,149)
Total comprehensive income for the year	—	—	(1,145,649)	—	—	—	(1,145,649)	(1,145,649)
New share issue	891,702	898,598	—	—	—	—	1,790,300	1,790,300
Share based payments (EMI options)*	15,478	12,350	—	—	—	—	27,828	27,828
Balance at 31 December 2021	11,216,991	6,603,839	(20,679,052)	—	—	28,822	(2,829,400)	(2,829,400)

* The total share-based payments taken to equity during 2020 excluded the directors' bonus accrual (£24,700) which was recognised as a liability in 2020. The accrual was recognised in equity in 2021 when the bonus was paid in shares (see note 30 for more information).

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

	2021 £	2020 £
Cash Flows from operating activities		
Loss after income tax from		
Continuing activities	(1,594,390)	(1,659,473)
Discontinued activities	448,741	(480,092)
Adjustments for:		
Depreciation of tangible assets	409,271	414,349
Fair value movements	16,755	(61,939)
Share based payments	3,128	175,278
Profit/(loss) on disposal of tangible assets	2,400	(115,587)
Loss on disposal of discontinued operations	(503,040)	—
Impairment of trade receivables	311,102	123,690
Finance cost	270,190	302,066
Interest paid	(59,526)	(51,583)
Tax paid	—	—
	(695,369)	(1,353,291)
Changes in working capital:		
Decrease in stocks	—	6,153
(Increase)/decrease in receivables	(110,781)	94,657
Increase/(decrease) in payables	(348,043)	218,561
Decrease in amounts due to related parties	(40,000)	(6,646)
Net cash flows used in operating activities	(1,194,193)	(1,040,566)
Cash Flows from investing activities		
Purchases of property, plant, and equipment	(11,280)	—
Net cash used in investing activities	(11,280)	—
Cash Flows from financing activities		
Repayment of lease liabilities	(161,475)	(194,801)
New equity issued	1,650,797	1,155,712
Term Loan	(10,288)	100,000
Net cash generated by financing activities	1,479,034	1,060,911
Net change in cash and cash equivalents	273,561	20,345
Cash and cash equivalents at the beginning of the year	103,609	83,264
Exchange losses on cash and cash equivalents	—	—
Cash and cash equivalent at the end of the year	377,170	103,609

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share Capital £	Share Premium £	Retained Earnings £	Convertible loan reserve £	Total £
Balance at 1 January 2020	9,363,236	5,431,449	(17,431,623)	28,822	(2,608,116)
Direct costs relating to issue of shares	—	(122,250)	—	—	(122,250)
Total comprehensive income/ (expense) for the year	—	—	(896,815)	—	(896,815)
New Share Issues	833,333	416,667	—	—	1,250,000
Share based payments (inc. EMI options)	113,242	56,528	—	—	169,770
Balance at 31 December 2020	10,309,811	5,782,394	(18,328,438)	28,822	(2,207,411)
Direct costs relating to issue of shares	—	(89,503)	—	—	(89,503)
Total comprehensive income/ (expense) for the year	—	—	(1,103,278)	—	(1,103,278)
New Share Issues	891,702	898,598	—	—	1,790,300
Share based payments (inc. EMI options*)	15,478	12,350	—	—	27,828
Balance at 31 December 2021	11,216,991	6,603,839	(19,431,716)	28,822	(1,582,064)

* The total share-based payments taken to equity during 2020 excluded the directors' bonus accrual (£24,700) which was recognised as a liability in 2020. The accrual was recognised in equity in 2021 when the bonus was paid in shares (see note 30 for more information).

The Company has taken advantage of section 408 of the Companies Act 2006 not to publish its own Statement of Comprehensive Income.

COMPANY STATEMENT OF CASH FLOWS

	2021 £	2020 £
Cash Outflows from operating activities		
Loss before income tax	(1,103,278)	(896,815)
Adjustments for:		
Share based payments	3,128	175,278
Fair value movements	16,755	(61,939)
Finance cost	102,349	114,891
Interest paid	(58,143)	(51,583)
	64,089	(720,168)
Change in working capital		
(Increase)/decrease in receivables	(59,574)	32,164
Decrease in payables	(127,402)	(17,328)
(Decrease)/Increase in amounts due to related parties	(40,000)	7,309
Decrease in amounts due from subsidiaries	(347,879)	(449,605)
Net cash used in operating activities	(574,855)	(1,597,233)
Cash Flows from financing activities		
New equity issued	1,650,797	1,155,712
Net cash used in financing activities	1,650,797	1,155,712
Cash Flows from investing activities		
Net cash generated from investing activities	—	—
Net increase in cash and cash equivalents	36,753	8,084
Cash and cash equivalents at the beginning of the year	8,948	864
Cash and cash equivalents at the end of the year	45,701	8,948

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. General information

Malvern International Plc (the "Company") is a public limited company incorporated in England and Wales on 8 July 2004. The Company was admitted to the AIM on 10 December 2004. Its registered office is 3rd Floor, 1 Ashley Road, Altrincham, Cheshire, United Kingdom, WA14 2DT. The registration number of the Company is 05174452. The Company head office is Murray House, 85 Piccadilly, Manchester, M1 2DA.

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

2. Significant accounting policies

i. Basis of preparation

These financial statements of the Group and Company are prepared on a going concern basis, under the historical cost convention (with the exception of goodwill) and in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations issued by the International Accounting Standards Board ("IASB") and adopted by the United Kingdom, in accordance with the Companies Act 2006. The financial statements have been prepared in the Group's functional currency, pounds sterling.

The Parent Company's financial statements have also been prepared in accordance with IFRS and the Companies Act 2006. The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenses.

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

ii. Basis of consolidation

The Group financial statements consolidate the accounts of Malvern International Plc and all of its subsidiary undertakings made up to 31 December 2021. The Consolidated Statement of Comprehensive Income includes the results of all subsidiary undertakings for the period from the date on which control passes. Control is achieved where the Company (or one of its subsidiary undertakings) obtains the power to govern the financial and operating policies of an investee entity so as to derive benefits from its activities.

iii. Adoption of new and revised International Financial Reporting Standards ("IFRS")

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021:

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

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

iv. Going concern

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

In March 2022, successful negotiations were finalised with BOOST&Co. (the Group's fund manager, acting on behalf of the Company's debtholder IL2 (2018) Sarl) to restructure the Group's £2.6m debt facility. Under the original agreement monthly payments were due to commence in April 2022 over a 24-month period. The new agreement provides for a twelve-month payment and interest holiday with monthly payments commencing from March 2023, over a five-year period.

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

In making their assessment of going concern the Group's Directors have considered the impact on the business of the Covid-19 pandemic. Whilst this has been very disruptive to the Group's operations, the business was able to adapt its service offering through online learning. The Government announcement to remove testing for fully vaccinated arrivals into the UK, provides the Directors with confidence that student numbers will return to pre-pandemic levels in 2022.

In Q4 of 2021, the number of students across the Groups English language schools grew back to approximately 80% of 2019 levels. In Q1 2022, this figure increased, which supports the Directors' 2022 recovery assumptions.

University Pathways numbers in January 2022 also indicate an encouraging recovery from the impact of Covid-19, with a 55% increase in students year on year for one of the Group's key partners. In addition, Malvern Juniors are expected to return in the summer of 2022 with four centres currently running.

Profit and cash flow projections for the Group assume profitable growth in its key operating entities once operations return to normal. A large part of this assumed growth is driven by the more profitable Pathways division of the Group.

The global pandemic continues to create uncertainty in the profit and cash flow projections for the Group. The provision of the letter of comfort from the Group's lenders referred to above provides confidence to the Group with respect to future funding. However, there still remains a material uncertainty with respect to going concern of the Group.

The above factors provide the Directors with confidence that it is appropriate to prepare the accounts on a going concern basis, albeit there continues to be a material uncertainty as set out above.

v. Basis of combination

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is re-assessed whenever facts and circumstances indicate that they may be a change in any of these elements of control.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the Consolidated Statement of Comprehensive Income in the period of acquisition.

The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All significant intra-group transactions, balances, income, and expenses are eliminated on consolidation.

vi. Subsidiary company

Investment in subsidiaries is stated in the financial statements of the Company at cost less any provision for impairment losses. The financial statements of subsidiaries acquired are consolidated in the financial statements of the Group from the date that control commences until the date control ceases, using the acquisition method of accounting.

Notes to the Financial Statements continued

vii. Functional and presentational currency

The consolidated financial statements have been presented with Pounds Sterling as the presentational currency, as the Company is incorporated in England and Wales with Sterling denominated shares which are traded on the Alternative Investment Market ("AIM").

Items included in the financial statements of each subsidiary of the Group are measured using the currency of the primary economic environment in which the subsidiary operates ("the functional currency"). The primary functional currencies of Group companies are Singapore Dollars and UK Pound Sterling.

viii. Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated using the exchange rate prevailing at the date of the Statement of Financial Position. Non-monetary assets and liabilities are measured using the exchange rates prevailing at the transaction dates, or in the case of the items carried at fair value, the exchange rates ruling when the values were determined. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and translation of foreign currency denominated assets and liabilities are recognised in the Statement of Comprehensive Income.

Assets and liabilities of the entities having functional currency other than the presentational currency are translated into Sterling equivalents at exchange rates ruling at the Statement of Financial Position date. Revenues and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of transactions. All resultant differences are taken directly to equity. On disposal of a foreign entity, accumulated exchange differences are recognised in the Statement of Comprehensive Income as part of the gain or loss on disposal.

The following rates of exchange have been applied:

	Dec 2021	Dec 2020
Pound Sterling to Singapore Dollar		
Closing rate	1.824	1.805
Average rate	1.849	1.769

ix. Property, plant, and equipment

Property, plant, and equipment, are stated at cost less accumulated depreciation and any impairment losses.

Depreciation policy, useful lives, and residual values are reviewed at least annually, for all asset classes to ensure that the current method is the most appropriate.

Expenditure incurred after the property, plant, and equipment have been put into operation, such as repairs and maintenance are charged to the Statement of Comprehensive Income. Expenditure for additions, improvements, and renewals is capitalised when it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be realised from the use of the items of property, plant, and equipment beyond their originally assessed standard of performance.

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

- Classroom and office equipment is depreciated over 3 to 10 years according to the estimated life of the asset
- Leasehold improvements are depreciated over the period of the lease up to a maximum of 25 years
- Property with lease terms of 50 years or less are depreciated over the remaining period of the lease

xii. Impairment of tangible and intangible assets excluding goodwill

An assessment is made at statement of financial position date as to whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its fair value less costs to sell. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Intangible assets acquired or developed internally are initially measured at cost. Subsequent expenditure on intangible assets is capitalised only if it is probable that it will increase the future economic benefits associated with the specific asset. Other expenditure is recognised in the statement of comprehensive income as incurred. Intangible fixed assets are amortised over the useful life of the asset.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the Statement of Comprehensive Income in the period in which it arises unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the Statement of Comprehensive Income in the period in which it arises unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation increase.

xiii. Goodwill

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities, and contingent liabilities recognised. After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating sub-groups expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

xiv. Financial assets, loans, and receivables

Financial assets

Financial assets are recognised on the Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets have expired or have been transferred. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in the Statement of Comprehensive Income.

Financial assets at amortised cost

Financial assets held within a business model whose objective is to collect contractual cash flows which are solely payments of principals and interest are classified and subsequently measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The Group's financial assets at amortised cost comprise 'trade and other receivables', related parties, and cash and cash equivalents included in the Consolidated Statement of Financial Position.

xv. Impairment of financial assets

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

An impairment loss in respect of financial assets is recognised in the Statement of Comprehensive Income and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Comprehensive Income.

The Group has adopted the simplified expected credit loss model for its trade receivables and contract assets, as required by IFRS 9 to assess impairment, for further information see note 16.

xvi. Revenue recognition

Revenue is recognised on the following basis:

Courses are provided over time based on period stated on the contract with students. As such revenue for various services is recognised in the following way:

- Course/accommodation fees – revenue is spread over the duration of the course as stated in the contract, as this fairly represents the value of services provided. Deposits received in respect of future courses/

Notes to the Financial Statements continued

accommodation fees are treated as deferred income at the point of receipt. Contract liabilities relate to course and accommodation fees received in advance and are recognised in the Statement of Comprehensive Income based on classes conducted and accommodation provided

- Registration/application fees – revenue is spread over the duration of the course as stated in the contract, as this fairly represents the value of services provided
- All other course fees in respect of courses offered with no obligation to impart lessons are recognised when the students register for the course and collect the study materials

xvii. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank deposits with an initial maturity of less than three months. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

xviii. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Allowance for impairment is made for obsolete, slow moving, and defective stocks.

xix. Trade and other payables

Trade and other payables, which are normally settled on 30 to 90 days' term, are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

xx. Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax movements.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates and tax laws that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the Statement of Financial Position.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associated companies, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset realised based on tax rates and tax laws that have been enacted or substantially enacted by the statement of financial position date. Deferred tax is charged or credited to the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

xxi. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditures expected to be required to settle the obligation.

xxii. Employees' benefits

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the Statement of Comprehensive Income as incurred.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave because of services rendered by employees up to the year end.

xxiii. Equity instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share premium.

Where ordinary shares will be issued as part of deferred purchase consideration then:

- Where the number of shares to be issued has been fixed, then such deferred consideration will be classified as equity
- Where the number of shares to be issued is dependent on certain performance criteria being met, then such deferred consideration will be classified as liability at inception

xxiv. Borrowing costs

Borrowing costs incurred to finance the development of property, plant, and equipment are capitalised during the period that is required to complete and prepare the asset for its intended use. The capitalised costs are depreciated over the useful life of the property, plant, and equipment.

Other borrowing costs, including interest cost and foreign exchange differences, on short-term borrowings are recognised on a time-apportioned basis in the Statement of Comprehensive Income using the effective interest method.

xxv. Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segmental results are reported to the Board and include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

xxvi. Warrants

In certain circumstances the Group will issue warrants over shares. The warrants currently in issue are carried at fair value through profit and loss ("FVPL") and are categorised under level 3 of the fair value hierarchy. The judgements and estimates made in respect of calculating the fair value for these warrants are disclosed further in this section.

xxvii. Share based payments and share options

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

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

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

See note 30 for additional information on this scheme.

Notes to the Financial Statements continued

xxviii. Other Income

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

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

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

Grants are accounted under the accruals model. Grants of a revenue nature are recognised in the consolidated statement of comprehensive income in the same period as the related expenditure. Government grants relating to the receipt of Coronavirus Job Retention Scheme income is included within other operating income in the consolidated statement of comprehensive income.

xxix. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates, and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue, and expenses. Management bases its judgements, estimates, and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements, and estimates will seldom equal the related actual results. The judgements, estimates, and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Judgements**Useful lives of assets**

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant, and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. The specific estimates used in calculating impairment are detailed in note 15.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. The specific estimates used in calculating impairment are detailed in note 14.

Evaluation of contract liabilities (deferred income)

The Group reviews the fees raised at the end of relevant periods to evaluate those amounts that cover the future provision of education not yet delivered to estimate and evaluate the amount of contract liabilities/deferred income to be recognised in a future period.

Impairment of receivables

The Group and Company reviews the impairment of its financial assets, including the trade receivables balance. The Group estimates and evaluates impairment methodology using the simplified approach of the expected credit loss model based on default rate percentage of similar product type assets (provision matrix) and grouping the trade receivables based on shared characteristics, including line of business.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowance, deductibility of certain expenses, and taxability of certain income during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. Judgement is made in the evaluation in respect of the fair value of any deferred tax asset recognised in respect of taxable losses carried forward.

Warrants

The Group determines the fair value of warrants using appropriate modelling. Judgement is required in determining a model to use to fair value warrants. Based on the nature of warrants, the Group has determined that Black Scholes model is an appropriate model to use. The specific estimates used in calculating fair value are detailed in note 23.

Share based payments

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

3. Lessee accounting

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

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

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

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use asset is typically depreciated on a straight line basis over the lease terms.

i) Amounts recognised in the Statement of Comprehensive Income:

	2021 £	2020 £
Interest expense and similar charges		
Interest expense	162,935	184,897
Interest expense on disposed right-of-use assets	—	103,302
Operating and administrative expenses		
Depreciation of right-of-use assets	370,036	374,149
Depreciation of disposed right-of-use assets	—	283,353
Total expensed to Statement of Comprehensive Income	532,971	945,701

ii) Right-of-use assets

	At 31 December 2021 £	At 31 December 2020 £
Balance as at the beginning of the year	2,612,614	4,912,511
Net disposals	—	(1,605,429)
Adjustment to Opening Balance of Depreciation	33,614	—
Depreciation of right-of-use assets	(370,036)	(374,149)
Depreciation of disposed right-of-use assets	—	(283,353)
Changes from lease revaluations	277,534	—
FX movement	—	(36,966)
Balance as at the end of the year	2,553,726	2,612,614

Notes to the Financial Statements continued

iii) Lease liabilities

	At 31 December 2021 £	At 31 December 2020 £
Current liability	278,961	350,829
Non-current liability	3,075,517	2,491,486
Total liability	3,354,478	2,842,315

iv) Lease payments

	At 31 December 2021 £	At 31 December 2020 £
Total lease rent amount (Excl. VAT)	536,365	519,501
Amount paid during the year (Excl. VAT)	(161,475)	(194,801)
Rent free amount (Excl. VAT)	(72,495)	(84,598)
Balance amount at end of the year	302,395	240,102

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

4. (a) Segmental information

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

	UK £	Discontinued Operations* £	Total £
2021			
Revenue from external customers	2,417,524	—	2,417,524
Depreciation and amortisation	409,271	—	409,271
Loss before taxation	(1,594,390)	(38,447)	(1,632,837)
Profit on disposal	—	487,188	487,188
Taxation charge	—	—	—
Profit/(Loss) for the year	(1,594,390)	448,741	(1,145,649)
Segmental assets	5,395,551	—	5,395,551
Segmental liabilities	8,224,951	—	8,224,951
2020			
Revenue from external customers	1,901,307	648,167	2,549,474
Depreciation and amortisation	(414,349)	(349,164)	(763,513)
Loss before taxation	(1,659,473)	(480,092)	(2,139,565)
Taxation charge	—	—	—
Loss for the year	(1,659,473)	(480,092)	(2,139,565)
Segmental assets	5,411,552	1,846	5,413,398
Segmental liabilities	8,320,888	216,737	8,537,625

* Following the closure of the Singapore operations, 2021 figures have been presented as discontinued operations. SAA Global Education Center filed an application for an inability to continue business operations on 9 April 2021, and liquidation commenced on 12 April 2021. Malvern International Academy's application for liquidation is currently with the liquidators, all activities ceased on 31 December 2021.

(b) Discontinued operations

On 4 August 2020, the Group announced closure of Singapore operations and is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

i) Financial performance of discontinued operations

The financial performance and cash flow of the discontinued operations are presented as the consolidated Singapore entities, for the year ended 31 December 2021. The Singapore entities presented include: Malvern International Academy ("MIA"), which ceased operating on 31 December 2021, and SAA Global Education Center ("SAAGE"), which ceased operating on 9 April 2021 (SAAGE entered formal liquidation on 12 April).

	2021 £ Singapore	2020 £ Singapore
Revenue	—	648,167
Other Income	—	118,279
Expenses	(38,447)	(1,246,538)
Profit/(Loss) before tax	(38,447)	(480,092)
Income tax expenses	—	—
Profit/(Loss) after income tax of discontinued operation	(38,447)	(480,092)
Profit on disposal of subsidiary	487,188	—
Profit/(Loss) from discontinued operations	448,741	(480,092)
Exchange differences on translation of discontinued operations	—	15,575
Other comprehensive income from discontinued operations	—	15,575
Net cash flow from operating activities	(54,299)	(24,299)
Net cash flow from investing activities	—	—
Net cash flow from financing activities	—	—
Net cash generated by subsidiary	(54,299)	(24,299)

ii) Details of the consideration on disposal of the subsidiaries

	2021 £	2020 £
Consideration received or receivable:		
Fair value of consideration	—	—
Carrying amount of net liabilities disposed of	196,678	—
Profit on sale of subsidiary before income tax and reclassification of foreign currency translation reserve	196,678	—
Reclassification of foreign currency translation reserve	290,510	—
Profit on disposal of subsidiary	487,188	—

Notes to the Financial Statements continued

iii) The details of assets and liabilities of disposed subsidiary

The carrying amounts of assets and liabilities of Singapore operations as of 9 April 2021 for SAAGE and 31 Dec 2021 for MIA.

	2021 £	2020 £
Property, plant, and equipment	—	546
Cash & cash equivalents	18,049	1,300
Total assets	18,049	1,846
Trade creditors	(147,396)	(161,254)
Other payables	(67,331)	(55,483)
Total liabilities	(214,727)	(216,737)
Net liabilities	(196,678)	(214,891)

5. Sale of services

	2021 £	2020 £
Course fees	2,189,651	1,659,601
Accommodation fees	162,106	192,643
Application fees, registration, and examination fees	50,264	28,470
Training fees, course materials, and others	15,503	20,593
	2,417,524	1,901,307

6. Other income

	2021 £	2020 £
Rental and related income	23,595	23,346
R&D credits	48,758	15,185
Government subsidies*	151,636	379,832
	223,989	418,363

* Government subsidies includes the amount received from the furlough job retention scheme.

7. Salaries and employees' benefits

	2021 £	2020 £
Staff salaries and related costs*	1,129,629	767,154
Directors' remuneration (Executive Directors)	104,166	164,845
Directors' fees (Non-Executive Directors)	80,000	61,842
Payment made to Director on loss of office	—	66,666
Staff training and welfare	7,536	17,321
Pension	25,155	17,184
	1,346,486	1,095,012
Share based remuneration – staffs**	2,101	75,167
Share based remuneration – Directors	1,027	37,741
	3,128	112,908
Highest paid Director		
Remuneration and benefits	97,917	192,972

Average number of employees	Number	Number* (restated)
Lecturers	38	37
Marketing staff	12	12
Operational and administration staff	39	32
	89	81

* Salaries and related costs are not inclusive of lecturers and Singapore employees. The average number of employees in 2020 are restated to exclude Singapore. Average number of employees in Singapore in 2020 were 34 up to the point when trade ceased.

** Share-based remuneration expenses related to EMI share options (ref Note 30)

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

8. Finance costs

	2021 £	2020 £
Interest on leases (IFRS 16)	162,935	184,897
Interest on term loan	80,845	90,125
Interest on convertible loan notes	21,503	24,766
Other finance costs	4,097	2,278
	270,190	302,066

9. Operating expenses

	2021 £	2020 £
Auditor's remuneration:		
Fees payable to the Group's auditor for statutory audit	30,500	27,500
Fees payable to the Group's auditor and associates for statutory audit of subsidiary Companies	31,425	40,000
Administrative and marketing expenses	745,367	821,494
Expected credit losses – trade receivables	311,102	123,690
Fair value movements	16,755	(61,939)
	1,135,149	950,745

10. Income tax

Tax expense attributable to the results is made up of:

	2021 £	2020 £
Current year tax	—	—
Prior period*	—	(31,300)
Deferred taxation charge	—	—
	—	(31,300)

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

Notes to the Financial Statements continued

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

	2021		2020	
	£	%	£	%
Accounting loss before tax from continuing operations	(1,594,390)		(1,659,473)	
Profit/(loss) before tax from discontinued operations	448,741		(480,092)	
Loss for the year before tax	(1,145,649)		(2,139,565)	
Income tax at the statutory rate	(217,673)	19.0	(406,517)	19.0
Adjustments of income tax in respect of prior years	—		—	
Deferred tax asset not recognised	217,673		406,517	
Current year adjustment to deferred tax asset	—	—	—	—
Income tax charge attributable to continuing operations	—		—	
Income tax attributable to discontinued operations	—		—	
Income tax charge in the Consolidated Statement of Comprehensive Income	—		—	

The Group's income tax liability is subject to agreement by the tax authorities of the respective countries in which the companies in the Group operate. Temporary differences arising from investment in subsidiary and associated companies are considered as insignificant to the Group.

	2021	2020
	£	£
Analysis of provision for deferred taxation:		
Balance at the beginning of the year*	10,279	10,279
Deferred taxation for the year	—	—
Balance at the end of the year	10,279	10,279
Deferred tax asset	—	—
Deferred tax liability	10,279	10,279
Balance at the end of the year	10,279	10,279

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

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

	2021	2020
	£	£
Unutilised capital allowance	552,474	552,474
Unutilised tax losses	4,633,855	4,725,788
	5,186,329	5,278,262

Deferred tax assets have not been recognised as it is not sufficiently certain that taxable profit will be available against which these available tax losses can be utilised in the future.

11. Loss per share

The basic and diluted loss per share attributable to equity holders of the Company was based on the loss attributable to shareholders of £1,145,649 (2020: loss of £2,139,565) and the weighted average number of ordinary shares in issue during the year of 1,878,898,511 shares (2020: 735,661,044 shares). The loss per share (in pence) attributed to shareholders is 0.06 (2020: loss per share of 0.23).

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

12. Property, plant, and equipment

	Leasehold property and improvements	Classroom and office equipment	Right-of-use assets		Total
			Equipment	Property	
	£	£	£	£	£
Cost					
Opening balance, 1 Jan 2020	601,774	958,874	92,037	5,531,619	7,184,304
Additions	—	—	—	—	—
Disposals	(591,794)	(545,628)	—	(2,222,096)	(3,359,518)
Exchange differences	(9,980)	(11,177)	—	(43,489)	(64,646)
Closing balance, 31 Dec 2020	—	402,069	92,037	3,266,034	3,760,140
Additions	—	11,280	—	391,613	402,893
Remeasurement	—	—	—	(114,079)	(114,079)
Disposals	—	(4,800)	—	—	(4,800)
Exchange differences	—	—	—	—	—
Closing balance, 31 Dec 2021	—	408,549	92,037	3,543,568	4,044,154
Accumulated depreciation					
Opening balance, 1 Jan 2020	401,968	790,681	12,883	698,262	1,903,794
Charge for the year – Continuing operations	—	40,200	26,861	347,288	414,349
Charge for the year – Discontinued operations	48,643	17,168	—	283,353	349,164
Disposals	(444,466)	(518,437)	—	(616,667)	(1,579,570)
Exchange differences	(6,145)	(8,324)	—	(6,523)	(20,992)
Closing balance, 31 Dec 2020	—	321,288	39,744	705,713	1,066,745
Charge for the year – Continuing activities	—	39,235	22,747	347,289	409,271
Disposals	—	(2,401)	—	—	(2,401)
Remeasurement	—	—	—	(33,614)	(33,614)
Exchange differences	—	—	—	—	—
Closing balance, 31 Dec 2021	—	358,122	62,491	1,019,388	1,440,001
Net book value, At 31 December 2021	—	50,427	29,546	2,524,180	2,604,153
At 31 December 2020	—	80,781	52,293	2,560,321	2,693,395

Notes to the Financial Statements continued

13. Investment in subsidiary companies

Company	2021 £	2020 *restated £
Investment in subsidiaries		
Unquoted equity shares, at cost		
As at the beginning of the year	12,391,048	12,391,048
Disposals**	(4,709,201)	—
As at the end of the year	7,681,847	12,391,048
Provision against the cost of investment in subsidiaries		
As at the beginning of the year	10,971,698	10,971,698
Disposal**	(4,709,201)	—
As at the end of the year	6,262,497	10,971,698
Net book value at the end of the year	1,419,350	1,419,350

* Cost amount of investment and impairment of investment are restated for 2020 to reflect actual carrying values (previously reported as £11,205,720 and £9,786,370 respectively). The restated values do not impact the Net book value of investments.

** Investments in SAA Global Education Center Pte Ltd and Malvern International Academy Pte Ltd were fully impaired during 2019. The carrying value of investment and provision against investment related to Singapore operation are disposed following the disposal of operations.

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

Communicate English School Limited (UK).

Malvern House Group Limited (UK).

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

Entering liquidation in 2022

Malvern International Academy Pte Ltd (Singapore).

Malvern Language Academy Pte Ltd (Singapore).

In liquidation

SAA Global Education Centre Pte Ltd (Singapore).

14. Intangible assets

	Brands £	Customer List £	Domain Name £	Development Assets £	Contract Assets £	Total £
Acquisition costs						
Opening balance, 1 Jan 2020	2,639,886	362,860	12,242	434,545	508,000	3,957,533
Closing balance, 31 Dec 2020	2,639,886	362,860	12,242	434,545	508,000	3,957,533
Disposal – discontinued operations	(150,000)	(88,223)	—	—	—	(238,223)
Closing balance, 31 Dec 2021	2,489,886	274,637	12,242	434,545	508,000	3,719,310
Accumulated amortisation						
Opening balance, 1 Jan 2020	2,639,886	362,860	12,242	434,545	508,000	3,957,533
Closing balance, 31 Dec 2020	2,639,886	362,860	12,242	434,545	508,000	3,957,533
Disposal – discontinued operations	(150,000)	(88,223)	—	—	—	(238,223)
Closing balance, 31 Dec 2021	2,489,886	274,637	12,242	434,545	508,000	3,719,310
Net book value, 31 Dec 2021 and 31 Dec 2020	—	—	—	—	—	—

In accordance with IAS 36, the Board has reviewed all ongoing cash-generating units, and have carried out full impairment of the carrying value of the assets as at 31 December 2019, as a result there are no intangible assets recorded in financial statements as of 31 December 2021. The disposal as of 31 December 2021 is in relation to Singapore operations.

15. Goodwill

	2021 £	2020 £
Cost		
Balance as at the beginning of the year	1,419,350	1,419,350
Additions	—	—
Impairment	—	—
Balance as at the end of the year	1,419,350	1,419,350

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

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

- Discounted Cash Flow model produced modelling cash flow for Communicate over five years.
- Terminal value applied to cashflow from year 6 onwards.
- Discount rate of 12% applied reflecting the WACC of the Group.
- Dynamic growth rate applied, ranging from 6% in 2023, reflecting additional growth of the anticipated bounce-back from lockdown impacted trade, to 3% annual growth at the end of the five-year time horizon, consistent with industry data.
- Sensitivities around the model: a 0.1% increase in the discount rate has an impact of approximately £51k in headroom.

Notes to the Financial Statements continued

16. Trade receivables

	2021 £	2020 £
Trade Receivables	705,271	1,033,105

At 31 December 2021, the exposure to credit risk for trade receivables was as follows:

	2021 £	2020 £
Trade receivables are denominated in the following currencies:		
UK – Pound Sterling	705,271	1,033,105
	705,271	1,033,105
	2021 £	2020 £
Not yet due and not impaired	36,742	947,103
Past due but not impaired		
– Past due 0 to 3 months	402,585	32,516
– Past due 3 to 6 months	179,128	1,825
– Past due over 6 months	86,816	51,661
	705,271	1,033,105
Impaired trade receivables	336,930	158,571
Less: Allowances for impairment loss	(336,930)	(158,571)
	705,271	1,033,105

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables as at 31 December 2021:

	Weighted average loss rate	Gross carrying amount	Loss allowance	Net carrying amount
Not yet due and not impaired	0%	36,742	—	36,742
Past due but not impaired				
– Past due 0 to 3 months	28%	561,544	(158,959)	402,585
– Past due 3 to 6 months	12%	203,014	(23,886)	179,128
– Past due over 6 months	64%	240,901	(154,085)	86,816
		1,042,201	(336,930)	705,271

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

	2021 £	2020 £
Balance at the beginning of the year	158,571	133,547
Allowances reversed during the year	—	—
Allowances reversed during the year – Discontinued operations	—	—
Expected credit losses during the year	354,714	123,690
Receivables written off during the year as uncollectible	(176,355)	(98,666)
Balance as at the end of the year	336,930	158,571

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

These are no contract assets within trade and other receivables.

17. Other receivables and prepayments

	Group		Company	
	2021 £	2020 £	2021 £	2020 £
Rent deposits	36,500	45,015	—	—
Prepayment and accrued income	253,107	99,634	112,788	35,770
Other debtors	—	17,444	—	17,444
	289,607	162,093	112,788	53,214

18. Cash and cash equivalents

	Group		Company	
	2021 £	2020 £	2021 £	2020 £
Cash at bank and in hand	377,170	103,609	45,701	8,948
Cash and cash equivalents	377,170	103,609	45,701	8,948

19. Trade payables

	Group		Company	
	2021 £	2020 £	2021 £	2020 £
Trade payables are denominated in the following currencies:				
Pound Sterling	413,297	603,631	31,896	182,274
	413,297	603,631	31,896	182,274

Notes to the Financial Statements continued

20. Contract liabilities

Contract liabilities are deferred revenue representing amounts billed on account of revenues where performance obligations have not been met for recognition of revenue. Contract liabilities relate to course fees received in advance and recognised in the Statement of Comprehensive Income based on classes and examinations conducted in the subsequent financial year.

The amount of £676,287 recognised in contract liabilities at the beginning of the period has been recognised as revenue for the period ended 31 December 2021.

	2021 £	2020 £
Contract liabilities denominated in the following currencies:		
Pound Sterling	899,137	676,287
	899,137	676,287
		2021 £
Opening balance		676,287
Deferred income recognised during the year		(676,287)
Course fees received in respect of subsequent financial year		899,137
Closing balance		899,137

21. Other payables and accruals

	Group		Company	
	2021 £	2020 £	2021 £	2020 £
Other payables	25,207	196,553	—	—
Payroll tax and other statutory liabilities	199,524	200,416	—	—
Accrued expenses	373,522	832,774	108,294	140,219
	598,253	1,229,743	108,294	140,219

22. Due to related parties

	Group		Company	
	2021 £	2020 £	2021 £	2020 £
Due to related parties				
Non-trade	—	40,000	—	40,000
	Group		Company	
	2021 £	2020 £	2021 £	2020 £
Due to related parties				
Dr Sam Malafeh	—	40,000	—	40,000
	—	40,000	—	40,000

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

23. Financial liabilities

	Group		Company	
	2021 £	2020 £	2021 £	2020 £
Non-current liabilities				
Convertible loan notes	—	272,817	—	272,817
Term loan	1,791,952	2,532,115	1,723,537	2,432,115
Warrants	72,801	63,701	72,801	63,701
Lease liabilities	3,075,517	2,491,486	—	—
	4,940,270	5,360,119	1,796,338	2,768,633
Current liabilities				
Convertible loan notes	275,885	50,000	275,885	50,000
Term loan	808,869	—	675,251	—
Lease liabilities	278,961	350,829	—	—
Trade and other payables	1,011,550	1,833,374	140,191	322,493
Related parties	—	40,000	—	40,000
	2,375,265	2,274,203	1,091,327	412,493
Total	7,315,535	7,634,322	2,887,665	3,181,126

Convertible Loan Notes

At 31 December 2021, the Group has an obligation for £275,885 (See note 29).

Term Loan

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

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

Warrants

As part of the term loan, BOOST&Co. was issued warrants over 45,500,464 shares. These warrants are exercisable at the Strike Price at any time over the following ten years since the inception of term loan in August 2019.

As at the date of financial position, the Group has fair valued these warrants at £72,801. The following estimates were used to calculate this fair value:

- Annualised volatility of 109% and 154% at the inception of term loan and at the year end respectively, calculated using share price volatility over a preceding three-year period
- Maturity of ten years applied, reflecting the duration over which BOOST&Co. could exercise these warrants
- Risk free rate of 0.50%, being the Yield on UK ten-year Government bonds
- Strike price of £0.0015, being the 28-day average share price preceding the date (i.e. 27 Aug 2019) of drawdown

Notes to the Financial Statements continued

24. Share capital

	Allotted, called up and fully paid				
	No of ordinary shares	Nominal value of ordinary shares	No of deferred shares	Nominal value of deferred shares	Nominal value of all shares
At 31 December 2020 – 0.1p ordinary shares and 0.1p, 1p & 5p deferred shares	1,204,967,240	1,204,968	2,828,138,750	9,104,659	10,309,627
Additions during the year – 31 March 2021 0.1p ordinary shares	882,500,000	882,500	—	—	882,500
At 31 July 2021 – 1p & 0.1p ordinary shares and 1p & 5p deferred shares	2,087,467,240	2,087,468	2,828,138,750	9,104,659	11,192,127
Additions during the year – 31 July 2021 0.1p ordinary shares	21,551,724	21,552	—	—	21,552
At 31 December 2021 0.1p ordinary shares and 0.1p, 1p & 5p deferred shares	2,109,018,964	2,109,020	2,828,138,750	9,104,659	11,213,679

During 31 March 2021, 882,500,000 0.1 pence ordinary shares were issued as a fundraising at 0.2 pence each giving a total of 2,087,467,240 shares admitted to trading.

On 31 July 2021, convertible loan notes of £50,000 were converted to shares at 0.232 pence, adding a further 21,551,724 0.1 pence ordinary shares, bringing the total shares to 2,109,018,964 admitted for trading at 31 December 2021.

The Company has Enterprise Management Incentive share option scheme for certain Directors and employees. The cost related to it £3,128 (2020: £184) has been added to share capital in financial statements, further details on note 30.

25. Reserves

The Company has the following types of reserves:

(i) Share premium reserve

	2021 £	2020 £
Balance as at the beginning of the year	5,782,394	5,431,449
Issue of new shares	910,948	473,195
Fundraising expenses	(89,503)	(122,250)
Balance as at the end of the year	6,603,839	5,782,394

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

(ii) Retained earnings

	Group		Company	
	2021 £	2020 £	2021 £	2020 £
At the beginning of the year	(19,703,963)	(17,564,398)	(18,328,438)	(17,431,623)
Profit/(Loss) for the year	(1,145,649)	(2,139,565)	(1,103,278)	(896,815)
Transfer from capital reserve	170,560	—	—	—
At the end of the year	(20,679,052)	(19,703,963)	(19,431,716)	(18,328,438)

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

(iii) Translation reserve

	Group		Company	
	2021 £	2020 £	2021 £	2020 £
At the beginning of the year	288,149	272,574	—	—
Translation difference on discontinued operations	(288,149)	15,575	—	—
Translation differences on continuing operations	—	—	—	—
At the end of the year	—	288,149	—	—

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

(iv) Convertible loan reserve

	Group		Company	
	2021 £	2020 £	2021 £	2020 £
At the beginning of the year	28,822	28,822	28,822	28,822
Changes in the present value	—	—	—	—
At the end of the year	28,822	28,822	28,822	28,822

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

(v) Capital reserve

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

26. Related party transactions

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

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

	2021 £	2020 £
Key management personnel		
Directors' remuneration:		
– Salaries and bonuses	104,166	164,846
– Loss of office	—	66,666
– Directors' fees	80,000	61,842
– Share based payments	1,027	37,741
	185,193	331,095

Notes to the Financial Statements continued

Analysis of Directors' fees and emoluments:

	Salary & Fees £	Share based Payments £	Fees £	Other* £	Total £
2021					
Sam Malafteh	—	—	—	—	—
Mark Elliott	50,000	—	—	—	50,000
Alan Carroll	30,000	—	—	—	30,000
Richard Mace	97,916	1,027	—	—	98,943
Daniel Fisher**	6,250	—	—	—	6,250
Total	184,166	1,027	—	—	185,193
2020					
Sam Malafteh	126,304	—	—	66,666	192,970
Mark Elliott	39,942	23,847	—	—	63,789
Alan Carroll	21,900	13,894	—	—	35,794
Richard Mace	38,542	—	—	—	38,542
Total	226,688	37,741	—	66,666	331,095

* Includes compensation for loss of office.

** Daniel Fisher was appointed as Executive Director on 6 December 2021.

27. Subsequent events

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

In March 2022, successful negotiations were finalised with BOOST&Co. (the Group's fund manager, acting on behalf of the Company's debtholder IL2 2018) to restructure the Group's £2.6m debt facility.

Under the original agreement monthly payments were due to commence in April 2022 over a 24-month period at an interest rate of 7 to 10%, dependent on quarterly revenues. The new agreement provides for a twelve-month payment and interest holiday with monthly payments commencing from March 2023 over a five-year period, with the interest being set at 7% for the first two years and 10% for the subsequent three years. There are no early repayment penalties on this facility.

In return, BOOST&Co. will receive warrants over 127,010,834 ordinary shares at an exercise price of 0.106 pence per share, being 20% below the average market price. In addition, BOOST&Co. will receive additional warrants, fully diluted, with the same exercise price, if the loan is not repaid by 1 March 2024.

Furthermore, it has been agreed that the exercise price of BOOST&Co.'s existing warrants over an aggregate of 45,500,464 shares be adjusted from 0.15 pence per share to 0.1 pence.

28. Financial instruments

Financial risk management objectives and policies

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

The Group holds the following financial instruments:

	Notes	Pound Sterling	Total (Pound Sterling)
2021			
Financial assets at amortised cost			
Cash and cash equivalent	18	377,170	377,170
Trade receivables	16	705,271	705,271
Other debtors	17	36,500	36,500
Total financial assets		1,118,941	1,118,941
Financial liabilities at amortised cost			
Trade and other payables	19,21	1,011,550	1,011,550
Borrowings	23	2,600,821	2,600,821
Lease liabilities	23	3,354,478	3,354,478
Convertible loan notes	23	275,885	275,885
Financial liabilities at FVPL warrants	23	72,801	72,801
Total financial liabilities		7,315,535	7,315,535
Net position		(6,196,594)	(6,196,594)
2020			
Financial assets at amortised cost			
Cash and cash equivalent	18	103,609	103,609
Trade receivables	16	1,033,105	1,033,105
Other debtors	17	62,459	62,459
Total financial assets		1,199,173	1,199,173
Financial liabilities at amortised cost			
Trade and other payables	19,21	1,833,374	1,833,374
Due to related parties	22	40,000	40,000
Borrowings	23	2,532,115	2,532,115
Lease liabilities	23	2,842,315	2,842,315
Convertible loan notes	23	322,817	322,817
Financial liabilities at FVPL warrants	23	63,701	63,701
Total financial liabilities		7,634,322	7,634,322
Net position		(6,435,149)	(6,435,149)

Notes to the Financial Statements continued

(i) Credit risk

Exposure to the credit risks are monitored on an ongoing basis. The Group does not require collateral in respect of financial assets.

The carrying amount of trade and other receivables and related party balances and cash represent the Group's maximum exposure to credit risk. Cash and cash balances are placed with reputable financial institutions. Therefore, credit risk arises mainly from the inability of customers to make payments when due. 49% (2020: 13%) of the Group's account receivables are made up of individual students, 51% (2020: 84%) relates to large funding organisations such as universities and other organisations. All trading activities are concentrated in Europe. The analysis of aging debtors is provided in note 16.

(ii) Liquidity risk

The Group seeks to adopt a prudent liquidity risk management by maintaining sufficient cash and having adequate amounts of credit facilities. Due to the nature of the Group's operations, the Group aims at maintaining flexibility in funding by keeping committed credit facilities available.

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay.

	On demand or within one year £	Within 2 to 10 years £
2021		
Trade payables	413,297	—
Other payables and Accruals	598,253	—
Due to related parties	—	—
Term Loan	808,869	1,791,952
Lease Liabilities	278,961	3,075,517
Convertible Loan Notes	275,885	—
Warrants	—	72,801
	2,375,265	4,940,270
2020		
Trade payables	603,631	—
Other payables and Accruals	1,229,743	—
Due to related parties	40,000	—
Term Loan	—	2,532,115
Lease Liabilities	350,829	2,491,486
Convertible Loan Notes	50,000	272,817
Warrants	—	63,701
	2,274,203	5,360,119

(iii) Foreign currency risk

The Group's investments in overseas subsidiaries and associated companies which have been closed/discontinued after announcement in August 2020 and therefore Group exposure is no longer a material risk. The differences arising from such translation are recorded under the foreign currency translation reserve. The Group does not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions as the Directors believe that the risks arising from fluctuations in foreign currency exchange rates are not significant.

	10% weakening of GBP		10% strengthening of GBP	
	Impact on Equity £	Impact on income/ reserves £	Impact on Equity £	Impact on income/ reserves £
At 31 December 2021				
Singapore Dollar	—	19,688	—	(19,688)
At 31 December 2020				
Singapore Dollar	49,387	278,870	(49,387)	(278,870)

(iv) Interest rate risk

The Group's exposure to market risk for changes in interest rates relate primarily to the Group's bank overdraft facility and term loan. A change in interest rate at the reporting date would not materially affect income or reserves. For 2020, there was none to report.

The tables below set out the Group's exposure to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Fixed rate interest bearing	Non-interest bearing £	Total £
At 31 December 2021			
Assets			
Trade and other receivables	—	994,878	994,878
Cash and bank balances	—	377,170	377,170
Total assets	—	1,372,048	1,372,048
At 31 December 2021			
Liabilities			
Trade and other payables	—	1,011,550	1,011,550
Due to related parties	—	—	—
Borrowings	2,600,821	—	2,600,821
Lease liabilities	3,354,478	—	3,354,478
Warrants	—	72,801	72,801
Convertible loan notes	275,885	—	275,885
Total liabilities	6,231,184	1,084,351	7,315,535
At 31 December 2020			
Assets			
Trade and other receivables	—	1,095,564	1,095,564
Cash and bank balances	—	103,609	103,609
Non-financial assets	—	—	—
Total assets	—	1,199,173	1,199,173

Notes to the Financial Statements continued

	Fixed rate interest bearing	Non-interest bearing £	Total £
At 31 December 2020			
Liabilities			
Trade and other payables	—	1,833,374	1,833,374
Due to related parties	—	40,000	40,000
Borrowings	2,532,115	—	2,532,115
Lease liabilities	2,842,315	—	2,842,315
Warrants	—	63,701	63,701
Convertible loan notes	322,817	—	322,817
Total liabilities	5,697,247	1,937,075	7,634,322

(v) Fair values of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, and short-term borrowings approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other financial assets and liabilities are as disclosed in the respective notes.

(vi) Reconciliation of liabilities arising from financing activities

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

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

(vii) Capital risk management policies and objectives

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

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

	Group		Company	
	2021 £	2020 £	2021 £	2020 £
Loans	2,600,821	2,532,115	2,511,109	2,432,115
Lease Liabilities	3,354,478	2,842,315	—	—
Convertible loan notes	275,885	322,817	275,885	322,817
Total debt	6,231,184	5,697,247	2,786,994	2,754,932
Less: Cash and cash equivalents	(377,170)	(103,609)	(45,701)	(8,948)
Net debt	5,854,014	5,593,638	2,741,293	2,745,984
Total equity	(2,829,400)	(3,124,227)	(1,582,064)	(2,207,411)
Debt to equity	2.06	1.79	1.73	1.24

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

Loan covenants

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

29. Convertible Loan Notes

The Company issued the following loan notes in 2017.

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

Convertible Loan Notes

Issue Name	Convertible Unsecured Loan Notes 2020
Date of Issue	17 November 2017
Date of Redemption	31 December 2022
Interest Payable	1 Jan 2018-31 Dec 2018 3%
	1 Jan 2019-31 Dec 2019 4%
	1 Jan 2020-31 Dec 2020 5%
	1 Jan 2021-31 Dec 2022 6%
Total Issued	£1,200,000
Amount converted in 2017	(£100,000)
Balance at 31/12/2017	£1,100,000
Amount converted in 2018	(£771,898)
Fair value adjustment	(£28,822)
Balance at 31/12/2018	£299,280
Fair value adjustment	£17,307
Balance at 31/12/2019	£316,587
Unwinding Interest	£6,230
Balance at 31/12/2020	£322,817
Unwinding interest	£3,068
Share Conversion at 31/07/2021	(£50,000)
Balance at 31/12/2021	£275,885

Notes to the Financial Statements continued

30. Share based payments and share options

The Company has an Enterprise Management Incentive share option scheme for certain Directors and employees. Under the scheme, participants have been awarded options to acquire up to a prescribed level of shares following a three-year vesting period if the Company's share price has met the pre-determined target conditions. There are two market-based conditions, each accounting for 50% of the share options awarded to the employee. In addition, the mid-market share price of the Company on the AIM Market of the London Stock Exchange, must stay at or above the exercise price, for 40 consecutive business days.

The Group has chosen to use the Black Scholes valuation framework. The options have also been valued using the Monte Carlo valuation method. The results of which are not considered materially different from the valuation methodology described in this note.

The inputs into the Black Scholes model as at 31 December 2021 are as follows.

Grant date	EMI options	Exercise price (pence)	Strike price on grant date (pence)	Vesting period (years)	Expected volatility	Risk free rate	Fair value	Deemed probability of achieving market condition
02/12/2020	33,625,000	0.5	0.15	3	12.30%	0.35%	0.34	5.02%
02/12/2020	33,625,000	0.9	0.15	3	12.30%	0.35%	0.74	0.37%
07/01/2021	5,000,000	0.5	0.15	3	11.98%	0.35%	0.35	5.30%
07/01/2021	5,000,000	0.9	0.15	3	11.98%	0.35%	0.75	0.37%
18/01/2021	6,000,000	0.5	0.15	3	11.98%	0.35%	0.35	5.30%
18/01/2021	6,000,000	0.9	0.15	3	11.98%	0.35%	0.75	0.37%
01/09/2021	28,375,000	0.6	0.22	3	10.45%	0.26%	0.38	1.10%
01/09/2021	28,375,000	1.1	0.22	3	10.45%	0.26%	0.87	0.00%

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

The vesting probabilities presented are products of lognormal distribution modelling over a 3-year period to determine the likelihood of the vesting condition being reached, based off the scaled mean and standard deviation from a prior 365-day period.

Year ended 31 December 2021

	Number of options	Weighted average exercise price
Outstanding at 1 January 2021	69,500,000*	0.15p
Granted during the year	90,000,000	0.19p
Exercised during the year	—	—
Forfeited during the year	13,500,000	—
Outstanding at 31 December 2021	146,000,000	0.17p
Exercisable	—	—

* The number of options outstanding at 31 December 2020 was incorrectly presented as 34,750,000 in the 2020 Group accounts. This did not impact on the financial statements.

Of the options outstanding at 31 December 2021, 89,250,000 (2020: 69,500,000) options have an exercise price of 0.15 pence and 56,750,000 (2020: nil) options have an exercise price of 0.22 pence.

The aggregate charge for share options recognised in the Group financial statements in the year was £3,128 (2020: £184).

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

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

Shareholder information

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Registered number

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AIM:MLVN

Date of Annual General Meeting

8 June 2022

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Shareholder enquiries

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

