# ACCOUNTANTS REPORT ON FINANCIAL SUSTAINABILITY ELIGIBILITY CHECK

## INSTITUTION NAME: GMBS EDUCATION GROUP LIMITED (C 109692)

## DATE OF REPORT: 25TH MARCH 2025

**(FINAL REPORT " GLOBAL MANAGEMENT BUSINESS SCHOOL ")**

### BACKGROUND INFORMATION

GMBS Education Group Limited is a Private Limited company who was registered in Malta on the 1st of October 2024 under Company registration Number C 109692. The company is established as a private exempt limited liability entity, with Ms. Maria Kopacova, holder of Slovakian identity card number ML804982, identified as the ultimate beneficial owner due to her majority ownership, holding fifty percent (50%) of the company's shares. The remaining fifty percent (50%) ownership is equally divided between Mr. Daniel Lajcin and Ms. Gabriela Gabrhelova, holders of Slovakian identity card numbers NH928434 and NH928427, respectively. Ms. Kopacova, Mr. Lajcin, and Ms. Gabrhelova serve as directors, legal representatives, and judicial representatives of the company. Additionally, Ms. Kopacova holds the position of Company Secretary.

### COMPLIANCE WITH APPLICABLE LEGISLATION

The applicant is applying for a 'Higher Education Institution' license with the Malta Further Higher Education Authority (MFHEA) for the provision of educational services exclusively through digital channels. In the MFHEA provider application form, within the 'Body Corporate Registration' window, in Section C (page 3), the applicant listed that within the application, the Memorandum and Articles of Association of GMBS Education Group Limited are being provided; however, these were missing from the original submitted documentation of the application form. The Memorandum and Articles of Associated were provided by the applicant post the preliminary report.

The Memorandum of Association for the aforementioned company specifies that its primary business objective is to provide online educational services, including online courses and other online programs. This information is consistent with the records maintained by the Malta Business Registry (MBR). Furthermore, the company has provided a signed organizational structure, which aligns with the MBR records, and the company structure provided by the company itself. According to this structure, GMBS Education Group Limited neither owns any other companies nor is owned by any other entity. The Ultimate Beneficial Owner (UBO) of GMBS Education Group Limited is Ms. Maria Kopacova, while Mr. Daniel Lajcin and Ms. Gabriela Gabrhelova are shareholders, each holding twenty-five percent (25%) of the company.

The company has provided an organizational chart that clearly outlines the positions within the organization and the individuals currently holding each role. Additionally, the company has declared that it does not yet have any employees, as it has not commenced business operations. The company intends to begin its official business activities only after obtaining accreditation, at which point all employees will be hired and registered with the Employment Authority in Malta. This approach has been deemed justifiable by the auditor.

The company presented its Tax Compliance Certificate, which reported the company's tax position as of 20th March 2025. As the company has not yet commenced operations or engaged in any business activities, it is not yet required to submit tax returns. The certificate confirms that the company has no outstanding tax liabilities and is in full compliance with regulatory obligations, as it verifies the company's registration for tax purposes in Malta.

## FINANCIAL PROBITY

GMBS Education Group Limited has no audited accounts to present, as the company was incorporated on 1st October 2024. Consequently, the audited accounts are not yet due and will be required next year. In light of this, the auditor is unable to conduct a financial analysis assessment on the historic data of the GMBS Education Group Limited and, therefore, cannot provide guidance in this area. This was also confirmed through research that was carried out on the Malta Business Registry portal.

## FINANCIAL SUSTAINABILITY

In this section, we will be analyzing the submitted business plan and financial projections of the company as submitted to the agency.  The applicant was requested to submit a business plan which covers the following topics and areas:

- Business History
- Background and Objective
- Business Environment
- Services and Product
- Target Market and Marketing Strategy

- Management and Organisation
- Business Proposal and Resources
- Expected Outcomes and Impact

The business plan of the applicant consisted of thirty-five (35) pages which covered all the requested topics and areas. The business plan was written professionally with a concise detail while it researched and explored well the business environment that the company is aspiring to operate in. The reported statements made in the business plan are reported to be relevant and realistic, in fact, the company is assuming an expectation of one hundred and fifty (150) students to be onboard in the first year of operation and a further increase of thirty percent (30%) year on year.

The business plan illustrates a detailed organigram/organizational chart of the business operations and the positions held by each individual. The projected organigram is mainly focused on the provision of providing quality and support in its operations. The Business proposal and resources are based on realistic facts and take into account quality and compliance with best practices. The overall Market analysis and Segmentation, which included a SWOT analysis, were explored in detail and made to a reasonable extent by the company. The auditor noted that all the three (3) owners of GMBS Education Group Limited possess several higher qualifications while all of them have served in management positions within the Education industry as stated within their curriculum vitae. This indicates that the applicant is a professional within the Education industry, in fact, that was noted as the main strength of the company within the SWOT analysis.

Based on the comprehensive evaluation of the applicant's business plan, it is clear that the plan is exceptionally detailed, with well-thought-out and realistic assumptions. It reflects a cutting-edge approach, demonstrating careful consideration and prudent forecasting throughout.

The applicant was requested to submit the financial projections which cover the following topics and areas:

- Three-year income and expenditure projection
- Three-year projected statements of financial position at respective years' end
- Quarterly cash flow forecasts for three years

The proposed financial projections consisted of four (4) year periods as from year 2025 up to year 2028. The Financial Ratios that were carried out assessed the Profitability, liquidity, and solvency of the applicant.

The net profits are projected to show consistent growth in the coming years, with an average annual increase of 1.5%. For the initial year, net profits are expected to rise by approximately 3% from 2025 to 2026. This growth suggests that the company is effectively managing its costs and providing services at a price point that exceeds its expenses. However, the relatively moderate increase in net profits indicates that the company is exercising caution and making prudent investments in its capital expenditures. These investments, particularly in capital, are crucial for the company's long-term sustainability, as they enable the expansion of operations and business size. The Return on Capital Employed (ROCE) is expected to increase by 16% from 2025 to 2026, followed by a further increase of 22% from 2026 to 2027, and an additional 12% from 2027 to 2028. A higher ROCE is advantageous for the company as it reflects a more efficient use of capital, generating greater profit for each euro of capital employed.

The Gross Profit Margin is projected to remain stable throughout the forecast period, with no significant fluctuations anticipated. This stability indicates that the education sector in which the company operates is not expected to undergo drastic changes that would impact the cost structure of its services. This expectation aligns with insights derived from the market and SWOT analyses included in the company's business plan. The company intends to maintain its pricing structure and direct costs (such as teacher salaries) consistent over the years. This explains why the net profit margin is projected to experience a slower rate of growth over time. On the other hand, operating expenses are forecasted to increase gradually over the next three years, though at a decelerating pace each year. This trend suggests that while the company will continue to earn a higher percentage of profit from its core business activities, the rate of increase in profit margins will diminish as time progresses.

Overall, the profitability ratios indicate that the company is poised for steady growth in net profits, driven by effective cost management and strategic capital investments. While the projected increase in net profit margins remains moderate, the company's commitment to maintaining stable pricing and controlling direct costs supports its long-term financial stability. Furthermore, the positive trends in Return on Capital Employed reflect the company's efficient use of resources. Overall, the forecasted stability in the gross profit margin and gradual rise in operating expenses highlight a cautious yet sustainable growth strategy, ensuring the company's ability to maintain profitability and expand its operations in the coming years.

The liquidity ratios turned out to be stable and consistent throughout the years to come. Where the company is to become liquidated, it can cover by once as much with the assets that the company has. In fact, the Net Working Capital ratio of the company turned out to be positive, meaning that the company's current liabilities can be met with the company's current assets immediately. The quick ratio shows that the company can pay its short-term liabilities by having assets that are readily convertible into cash, such as cash and accounts receivables (Debtors). The analysis of the proposed financial projections of the company showed that it has adequate cash resources and cash reserves as its cash and cash equivalents is budgeted to be over €260,000.00c for the 1st year while the remaining 3 years to come are budgeted to be an average of over one million euros per year. The company's liquidity position looks to be strong, with stable ratios indicating it can meet both current and short-term liabilities. Furthermore, the company's robust cash reserves, projected to exceed €260,000 in the first year and average over one million euros annually in the subsequent years, ensure sufficient liquidity for continued operations and growth.

The solvency ratios provide information on whether the company can meet its long-term debt obligations and remain profitable. The Gearing ratio measures the proportion of debt versus equity. The company gearing figures show that the company is primarily financed by debt (not equity), this indicates that the company has a high degree of leverage; however, it does not always indicate that a company is in poor financial condition. The company's high gearing is due to the investment made in the company's capital which will render in the future to come. The Return on Equity (ROE) shows that the company is very efficient in using investors' money and provides substantial returns to shareholders throughout the budgeted years, especially in the first year. In the first year, the company is budgeting for a return on equity of 97%, meaning that the company is projecting to generate substantial profits relative to the equity invested by its shareholders. The company EBITDA budgeted figures are constantly positive and slowly increasing throughout the budgeted years. This indicates that the business will be profitable at an operating level and have potential for future growth.

The company's solvency ratios indicate it can meet long-term debt obligations, though its high gearing ratio suggests a high level of debt financing. This leverage, however, is tied to strategic capital investments with future returns. The company's impressive Return on Equity (ROE) demonstrates strong profitability and efficient use of shareholder capital, especially in the first year. Additionally, the consistent and gradually increasing EBITDA highlights the company's ability to maintain profitability and suggests potential for sustained growth.

Overall, the proposed Financial Projections of GMBS Education Group Limited that were presented to us are coherent and consistent with its business plan. The Proposed financial projections clearly show that the company's efficient use of capital, consistent positive EBITDA, and ability to meet long-term debt obligations are indicative of its robust financial health.

## DOCUMENTS REQUESTED

To request the client to provide us with:

1. List of registered employees with Jobsplus (if any) / clarification – ***Provided justification by applicant***

2. Company Memorandum of Association – *Provided by applicant*
3. Tax Compliance Certificate – *Provided by applicant*

## Key Recommendations

✓ No recommendations are required at this stage.

## Judgement

In conclusion, we are of the opinion that GMBS Education Group Limited has:

- Passed the compliance test in respect of applicable legislation.
- Presented a robust and coherent business plan which is consistent with the proposed Financial Projections.
- The proposed Financial Projections are sustainable, doable, and financially viable.
- The Company is registered for tax purposes in Malta and is compliant with its fiscal obligations as required by the Commissioner for Revenue.

In view of the above, the auditor is of the opinion that the appraised applicant (GMBS Education Group Limited) merits the pass for the sustainability eligibility check of the MFHEA.

As Certified Public Accountant & Auditor (CPA), this work was performed in line with best practices and principles of accounting and auditing. This audit report is intended solely for MFHEA internal use and benefit in the conduct of the EQA of WLL and is not intended to nor it be relied upon any other party. Neither this deliverable nor its content may be distributed to, discussed with, or otherwise disclosed to any third party without the prior written consent of the Auditor.

ER
Elaine Rogers
Certified Public Accountant & Auditor

**Elaine Rogers ACCA, CPA, FCCA, MIA**
**ER Auditor**

**APPENDICES** – **Results of the analysis (Profitability, Liquidity, and Solvency Financial Ratios) carried out on the Applicant's Proposed Financial Projections:**

| | Year 2025 | Year 2026 | Year 2027 | Year 2028 |
|---|---|---|---|---|
| Revenue | € 1,264,875.00 | €2,188,088.00 | €2,938,383.00 | €3,642,420.00 |
| Cost of Sales (COS) | € 477,364.00 | €825,784.00 | €1,108,946.00 | €1,374,649.00 |
| Gross Profit (GP) | € 787,511.00 | €1,362,303.00 | €1,829,437.00 | €2,267,770.00 |
| Interest & Tax | € 92,127.00 | €193,399.00 | €268,493.00 | €353,976.00 |
| Profit before interest & tax (Operating Profit) | € 263,221.00 | €552,569.00 | €767,124.00 | €1,011,361.00 |
| Profit for the year (Net Profit) | € 171,093.00 | €359,170.00 | €498,631.00 | €657,385.00 |
| Capital Employed (Current Liabilities - Total Assets) | -€ 246,094.00 | -€ 605,263.00 | -€ 1,103,894.00 | -€ 1,761,279.00 |
| Cash & Cash equivalents | € 260,439.00 | €639,727.00 | €1,169,856.00 | €1,847,374.00 |
| Current Liabilities | € 125,479.00 | €211,867.00 | €283,314.00 | €347,868.00 |
| Net Debt | € 64,960.00 | € 357,860.00 | € 816,542.00 | € 1,429,506.00 |
| Total Liabilities (Total Debt) | € 195,479.00 | €281,867.00 | €353,314.00 | €417,868.00 |
| Depreciation & Amortisation | € 6,667.00 | €9,167.00 | €9,167.00 | €11,667.00 |
| Net Finance Costs | € 10,321.00 | €17,855.00 | €23,977.00 | €29,722.00 |
| Current Assets | € 343,239.00 | €782,963.00 | €1,362,208.00 | €2,085,813.00 |
| Total Assets | € 371,573.00 | €817,130.00 | €1,387,208.00 | €2,109,147.00 |
| Total Equity | € 176,093.00 | €535,263.00 | €1,033,894.00 | €1,691,279.00 |
| EBITDA | € 269,887.00 | € 561,735.00 | € 776,291.00 | € 1,023,028.00 |
| Inventories | € 0.00 | €0.00 | €0.00 | €0.00 |
| Prepaid Expenses | € 0.00 | €0.00 | €0.00 | €0.00 |
| Total Proposed Dividend (or Actual Dividend) | N/A | N/A | N/A | N/A |
| Profit for the year available to ordinary shareholders | € 171,093.00 | €359,170.00 | €498,631.00 | €657,385.00 |
| Weighted average number of ordinary shares | N/A | N/A | N/A | N/A |

**GMBS Education Group Limited**

| | Year 2025 | Year 2026 | Year 2027 | Year 2028 | Variance Yr 2025 & Yr 2026 | Variance Yr 2026 & Year 2027 | Variance Yr 2027 & Year 2028 |
|---|---|---|---|---|---|---|---|
| Gross Profit Margin | 62.26% | 62.26% | 62.26% | 62.26% | 0.00% | 0.00% | 0.00% |
| Operating Profit Margin | 20.81% | 25.25% | 26.11% | 27.77% | 4.44% | 0.85% | 1.66% |
| Net Profit Margin | 13.53% | 16.41% | 16.97% | 18.05% | 2.89% | 0.55% | 1.08% |
| ROCE | -106.96% | -91.29% | -69.49% | -57.42% | 15.67% | 21.80% | 12.07% |
| ROE | 97.16% | 67.10% | 48.23% | 38.87% | -30.06% | -18.87% | -9.36% |
| EBITDA Margin | 21.34% | 25.67% | 26.42% | 28.09% | 4.34% | 0.75% | 1.67% |

| | Year 2025 | Year 2026 | Year 2027 | Year 2028 | Variance Yr 2025 & Yr 2026 | Variance Yr 2026 & Year 2027 | Variance Yr 2027 & Year 2028 |
|---|---|---|---|---|---|---|---|
| Cash Ratio (Ratio in Times) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Current Ratio (Ratio in Times) | 1 | 1 | 1 | 1 | 0 | 0 | 0 |
| Quick Ratio (Ratio in Times) | 1 | 1 | 1 | 1 | 0 | 0 | 0 |
| Net Working Capital Ratio (Ratio in Times) | 3 | 4 | 5 | 6 | 1 | 1 | 1 |

| | Year 2025 | Year 2026 | Year 2027 | Year 2028 | Variance Yr 2025 & Yr 2026 | Variance Yr 2026 & Year 2027 | Variance Yr 2027 & Year 2028 |
|---|---|---|---|---|---|---|---|
| Gearing Ratio 1 (Ratio in Times) | 1 | 1 | 0 | 0 | -1 | 0 | 0 |
| Gearing Ratio 2 (Ratio in %) | 46.67% | 56.03% | 58.53% | 61.14% | 9.36% | 2.50% | 2.61% |
| Interest Cover Ratio (Ratio in Times) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Debt to EBITDA (Ratio in Times) | -1 | -1 | -1 | -1 | 0 | 0 | 0 |