

MBH Corporation Plc Financial Statements

For the year ended 31 December

2019

The background of the cover features a collage of images. The central focus is a busy stock exchange floor, likely Frankfurt, with several large digital screens displaying financial data. The screens show various market indicators, including stock prices, volume, and market indices. The text on the screens includes "Frankfurter Wertpapierbörse - Sekundäraktionen von 20.09.19", "Neu listung", "Sinn Frankfurt am Main Platz zum Kaufen", and "Handelsbörse Frankfurt am Main". The floor is filled with people in business attire, some looking at the screens and others in conversation. The overall atmosphere is one of a dynamic and active financial market.

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Officers and Professional Advisers – 31 December 2019

The Board of Directors

Mr Callum Arthur Michael Laing
Mr Allan Michael Presland
Mr Victor Wei-Nam Tan
Mr David Hallam
Mr Toby David Street
Ms Victoria Sylvester (appointed 29 May 2019)

Company registration number

10238873

Registered office

7 Royal Victoria Patriotic Building
John Archer Way
London SW18 3SX
United Kingdom

Auditors

Barnes Roffe LLP
Chartered Accountants & Statutory Auditors
Charles Lake House
Claire Causeway
Crossways Business Park
Dartford DA2 6QA
United Kingdom

Share registrar

Avenir Registrars Limited
5 St John's Lane
Farringdon
London EC1M 4BH
United Kingdom

UK solicitors to the Company

Bryan Cave Leighton Paisner LLP
Adelaide House
London Bridge
London EC4R 9HA
United Kingdom

Stock exchange listing

MBH Corporation plc is listed on:

- Primärmarkt of the Düsseldorf Stock Exchange (M8H:GR)
- Frankfurt Stock Exchange (M8H)

CEO’s Statement



Callum Laing
Chief Executive Officer

Fellow owners of MBH.

Welcome,

I would like to start by recognising that MBH has had an incredible first year on the market. I will use this letter to demonstrate why, despite a smaller number of acquisitions than originally planned, 2019 was a very successful year and, more importantly, perhaps as a fellow owner, what we learned and how that has positioned us in 2020 and beyond.

If you are new to MBH then I would firstly encourage you to read my ‘Chairman’s Letter’ on our website at this link <https://www.mbhcorporation.com/chairmans-letter>.

I will highlight our financials where it best illustrates key points, leaving a more specific analysis to Victor Tan, MBH Chief Financial Officer. I have also invited fellow MBH Board Member Victoria Sylvester, to share what is happening with the companies in our Group.

Three Value Drivers

There are three value drivers that we recognise as being the way to achieve our long term goal of increased shareholder value.

1. Accretive acquisitions

Accretive acquisitions is the most visible of the three value drivers, the most predictable and depending on the share price, the most value enhancing. We announced eleven acquisitions since we listed in late 2018. Two were simple asset buys, two were ‘tactical’ (to be run by one of the existing companies) and the remainder joined the group as ‘strategic’ acquisitions.

Every acquisition was Earnings Per Share (EPS) accretive and each company adds a wealth of talent, wisdom and potential to the group. I appreciate it is not always easy to see from the outside the immediate impact of an acquisition and although we can only account for the earnings of a business from the date we complete, for illustration purposes we talk about the pro-forma numbers. I.e. what would be the impact on revenue and EBIT when this company is with us for a full year based on their past year’s performance. In 2019, our pro-forma numbers showed this growth:

Our pro-forma revenue is approximately **£78m** with an **EBITDA of £6.5m**.
The EPS for 2019 is **10.4 pence per share**.

Note that these numbers are what our group would look like if all companies had been with us and contributing for one year. This is for illustration purposes only and does not reflect the actual revenue and cash in the business. If a company has only been with the Group for one month, then we can only account for one months revenue and

cash. To date, this is the best way we have found to demonstrate the value of inbound deals’.

2. Organic Growth

In my original letter to shareholders I mentioned that the model is not dependent on organic growth of the companies that join us to be successful, although if they are not growing within the group then improvements need to be found. I am pleased to say that we are seeing exactly the results that we had hoped for. Companies are joining and are subsequently able to win larger and more significant contracts as a result of being part of a PLC. Please see page 25 in the appendix for case studies demonstrating this.

Not every company will be ahead every year and we are comfortable with this. Our long-term approach, coupled with a pragmatic realism, means that we are thrilled when it does happen, but not overly concerned when a company is flat or has a negative year. But like any service, if the companies that are part of MBH continue to secure large contracts and flourish, then many more companies will be interested in joining us to also benefit from the PLC ‘halo effect’.

3. Synergies

Twice a year we bring the Principals together in a global location (‘Principals’ is the terminology we use to describe the founders, previous owners or representatives of each subsidiary. Each major subsidiary has one representative on the Principal’s Board). You may have seen the short film of the enjoyable networking time that we had at the Oktoberfest in Germany last year (mbhcorporation.com/business-owners). These events are a great opportunity for us all to get together, exchange ideas and leverage synergies that exist. Sometimes it is as simple as partnering to get better pricing from suppliers, other times it can be seconding team members from one company to another for experience sharing. Many of the tactical acquisitions we see have a very specific synergistic approach to them and can be immediately beneficial.

Whilst we hope and encourage the companies in the Group to look for synergies, we do differ from more traditional approaches in this area. We will never impose synergies upon the companies in the group and it is up to them to select what areas are the best to work together and what will work best with the talent that they have in their teams.

The Board

A company as fast growing and dynamic as MBH, with a new business model, requires a unique type of Board and one that can adjust with the growth.

We have decided that with the success of our first year, the model working well and the pipeline looking solid, that shareholders’ interests would best be served with a leaner Board. With the addition of more companies and thus more Principals on the Principal’s Board, much of the day-to-day work can be accomplished at that level with decisions pushed up to the Board as necessary.

It is worth noting a commitment that each member of our Board has agreed to this year – this being that no member of the Board of MBH may sell shares in the company whilst they serve on the Board. I do not know whether any other PLC boards have such a philosophy in place, but to us it makes perfect sense. We want board members to be completely focused on the long term value of the shares for all shareholders, not using stock to solve short term personal financial issues. This rule I hope demonstrates the Boards’ alignment in thinking and also removes any uncertainty or incongruity of Board members selling down.

I would like to specifically thank Allan Presland who, on the 29th May, will step down from his board role. Allan joined the Board when his company, Parenta, became part of the MBH Group, and also introduced us to Acacia. His belief and enthusiasm has been much appreciated. While Allan steps down as non-executive Chairman of the Board, he remains a significant shareholder and will continue to play a role in building Parenta and the education vertical within MBH.

I would like to welcome Lana Coronado to the Board of Directors as non-executive Chairperson, subject to shareholder approval at the AGM. In 2020 and beyond we are seeing many opportunities coming from the US and Lana’s extensive entrepreneurial experience, past experience in the finance industry, including stints at Credit Suisse & Merrill Lynch, coupled with more recent philanthropic and voluntary Board positions, makes her an ideal fit to oversee the Board for the coming years.

Several other changes to the Board are mentioned in the Board updates section of this annual report.

As long as shareholders are happy with my performance I will continue in my role on the Board as CEO for the foreseeable future.

Finally, MBH is not a traditional business and indeed this Board structure might not be traditional, but equally we are not looking to provide shareholders with traditional results and I believe that the current board can serve us well as guardians of both the model and the long term shareholder value.

Dividend

We have always stated that whilst we want to grow the long term value of the shares, we also believe businesses should be run for the benefit of the owners and to this end that, where possible, profits should be returned to the owners.

The allocation of that capital is no small matter and whilst other alternatives such as repurchasing stock when it is undervalued also hold strong appeal, we believe that issuing a dividend not only rewards those that hold our stock, but also attracts more of the right kind of investors to our company.

We are very proud that within just one year of being listed we are in a position to issue our first dividend – and as previously stated, it is very much our intention to continue to do so in the future where prudent.

Whilst we would have liked, and originally had intended to, offer a dividend in the 2-3 cents EUR range, we have decided that in light of current events it is better to pay a reduced amount, retain earnings for eventualities unknown and hopefully be able to build upon that amount next year.

Consequently, this year, with shareholder approval, we will be issuing a dividend of **0.5 cents EUR per share** (which represents an approximate **dividend 1% yield** on the share price at the date of this report).

A final note on Investor Relations

Approximately 70% of the shares of MBH are held by the Principals and their teams that run the incredible companies in our group. The remaining shares are in the hands of you and I and a blend of retail and institutional investors.

Whilst I talk of 'fellow owners' and encourage investors to share the same long term commitment as our Principals, we still have room to improve in communicating in the same manner. I hope you have noticed this year a significant increase in the sharing of information around the companies in the Group, regular Q&A video sessions with myself and other activities using social media.

We are constantly looking for more ways to help in this regard, so do please reach out if you have suggestions on how we can do this more effectively.

Thank you

If you have acquired and held our stock in this past year or if you are thinking of adding us to your portfolio. Thank you! I can assure you that neither the Board nor the Principals take it for granted and we are all committed to continuing this growth long into the future!

Yours faithfully,



Callum Laing
Chief Executive Officer



Non-Executive Chairman's Statement

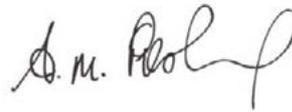
Any company that can triple its revenue growth by over 300% should be proud. A company though that can couple this with EBIT growth of almost 200% is outstanding.

During 2019, we saw profitable organic growth come from the original three companies we listed at the end of 2018, and to this we have added a further group of profitable, well run companies, which have contributed to our overall success. Our strategy remains: – a clear focus on finding quality companies to join our group and further contribute to this success.

More than that, we are seeing leaders from such diverse backgrounds as construction and education, leisure and health, work productively together to identify synergies, share resources and solve problems collectively. Their willingness to deal with challenges and opportunities in such a pragmatic way is an inspiration.

However, our strong results are a testament to our people. To the Board, to the leaders of our subsidiary organisations, and to the staff and colleagues within those subsidiaries, I offer my heartfelt thanks. You have delivered a truly remarkable set of results.

Yours faithfully,



Allan Presland
Non-Executive Chairman



CFO's Statement



Victor Tan

Chief Financial Officer

Record Performance Year

In 2019, MBH accelerated its growth and achieved a record performance as its net profit after tax increased by 190% from the previous year to £3.6m. Total revenue for the group is now £50.8m which represented a growth of 306% from last year. The financial year of 2018 represented part year results for the 3 founding companies (Cape, Parenta and Acacia) that were part of the initial public listing. In 2019 these 3 companies flourished and delivered exceptional growth with underlying like for like full year growth in revenue and earnings before interest and tax ("EBIT") of 16% and 19% respectively. The 2019 results also included companies that joined MBH throughout the year which collectively added £0.8m to the overall 2019 EBIT.

As stated in the CEO's statement, our objective is to deliver satisfactory returns to our shareholders and the financial health and position of the companies within the group will be critical to ensure this is achieved. We will continue to strive to ensure our companies are profitable, cashflow positive and ensure debt levels are at an optimal level to generate the returns we are looking for.

Outlook

In summary, 2019 was a important year where we could demonstrate our ability to grow in a listed environment. We were able to deliver organic growth and managed to add companies to our group which stands at 10 operating companies at the date of this report. Such achievement reflects the hard work the MBH team has put in during the year and underlines our execution capabilities. From an outlook perspective I am convinced that the resilience of our business will enable us to get through the COVID-19 pandemic and I also believe that the companies we will continue to bring into the group will support our development going forward.

I would like to thank our customers, shareholders, analysts and key advisors for their trust in MBH and their support throughout the year to contribute to MBH's success.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'Victor Tan', written over a white background.

Victor Tan

Chief Financial Officer

The balance sheet of the group remains strong with a **net asset position of £43.3m**. Cash at bank is £4.5m with a net cash position (net of debt) of £2.7m. Cashflow from operating activities was **£5.0m**. The underlying **current ratio is 1.68** and the **equity ratio is 96%**.

The Directors' Report

The Directors present their report together with the consolidated financial statements of the consolidated Group comprising of MBH Corporation plc ("the Company") and its subsidiaries (collectively referred to as "the Group" or "MBH") for the year ended 31 December 2019.

Results and Dividends

The total profit for the year amounted to £3,618,000 after tax. We note that the profit after tax represents acquisitions that were completed during the year (refer note 24 for acquisition dates). The Directors have recommended a dividend of EUR 0.005 per share.

Directors

The Directors who served the Company during the year were as follows:

Callum Arthur Michael Laing
Allan Michael Presland
Victor Wei-Nam Tan
David Hallam
Toby David Street
Victoria Sylvester (Appointed 29 May 2019)

Strategic Report

In accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 the Company has chosen to set out in the Company's Strategic Report the information required by schedule 7 of the Large and Medium- sized Companies and Groups (Accounts and Reports) Regulations 2008.

Financial Instruments

The Group's principal financial instruments comprise bank balances, trade and other payables and trade and other receivables, loans and borrowings. The main purpose of these instruments is to provide funds to finance the Group's operations and activities. The main risks arising from the financial instruments are credit risk, liquidity risk and market risk. Further details of the principal risks facing the Group are included in the Strategic Report.

Engagement with Suppliers, Customers and Others

The Company takes supplier and customer involvement seriously ensuring that any concerns that they raise are dealt with by the management team, and if its material by amount or nature will be raised to the Board of Directors.

Going Concern

The Group has considerable financial resources, together with committed contracts with numerous customers and suppliers across different geographic areas and market sectors. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the uncertainties in the global economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Group and parent company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Auditor

A resolution to re-appoint Barnes Roffe as auditor will be proposed at the Annual General Meeting on 30 June 2020.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Signed on behalf of the Directors



Callum Laing

Chief Executive Officer
MBH Corporation plc

Approved by the Directors on 29 May 2020

Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) with applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework.

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 the 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;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate 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 the financial statements comply with the Companies Act 2006. They are general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The consolidated financial statements incorporate the financial statements of MBH Corporation plc ('the Company') and all of the entities controlled by the Company, its subsidiaries (together 'the Group' or "MBH") as at 31 December 2019.

The Group Strategic Report

Principal activity

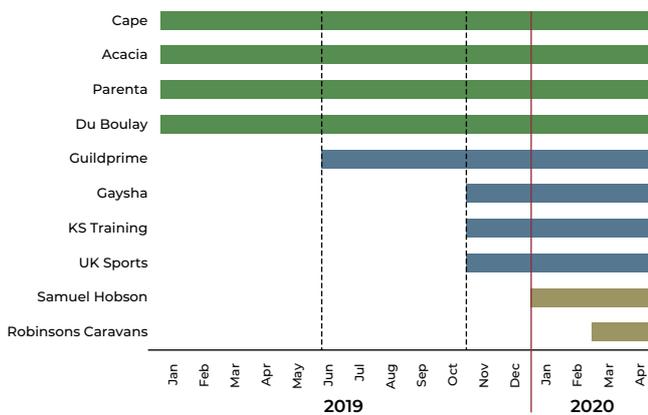
The Company was incorporated in 2016 for the sole purpose to acquire and act as the holding company for established, profitable small-to-medium enterprises in different sectors. As at 31 December 2019, the Group comprised 10 trading entities in United Kingdom and New Zealand that employed an aggregate 184 professionals.

Market Development

Small and medium-sized enterprises (SMEs) continue to be the backbone of a number of major developed economies in the world. SMEs contribute significantly to a country’s global domestic product (“GDP”) and often have the potential to contribute more to society and the economy.

Review of The Group’s Financial Performance and Financial Position for the Year Ended 31 December 2019

In 2019, MBH’s net profit after tax increased by 183% from the previous year to £3.6m. Total revenue for the group is now £50.8m which represented a growth of 306% from last year. The statutory financial statements for the year ended 31 December 2018 only represented part year results for the 3 founding companies (Cape, Parenta and Acacia).



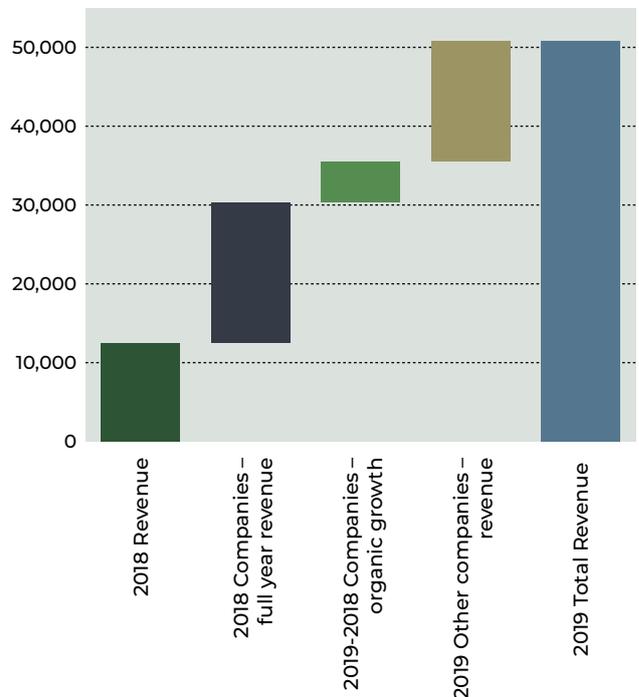
Revenue

Revenue was **£50.8m** which represents an **increase of 306%** from last year.

The increase in revenue is as follows:

- full year impact on revenue for companies acquired in 2018 (“2018 Companies”): £17.8m;
- organic growth from 2018 Companies: £5m; and
- revenue from all other companies: £15.3m

The breakdown of revenue growth is as follows:



Earnings

Net profit after tax for the year ended increased by £2.4m or 190% from last year.

The key earnings metrics are as:

	2019 (£'000s)	2018 (£'000s)	Var (£'000s)	Var %
EBITDA	5,234	1,662	3,572	215
EBIT	4,045	1,438	2,607	181
NPAT	3,618	1,246	2,372	190



Basic diluted earnings per share ("EPS") was £0.11. Fully diluted EPS was £0.104.

Cash and Financial Position

As at 31 December 2019, the Group has cash on hand of £4.5m. Cash flow from operating activities for the year was £5m. Capital expenditure for the year was £1.38m which was largely spent on software development for the Education sector. Total cash inflow for the year was £2.95m.

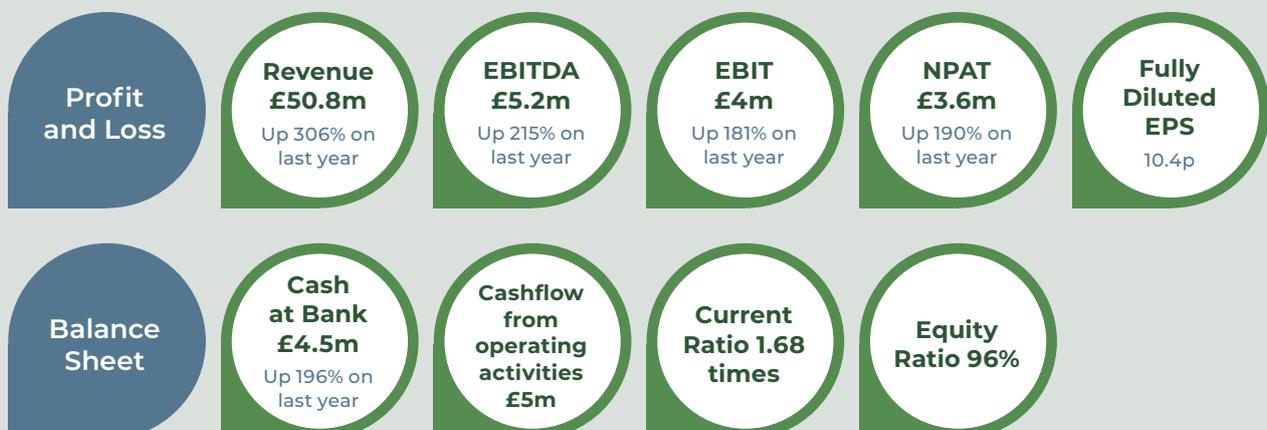
The Group's net cash position is £2.7m which includes £1.8m of debt.

Net assets of the Group are £43.3m. Net current assets are £11m which excludes a current contingent and deferred consideration payable by way of an issue of shares of £9.4m.

Financial Key Performance Indicators (KPIs)

The key financial metric that the Board has assessed itself on is the earnings per share ("EPS"). The Board endeavours to continue increasing shareholder value and returns. The Board will endeavour to grow EPS organically from our portfolio companies and growth through EPS accretive acquisitions.

Summary Financial Highlights – 2019



Note: All amounts are in GBP unless otherwise stated.

Strengths and Competitive Advantages

The Group embraces a number of principles which the directors believe provide competitive advantage.

The Group is committed to maintaining the entrepreneurial spirit and unique culture of the businesses we acquire. So much of a company's value is wrapped up in its people and its unique idiosyncrasies – it is vital to preserve winning teams, and that special something, that made the company so attractive in the first place.

The Group's flat structure and nimble approach means that decisions can be made quickly based on changes to market conditions or client demands.

The Group is highly diversified across service offering, geography and sector vertical. As further acquisitions continue, this diversification will increase. One of the benefits of maintaining individual company autonomy is that each business is its own profit and cost centre and thus risk is hived down to that level.

Significant Risks and Uncertainties

The management of risk is the responsibility of the Board of Directors who have carried out a robust assessment of the potential risks facing the Group. The Group's Principal operating risks and uncertainties are set out below.

Risk Assessments

Our business is subject to risks and uncertainties. We have identified the risks that we regard as the most relevant to our business. These are the risks that we see as most material to MBH's business and performance at this time. There may be other risks that could emerge in the future. Our principal risks include risks that could impact our business in the short-term (i.e. the next two years), medium term (i.e. the next three to ten years) or over the longer term (i.e. beyond ten years).

The most significant emerging risk is the ongoing outbreak of the Coronavirus (COVID-19). Based on the current position there will be significant impact on the short term performance of our portfolio companies. The financial impact is uncertain and unquantifiable at this point in time. We are monitoring the situation carefully as it evolves to understand the potential impact on our people and our business. We are taking all necessary steps to protect our people and mitigate the risk to our business.

Our principal risks have not fundamentally changed this year. The key risks are as follows:

- Macro-economic conditions;
- Going concern; and
- Loss of talent.

We set out below certain key controls that we believe help us to manage these risks. However, we may not be successful in deploying some or all of these mitigating actions. If the circumstances in these risks occur or are not successfully mitigated, our cash flow, operating results, financial position, business and reputation could be materially adversely affected. In addition, risks and uncertainties could cause actual results to vary from those described, which may include forward-looking statements, or could impact on our ability to meet our targets or be detrimental to our profitability or reputation.

Macro-economic Conditions

Catastrophic events, terrorist attacks or acts of war may lead to an abrupt interruption of business activities and the Group may be subject to losses resulting from such disruptions. If the business continuity plans of the Group are not available or inadequate, losses may increase further. In addition, such events and the responses to those events may create economic and political uncertainties which could have an unanticipated adverse impact on the markets in which the Group operates and on the operations of the Group.

Updates on COVID-19 impact to the Group

MBH currently operates in two countries namely New Zealand (Cape) and the United Kingdom (all other operating subsidiaries). The updates on COVID-19 related restrictions as at the date of this annual report are as follows:

New Zealand

- Construction Industry: New Zealand currently allows building and construction businesses to be open, provided they are meeting COVID-19 health and safety requirements.

United Kingdom

- Education Industry: The United Kingdom currently allows training providers to provide training online. Training on physical premises will be open on 1 June 2020, provided the premises are meeting COVID-19 health and safety requirements.

- Construction Industry: The United Kingdom currently allows building and construction businesses to be open, provided they are meeting COVID-19 health and safety requirements.
- Aged Care Industry: There are currently no restrictions in place.
- Retail Industry: Non-essential retail outlets are required to remain closed.

Key controls

The following are some of the key controls that are in place:

- Insurance. Ensuring adequate business insurance policies are in place for each company to prevent significant financial and assets loss
- Business continuity plans. Ensuring there are business continuity plans for each company.

Mitigating factors

As a collective group and being a publicly listed company, the risk of going concern reduces when compared to a standalone business. The Group has considerable financial resources, together with committed contracts with numerous customers and suppliers across different geographic areas and market sectors.

As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the uncertainties in the global economic outlook.

Going Concern

Going concern will always be one of the principal risk of the business model of MBH. The nature and size of the companies within the MBH group will always be susceptible to risks around the loss of key staff members, loss of key customers or any significant detrimental macro economic event that may result in going concerns matters. In general, small businesses have less margin for error. This includes loss of key clients or key employees. As a consequence, a single event may have a material impact of the particular company's financial results for the year.

Key controls

There are a number of financial and non financial controls that have been put in place. The following are some of the key controls that are in place:

- Financial reporting – monthly financial reporting is provided to the Board
- Audit – companies are audited under IFRS prior to joining the MBH.

- Directors Declaration – a personal liability statement that the directors of each company will signs to ensure the financial statements of the respective companies are prepared accurately and the company can pay its debts when they fall due
- Share purchase agreements – the share purchase agreements contain clauses that includes:
 - Adherence to the above points;
 - Unwind clause in the event that the profit of the company is below 70% of the profit when the company joined MBH; and
 - Reserved matters that requires MBH board approval. Reserved matters include increasing directors salaries, entering into any funding arrangements and incurring of costs over and above the delegated authority levels set by the MBH Board.

At each board meeting, the risk register is presented and discussed.

Mitigating factors

The mitigating factors are similar to the ones discussed above.

After making enquiries, the Directors have a reasonable expectation that the Group and parent company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Loss of Talent

The success of the Group's business depends upon the personal reputation, judgment, integrity, business generation capabilities and project execution skills of the business owners. The Principals' personal reputations and relationships with their clients are often a critical element in obtaining and maintaining client engagements. Accordingly, the retention of our Principals, is particularly crucial to our future success. Although the Principals have entered into an Employment agreement with the Group, the restriction period in many of the agreements does not exceed 2 years, and there is no guarantee that these will be adhered to.

Key controls

There are a number of financial and non financial controls that have been put in place. The following are some of the key controls that are in place:

- Financial incentives. The earn out components of each share purchase agreements should incentivise key personnel to remain in the business.

- Acquisition consideration. The acquisition consideration is structured and priced in a manner that does not represent an exit valuation.
- Management team. The earn out incentives are structured to ensure the senior management team are incentivised and trained to take on a larger role within each company.

Directors' Statement of Compliance with Duty to Promote the Success of the Company

The Directors are well aware of their duty under s.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company, (the "s.172(1) Matters").

Induction materials provided on appointment include an explanation of Directors' duties, and the Board is regularly reminded of the s.172(1) matters. The key matters that are consistently prevalent in the decision-making process includes:

- ensuring corporate governance policies are adhered to,
- long term objectives of the company;
- setting the right culture at Board level and through out the subsidiaries of the group; and
- increasing shareholder value.

The above is to ensure the success of the Company is at the forefront of all decision-making process.

Other Matters

On 17 June 2019, MBH acquired Asia Pacific Energy Ventures Pte Ltd and its wholly owned subsidiaries (collectively known as APEV). Since the acquisition, it has become apparent that the business strategies of MBH and APEV were moving in different directions, and the key stakeholders agree it is in the current best interest of both parties to separate. Accordingly, on 22 April 2020, by mutual agreement, APEV demerged from the MBH group. The consideration that was due to be paid to APEV shareholders has not been paid. As such, it has been deemed that the definition of control under IFRS 10 has not been satisfied and therefore the financial results of APEV have not been included in this annual report.

Future Developments

Driving organic growth

The companies acquired by the Group have excellent growth prospects. Providing a PLC environment enables them to flourish and grow their business organically.

Global client engagements

The Group has a forward-looking strategy that provides global opportunities. The subsidiaries of the Group can rely on support from MBH, whether in the form of providing the ability to carry out share acquisitions to set up new locations, or in the form of networking connections and leveraging off the other knowledge from their overseas counterparts.

Acquisition strategy

The Group continues to identify and acquire additional high-quality companies with talented entrepreneurs, in the US\$1m – US\$5m EBITDA range.

Dividends

The Board of Directors has proposed a dividend of EUR 0.005 per share. The Board will continue to be committed to the return of profits to shareholders through a distribution or share buybacks.



Callum Laing

Chief Executive Officer
MBH Corporation plc

Approved by the Directors on 29 May 2020

Corporate Governance Statement

Introduction

This statement is made by me, Allan Presland, as the Company's Chairman and explains the Company's present corporate governance arrangements and the standards with which the Company complies.

The Company has elected to adopt and comply with the QCA Corporate Governance Code (the "QCA Code"). This statement reflects the structures that the Company has adopted in order to achieve compliance with the QCA Code.

The Board Of Directors

The Company (and thereby its group (the "Group")) is ultimately managed by the directors of the Company (the "Directors"), who (individually and as a group) are responsible for running the Company for the benefit of its shareholders in accordance with their fiduciary and statutory duties.

The Board of Directors (the "Board") currently comprises six Directors: three Non-Executive Directors, and three Executive Directors. The Board has two standing committees (the "Committees"): the Audit Committee, the Nomination and Remuneration Committee.



QCA Code Principles

Principle 1:

Establish a strategy and business model which promote long-term value for shareholders.

MBH Corporation PLC uses the agglomeration model as its primary strategy for growth. The agglomeration model enables private companies to swap their privately held shares for shares in the Company.

The Board believe the agglomeration model offers a sound route to long-term value for shareholders, and as such continue to focus their primary attention on:

- identifying quality companies with strong leaders that are highly profitable, self-funding (i.e. do not require further capital) and primed for growth;
- acquiring these companies, usually in a share-for-share exchange, but always in an earnings-per-share accretive manner;
- providing the corporate governance tools, resources and infrastructure for the acquired companies to grow;
- strongly incentivising the management of acquired companies to improve their financial results and organic growth; and
- providing financial systems and business process optimisation to support the acquired companies.

The Board believes that identifying companies in different sectors, different geographies and with different currencies acts to de-risk the Group as a whole.

Principle 2:

Seek to understand and meet shareholder needs and expectations

The Board recognises that, today, the majority of the stock is held by the Principals of the companies the Company has acquired. As such, the Chairman, CEO and CFO engage with the principals on a very regular basis. As part of these exchanges, shareholder needs are captured, and fed back.

That said, the Board also recognises that as liquidity increases, through Principals divesting some of their stock and as new institutional and retail investors come it, it will become increasingly difficult to engage on a one-to-one basis with shareholders.

To this end the Board produces its report annually, and provides investors an opportunity to meet with the Board at the AGM. Additionally however, the Company produces a monthly newsletter which showcases the successes of the subsidiary companies and introduces key personnel. This newsletter is distributed to all shareholders who register on the Company's website as well as the Principals themselves.

Principle 3:

Take into account wider stakeholder and social responsibilities and the implications for long term success

The Agglomeration model allows for MBH Corporation Plc to focus on its customers, the shareholders of the Group, whilst each company within the Group operates entirely autonomously, subject to Corporate and Financial Governance.

Accordingly, the stakeholders of each individual company are managed by, and serviced by the Governance policies of those companies. That said, a key component of agglomeration is for companies within the Group to share best practice which allows other companies within the Group to learn from the stakeholder management systems of their sister companies, irrespective of sector or geography.

Most importantly however, by sharing the results of best practice, companies can feedback to both the Board and their peer Principals on progress and how it affects their operations.

Principle 4:

Embed effective risk management, considering both opportunities and threats, throughout the organization

A key tenant of the Agglomeration strategy, is to maintain each acquired company as an autonomous entity. As such, an issue in a single company does not cause contagion within the rest of the Group. None the less, the Board reviews a risk register driven from financial data every month, considering the financial health of the businesses both individually and collectively. Issues of concern are then raised with the Principal of the individual company.

Individually, each company keeps its own risk register and records threats and weaknesses as required. Given the very strong incentives though to achieve improved results the Board consider that the individual Principals are best placed to seek and find market opportunities, whilst the Board focuses on finding additional highly profitable, low debt companies with strong leaders to add to the MBH portfolio.

Principle 5:

Maintain the Board as a well-functioning, balanced team led by the chair

The main Board consists of a non-executive chairman, three executive directors, and two non-executive directors. Each member of the Board is an established and experienced senior leader with expertise in their own right. One member of the Board represents the Principals on the Board.

The structure of the Board is reviewed annually and changes are recommended to shareholders at the AGM.

The Board receives a quality information pack in advance of every formal meeting. Meetings are held at least monthly. The Board is supported by two committees (Audit, remuneration and nomination) who meet as necessary.

In addition, a board consisting of the Principals, as the primary shareholders of the Company, meets in an informal manner, on an ad-hoc basis. This board holds the main Board to account.

Principle 6:

Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.

The Board consists of 6 directors with varying sector experience. Details of the Board members are contained in this Annual Report.

Principle 7:

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The effectiveness of the Board is vital to the success of the company.

Consequently, the Board considers the evaluation of its collective, and individual performance as fundamental in establishing a culture of accountability and transparency. To this end, it's the Board's intent that each member of the Board's performance will be reviewed annually. The Board does consider however, that given the Company is in a period of considerable growth, a small and agile team is best suited at this time.

In addition to reviewing performance, the Board also reviews annually how directors maintain their skill and knowledge necessary to meet their obligations.

However, the Board structure is continuously evaluated by a sub-committee and changes and amendments recommended where thought necessary.

Principle 8:

Promote a corporate culture that is based on ethical values and behaviours

The Company has a clear value set which defines how it wishes to operate. The Board embrace the value set and work to ensure that all meetings and all decisions are made in line with the value set.

Given that the companies with the Group are all run autonomously, they each have their own value set which they abide by.

Principle 9:

Maintain governance structures and processes that are fit for purpose and support good decision making by the board.

The Board have reviewed these principles and have concluded they are fit for purpose for the Company considering how recently it has listed and the current market cap. Key controls in place include:

- monthly financial reporting;
- delegated expenditure authority limits imposed across the whole Group;
- legal declarations from the directors of each company which confirms that each subsidiary is solvent;
- independent review of agreements or contracts that are material for the Group;
- securities trading policy;
- continuous disclosure policy;
- code of conduct;
- principals charter and
- board charter.

Given the Board's very ambitious growth plans the Board also consider that the governance structure and process will need frequent review. As such the Board have decreed that these Governance rules will be reviewed on the anniversary of listing and/or on reaching a market cap of £ 100m, whichever comes sooner.

The Board is supported by two committees, namely the Audit and Nomination and Remuneration Committee.

Principle 10:

Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

The Board values the views of all its shareholders. It also acknowledges their interest in the Company's strategy and success.

The Board communicates to stakeholders through its annual and half-yearly report, through its website and newsletter, through frequent IR releases and through briefings given to analysts and institutional investors.

Audit Committee

The key responsibilities of the audit committee are as follows:

- Effective governance over the appropriateness of the Group's financial reporting, including adequacy of related disclosures;
- Oversight of the Group's system of internal control, including risk management;
- Oversight of the work and findings of external audit; and
- Review the effectiveness of processes for Compliance with laws, regulations and ethical code of practice.

The committee acts independently of the executive directors and all its members are non-executive directors of the Company. Mr David Hallam and Mr Toby Street sit on the audit committee.

The audit committee has met four times this year and other attendees included the Chief Financial Officer, and the external auditors.

The committee:

- Reviewed the 2019 Annual report;
- Reviewed the results announcement;
- Considered the quality and appropriateness of accounting policies and practices and critical accounting estimates and key judgements;
- Assessed whether the 2019 Annual Report, taken as a whole, is fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- Considered and approved the audit plan and scope of work; and
- Considered and approved the letter of representation.

Nomination And Remuneration Committee

The key responsibilities of the nomination and remuneration committee are as follows:

- Lead the appointment process for new directors and make recommendations to the Board;
- Ensure the Board and committee members have the right balance of skills, experience, diversity, independence and knowledge to effectively discharge their duties; and
- Ensure the Board is appropriately remunerated to discharge their duties.

Mr David Hallam, Mr Callum Laing and Mr Allan Presland sit on the Nomination Committee.

The committee has met four times this year.



Chairman



Allan Presland
Non-Executive Chairman

Appointed:

7 March 2018

Skills and experience:

Allan is the founder and CEO of Parenta, as well as the founder and CEO of Lara Group. He holds an MBA from Oxford Business School, a bachelor's degree from the University of Reading in Building Services Engineering and Management, a diploma in marketing from the Institute of Marketing, and is a member of both the Chartered Institute of Marketing and the Institute of Directors.

Other Appointments:

Allan is a director of the following companies:

- Parenta Group Ltd
- Parenta Holdings Ltd
- Lara Group PLC
- Amplify Investments Ltd
- Parenta Trust
- Parenta Training Ltd
- Parenta Ltd
- Uovo Group PLC
- Hex Investments Ltd
- Parenta Partners LLP

Executive Directors



Callum Laing
Chief Executive Officer

Appointed: 16 January 2017

Skills and experience: Callum has more than two decades of experience in starting, building, buying, and selling over half a dozen businesses in a range of sectors, including recruitment, sport and lifestyle, information technology, and telecommunications. He has published best-selling books on business, has interviewed and published more than 1,000 interviews with entrepreneurs and sits as High Commissioner to the World Business Angel Investor Forum in Singapore.

Other Appointments: Nil



Victor Tan
Chief Financial Officer

Appointed: 16 February 2018

Skills and experience: Victor is a member of the Institute of Chartered Accountants in Australia since 2004. Victor has experience in finance, accounting, corporate strategy and mergers and acquisitions spanning across Australia, Asia and the United Kingdom. He commenced his profession in mid tier and Big 4 accounting firms and has held a number of senior positions in small to top 25 Australian Stock Exchange listed companies.

Other Appointments: GCT Horizon Pte Ltd



Victoria Sylvester
Executive Director

Appointed: 29 May 2019

Skills and experience: Victoria joined the Issuer as Executive Director in 2019. She has extensive experience in leading businesses and is an MBH Principal of her own company in the Group, Acacia. Victoria has experience in the UK education sector and social care, as well as experience of supporting business turnaround with other companies and voluntary roles within education related governing boards

Other Appointments:

- Acacia Training Limited
- Foundations Nail & Beauty Academy Ltd
- Samuel Hobson House Limited
- R&V Sylvester Limited
- Middle Coppice Management Limited
- SHH Top Co Ltd

Non-Executive Directors



David Hallam
Non-Executive Director

Appointed: 7 March 2018

Skills and experience: David is a business executive, entrepreneur and investor with 30 years+ experience who built his own business in the IT sector and sold it for many millions into a global FTSE business in 2010. David has helped the group grow from £70 million market cap to £1 billion market cap business. He's been involved in many business acquisitions.

He's identified the requirements needed to help small and medium size businesses grow into larger organisations and the value he delivers into these businesses at board and executive level is focused on these specific requirements. He has built and advised on strategic direction for many organisations, (listed and privately owned) in many industry sectors and been responsible for building new services and products bringing them successfully into the new and emerging market places.

David has also helped smaller businesses go to market for sale in an advisory capacity or as Non-Executive Director.

Other Appointments: NIL



Toby Street
Non-Executive Director

Appointed: 16 January 2017

Skills and experience: Toby has been a previous business owner of digital marketing agency in London, listed on the Nasdaq Stockholm stock exchange. Other experience includes working at renowned real estate & private equity company Mayfair, London, advising high net worth individuals on investment.

Other Appointments:

- Street Assets Ltd
- Daytrum Ltd
- Algatron Ltd
- Fasted Life Ltd
- Corsora Ltd

Board Changes

Allan Presland and Toby Street are stepping down from their roles as Non-Executive Chairman and Non-Executive Director respectively.

Victor Tan will be stepping down from his role as Executive Chief Financial Officer on the board but will remain CFO to MBH Corporation plc.

David Hallam will be stepping down from his role as Non-Executive Director, but will remain as Board Advisor.

Lana Coronado will be joining the Board as Non-Executive Chairperson subject to shareholder approval at the AGM.

Time Commitment Of Directors

The Executive Directors devote any time necessary to the role as required. Non-Executive Directors attend Board meetings and they are also required to attend committee meetings as and when required by the Board.

Frequency Of Meetings

The Board meets at least once every two months and relevant information is distributed to Directors in advance of the meetings.

The Group does not have a formal schedule of matters reserved to the Board but does maintain a delegated authority framework which is periodically reviewed and approved by the Board. Save for those matters delegated, the Board makes decisions on all material matters including strategy, annual operating and capital budgets, capital structure and financial and internal controls.

Director's attendance at Board and Committee meetings during the year was as follows:

Director	Board Meetings		Audit Committee		Nomination and Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
Callum Laing	13	13	N/A	N/A	4	4
Allan Presland	13	12	N/A	N/A	4	4
Victor Tan	13	13	N/A	N/A	N/A	N/A
David Hallam	13	10	4	4	4	4
Toby Street	13	10	4	4	N/A	N/A
Victoria Sylvester	9	9	N/A	N/A	N/A	N/A

Evaluating Board Performance

The Board has a number of sources of information from which it judges its own performance and that of the individual Directors, these include but are not limited to:

- a. financial performance indicators including revenue, gross margin, net margin, earnings per share and cash flow;
- b. the Company's share price;
- c. reports from external auditors; shareholder feedback;
- d. formal and informal reviews of its effectiveness by the Company's nominated adviser; and
- e. employee feedback.

All these factors are considered and action taken to improve performance as appropriate.

The Board will formally evaluate its own performance (whether itself, through its retained advisers, or by engaging external consultants) not less than once a year.

Directors have access to professional courses where appropriate. Non-Executive Directors ensure they keep current with appropriate regulations and Board-appropriate websites and current affairs.

Environmental, Social and Governance [ESG]

At its heart MBH is about supporting small businesses and providing an environment where they can grow quickly. Our impact on communities around the world will ultimately be by the number of jobs our subsidiaries are able to create as they scale up. The entrepreneurs we are backing are already change makers. As well as the challenges they are solving for the companies they serve, many of them are involved in charity work such as Allan and his Parenta Trust charity, building schools in Africa. In addition, all Principals that join our group support our work with BIG1.com (see box below for more details)



Whilst many of the MBH Principals have their own preferred charities, we have one organisation that we have partnered with since the beginning. BIG1.com or 'Buy One Give One', is an organisation that works with small businesses around the world to tie business transactions to charitable givings with 100% of all funds going to nominated causes. For example, if you were to leave a review on Amazon for our CEO's new book 'Entrepreneurial Investing', Callum donates student learning books to schools in developing countries for every review received. In this way the act of giving becomes integrated into business activities. Over the coming year we look forward to partnering more with BIG1.com and you will soon be able to track the projects funded on our website.

We believe that it is entrepreneurs like those we work with that will solve many of the challenges the world faces today.

Today a big part of our ESG focus will be on helping companies and communities spring back after the effects of the pandemic, a bit part of that will be a focus where possible of retaining and growing jobs within the companies in the group.

Subsidiary Stories



Victoria Sylvester

Executive Director

Victoria Sylvester is Executive Director, Principal's Representative on the board at MBH, and Managing Director at Acacia Training. In her role as Principal's Representative she acts as a bridge between the Group and its companies to ensure there is strong, positive, two-way communication and engagement from the companies in the strategic direction of the group.

Victoria: "MBH is all about harvesting and further developing the best aspects of entrepreneurship. Extending further than that, MBH has engaged a wonderful and diverse collective of established and successful entrepreneurs who all bring a range of talent, experience, forward thinking creativity and a unique resilience – supported by skills – to adapt quickly, developed through their experiences of growing within SME environments in a variety of sectors and countries.

As the Principals Representative role, there are two key questions I often get asked:

How can companies from different sectors come together and this work successfully?

This is possible because fundamentally, despite what the companies deliver as a service or product in their respective businesses, the fundamentals of being a CEO in a business are the same. Coupled with the fact that we all have a common and shared goal to ensure MBH is successful and growing we have more in common than is often realised. The diversity of the companies, countries and verticals is a key strength of MBH as we navigate our businesses through opportunities and challenges, as well as the learnings that can come from each other. Therefore, the more successful companies who join, the more verticals we create and the more value the group holds as a collective through its diversity.

What does "collaborative working" look like in real terms?

This question is often over thought. Collaborative working in MBH is purely and simply about impact. Where there are opportunities for companies to work together in the group that have a positive impact on each other, and subsequently a positive impact on the group, collaborative working happens. This is not a forced working practice – this is about companies in the group identifying and seizing opportunities, something entrepreneurs are particularly skilled at doing. So, collaborative working like a lot of the key elements in MBH, is an open source of opportunity which the entrepreneurs in the group access and maximise.

The MBH has enabled us to grow together through collaboration, learning and engagement with each other. Our missions, how we develop and how we grow as individual businesses are different, yet our core values and vision to ensure MBH's success are the same, creating the unique alignment that we have built under the agglomeration concept.

The journey to date has been incredible and I believe there are no limits to what we can achieve as a group. We have an exciting future ahead."

As documented, up to today's date, our CEO purchased 1 million shares at an average price of EUR 0.98 per share.

Meet the MBH Subsidiaries

Company Name:	Acacia Training Limited
Short description of business operations:	Independent Education Provider
Establishment date:	2000
Team size (employees and permanent contractors):	90
Principal Name:	Victoria Sylvester
Home Country:	UK
Joined MBH:	2018
Main achievements being part of MBH:	Tactical acquisitions & year on year EBITDA growth

Case study: Acquisition Growth

UK Sports

Since joining the group in late 2019, UK Sports has already implemented their strategic growth plan. They have secured an additional contract, are in negotiations with another and have opened their first site outside of London in line with their plans to cover more parts of the UK. They have expanded their course portfolio adding in some commercial courses and updated their technology to facilitate an online delivery model. In a short time, they have made good progress and are well on track to continue to grow their business over course of this year and beyond focusing on three key areas – new contracts/business, expansion geographically and acquisitions.

KS Training

KS Training has been working in close partnership with Acacia Training and has developed their operational processes, which has facilitated an increase in sales during the first quarter of 2020. Their strategic plan focuses on growth, diversification of revenue and expansion of their current offer, on which they have made good progress to date having secured an additional contract.

International School of Beauty Therapy [ISOBT]

ISOBT joined Acacia Training as an asset purchase in 2019 with a view to facilitating growth on Acacia's existing contracts, move provision in house as oppose to sub-contracting and diversify the commercial offering. Since being part of the group, the company has supported growth on two key contracts that Acacia holds which has seen Acacia attract 50% growth on one of these within 12 months, with a further 40% growth predicted for 2020 and the revenue & profit staying within the group as oppose to being outsourced as was previously done. They have successfully built up their offering and now deliver more qualifications attracting more business.

Apprenticeship Supermarket

Apprenticeship Supermarket was a small asset purchase bringing in some specialist courses and a bank of customers to drive forward a new area to the business relating to employability courses which then act as a vehicle to progress learners onto further programmes with Acacia. It is planned over the course of this year that this asset purchase will be a full embedded part of Acacia.

Company Name:	Parenta Group
Short description of business operations:	The UK's leading provider of back office solutions to the childcare sector
Establishment date:	2000
Team size (employees and permanent contractors):	150
Principal Name:	Allan Presland
Home Country:	UK
Joined MBH:	2018
Main achievements being part of MBH:	Ability to incentivise senior management team with share based equity plan if warranted.

Company name:	Cape Ltd
Short Description of business operations:	Leading fit out business based in New Zealand, offering fast, well-managed fit outs for retail and commercial projects.
Established:	2005
Team size (employees and permanent contractors):	37
Principal Name:	David Howes
Home Country:	New Zealand
Joined MBH:	2018
Main Achievements being part of MBH:	As most of our projects require a bond (this is a bank guarantee which required security) being part of a larger and established group means that we have been able to secure bigger bonds and therefore secure larger, more profitable projects.

Case Study: Organic Growth – construction sector

Cape is an example of one of the companies in the Construction group who have managed to complete some incredible projects whilst being part of MBH.

Project:	99 Khyber Pass Road, Auckland, New Zealand
Construction type:	Building Refurbishment and Seismic upgrade
Project duration:	6 months, completed August 2019
Client:	Argosy
Project value:	Approximately £3.1m
Location:	99 Khyber Pass Road, Auckland, New Zealand

In January 2018 we were approached by Argosy to develop a budget for a preliminary design for the refurbishment of 99 Khyber Pass Road in Auckland so that they could apply for funding for the project. The work entailed the full refurbishment of the building including new curtain walling to three sides of the building and aluminium cladding to the fourth, a seismic upgrade to >67% National building standing and a full upgrade of the mechanical and electrical services in the building all connected to a new remotely accessible BMS system with meters and inputs at every point to allow the building to achieve a “Nabers rating”. Nabers rating is a measure of earthquake strengthening.

Cape was then engaged to work with the design team and project manager to fine tune the design, construction methodology and costs. We assisted in the ordering of long lead items like the curtain walling to ensure we meet our window of opportunity over the 2018 Christmas period when the tenants would not be in the building for the facade demolition and new curtain wall installation. This included tendering out for Design & build packages for services working to a tight deadline to ensure plant could be ordered in advance.

Once pricing was underway we were able to design a more cost-effective method for installing parts of the structural steel for the seismic upgrade resulting in a significant saving which meant that more money could be spent on the finishes to the lobby.

During the project we needed to work around at least one of the two tenants at any one time, working closely with Argosy and the tenant to ensure that our works resulted in as little disturbance as possible to their daily operations. This meant being on call 24 hours to react to any requests or emergencies and ensuring that our operations were communicated clearly and well in advance.



Project:	AA Insurance
Construction type:	Interior Fit out
Project duration:	3.5 months
Client:	Stack
Project value:	Approximately £0.7m
Location:	46 Sale Street, Auckland CBD, New Zealand

This was a 4200 sqm fit out integrated with the completion of the basebuild works, spanning over 3 floors of a brand new building to house over 600 staff.

As the base-build main contractor was still completing works at the same time, we worked alongside them to overcome one of the main logistical challenges. We craned in 3 x 10m long 480mm I beams and associated structural steel through a perimeter window on the 5th floor, to install in support of the 3 large Hufcore doors.

Each floor consisted of a mixture of solid and glazed partitions, with sliding aluminium framed glass doors,

hinged doors and frameless glass pivots. In the reception area, full height timber framed glazed partitions and sliders were a feature, as was the white washed polished concrete and the steel clad reception counter. There was a large joinery package which had kitchens, utilities, café, break-out spaces and even grandstand seating spread over all floors. The joinery scope also grew considerably towards the very end of the project, meaning a quick turnaround of a number of feature units was required.

Having a shared space on the floors for the base-build staircase also meant enhanced Health & Safety measures needed to be taken by Cape to ensure the safety of our team.



Project:	Maori Television Services
Construction type:	Demolition and Interior Fit out
Project duration:	24 weeks on site
Client:	Maori Television Services
Designer:	RCG
Project Manager:	Octa Associates
Project value:	Approximately £2.3m
Location:	Auckland, New Zealand

After successfully winning a Preliminary & General and Margin based Tender, we were integrated into a team that consisted of RCG, OCTA, Telco, Grassvalley, Marshallday and LoughDowney. This project had an extremely short time frame as Maori Television Services current premises was set for an overhaul by their current landlord and their move in date could not be moved. So MTS needed this new space all hooked up and ready to broadcast from day one.

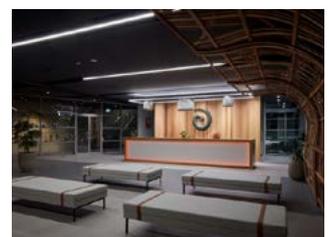
We set a programme for the design and sections of the budget so that areas of work and the associated trades where confirmed in advance of work being needed to start on site so as to not to delay the fit out. We helped with the practical input around the design and buildability of some of the complex finishes, sound rating and service reticulation.

The fit out consisted of numerous meeting rooms, a central gathering area focused around the Café and breakout space.

Throughout cedar Tongue & Grooved was used to give the whole fit out a warm feel. Through the use of detailed acoustic panels and ceilings the open plan layout remains quiet, in keeping with the fact that there is an open live news broadcasting studio and numerous recording and editing suites.

Due to the large element of infrastructure required to operate all of the recording, voice over studios and editing suites we worked in closely with Maori Television Services tech contractor Grassvalley to ensure their cables and hardware were all in place and working for day one. Part of getting this to work was to ensure that the Central apparatus room, with some 15 tons of media gear was all up and running while ahead of the actual construction of the fit out. This was so that test runs and training could be carried out ahead of the final cross over.

Due to this collaborative approach from the beginning the project was handed over fully functional and ready to go live on time.



Company Name:	duBoulay Contracts Ltd
Short description of business operations:	High-end fit out contractor transforming spaces in retail, restaurants, hotels and residential
Establishment date:	1978
Team size (employees and permanent contractors):	18
Principal Name:	Gauri Lamb
Home Country:	UK
Joined MBH:	2018
Main achievements being part of MBH:	<p>Following joining MBH back in December 2018, du Boulay contracts has undertaken a large growth in terms of staff, market share, turnover and profit which we attribute to being part of a large PLC.</p> <p>We feel that joining MBH has had a major impact on the stability of the business which has been noticed by our clients which include the world famous retail names of Harrods and Fortnum & Mason.</p>

Case Study: Organic Growth for duBoulay

In November 2019 we were appointed by Harrods, for two large prestige restaurants within the basement level of the world renowned department store in London. We worked with a large popular designer in New York to undertake the design, along with a UK architect. Our work involved digging into the original foundations, which were laid way back in 1901, without any details of how they were laid, to install underground drainage for the restaurants. This was just one of the challenges we overcame. The design is classic and of hallmark quality installation. The restaurant was opened in February 2020 and we are currently still on site for one other restaurant at Harrods with a completion date in early July this year.

Harrods Brasserie Restaurant:



Harrods Baccarat Bar:



Fortnum & Mason – The Royal Exchange

We were appointed in 2019 to undertake a restaurant and retail fit out within The Royal Exchange in the heart of the City – a Grade 1 Listed 16th century. There were many obstacles in building a kitchen, restaurant and mini department store to overcome, including not fixing into the structure, and also allowing other shopping concessions nearby to continue to trade. The retail space features bespoke joinery incorporating refrigerated units and custom light fittings. The standalone counters are formed in oak with Corian counter tops. The cocktail bar is formed in nickel and takes pride of place in the central atrium of The Royal Exchange. This was handed over to the client in March 2019 and has since been nominated for design awards.



Fortnum & Mason – Piccadilly

We were appointed to undertake the construction of the confectionary section within the 313 year old Piccadilly store of Fortnum & Mason. The store had to remain trading whilst we worked to ultimately unveil bespoke gondolas display tables, refrigerated counter with a chocolate tap and back display all in high quality showing off their exquisite chocolates.



“These highlighted projects are only a small percentage of the amazing works that we have undertaken as a business and our reputation has been strengthened by the stability that the PLC provides.” – Scott Linden, Managing Director, duBoulay Contracts Ltd.

Company Name:	Guildprime Specialist Contracts Ltd
Short Description of the business:	High end fit out contractor, working in the Residential, Retail and Commercial sectors. Across Europe and the middle east
Established:	2004
Team size (employees and permanent contractors):	65
Principal Name:	Kevin Potter
Home Country:	UK
Joined MBH:	2019
Main achievements being part of MBH:	Being a part of the MBH Corporation has allowed us to procure and tender for much larger projects and put us in a great position to be able to acquire other high end like minded companies, which enables us to grow and maintain our enviable position and reputation within the industry.

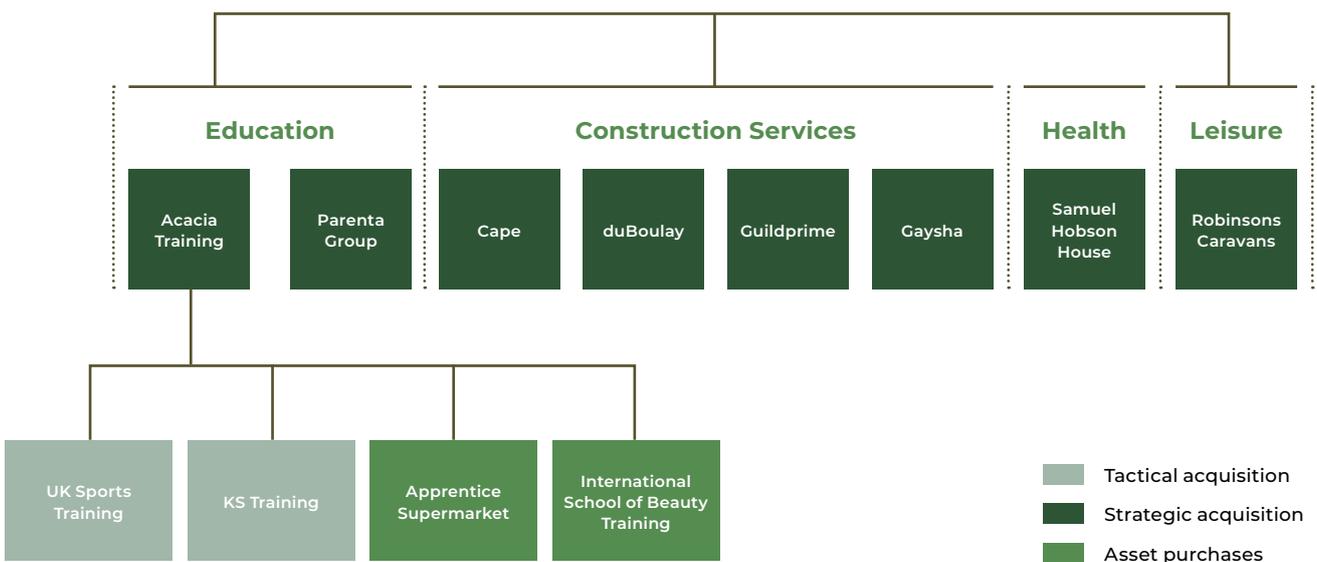
Company Name:	Gaysha Ltd
Short description of business operations:	Gaysha are a fit out and refurbishment principal contractor working on behalf of some of London's largest landowners across London's most prestigious addresses. Working across the residential, commercial and industrial sectors, we deliver high quality, safe, sustainable and cost-effective fit outs and refurbishments in a way that is sensitive to residents, neighbours and the local environment.
Establishment date:	1997
Team size (employees and permanent contractors):	50
Principal Name:	Ian Elsey
Home Country:	UK
Joined MBH:	2019
Main achievements being part of MBH:	Joining MBH has allowed us to pitch and work on larger value contracts with the financial support of the PLC.

Company Name:	UK Sports Training Ltd
Short description of business operations:	Independent Education Provider within Fitness Industry
Establishment date:	2012
Team size (employees and permanent contractors):	7
Principal Name:	Ben Tomlin
Home Country:	UK
Joined MBH:	2019
Main achievements being part of MBH:	Gained additional contract and back office support, plus additional staff training to up-skill current workforce. Leadership training for management team to help with plans to scale.

Company Name:	KS Training Ltd
Short description of business operations:	KS Training Ltd is a provider of apprenticeships and other training programmes for the care sector. Based in Birmingham and offering services across the whole of mainland England we offer programmes in Care for care workers, team leaders and managers ensuring that our clients have access to the best quality teaching and learning tools, resources and expertise to enable them to reach their staff development goals.
Establishment date:	2012
Team size (employees and permanent contractors):	14
Principal Name:	Kieran Smythe
Home Country:	UK
Joined MBH:	2019
Main achievements being part of MBH:	Access to other national funding streams previously unavailable. Namely ESF funding and advanced learning loans. Also being able to join with larger training providers in the group to bid for much larger contracts collectively, finally support and mentoring from business leaders in our sector (who are part of MBH) who have experienced all of the challenges of growing a small business like ours and are assisting us with navigating the path from small provider to medium / large provider.

MBH

CORPORATION



Independent Auditor's Report to the Members of MBH Corporation Plc

Opinion

We have audited the financial statements of MBH Corporation Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the consolidated and parent company statements of comprehensive income, consolidated and parent company statements of financial position, consolidated and parent company statements of changes in equity, consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

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 public interest 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

This is not a complete list of all risks identified by our audit.

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Acquisition accounting – parent company only</p> <p>As detailed in Note 24 to the financial statements, the group acquired a number of subsidiary companies during the year with both initial consideration and contingent consideration being in the form of shares in the parent company.</p> <p>Accounting for business combinations is complex and requires the recognition of both consideration paid and acquired assets and liabilities at the acquisition date at fair value, which can involve significant judgement and estimates.</p> <p>There is a risk that inappropriate assumptions could result in material errors in acquisition accounting.</p>	<p>We obtained a copy of the sale and purchase agreements to confirm the initial consideration for these acquisitions, as well as assessing the accounting for the contingent elements of the acquisition.</p> <p>We performed audit work on the acquisition balance sheets to confirm the opening balances as at date of acquisition.</p> <p>We also assessed the disclosures made and application of accounting standards in line with IFRS.</p>
<p>Goodwill – group only</p> <p>As detailed in Note 13 to the financial statements, the group recognises goodwill on acquisition of subsidiaries, which management test for impairment on an annual basis in line with accounting standards.</p> <p>There is a risk that the uncertainty surrounding the trade of each subsidiary could resulting a material error in respect of the recoverability of goodwill.</p>	<p>We have obtained and reviewed the detailed workings to support the initial recognition of goodwill.</p> <p>We have considered the validity of forecasts provided for each of the entities acquired and verified the assumptions used in the going concern assessments of those entities.</p> <p>We also assessed the disclosures made and application of the standard in line with IFRS.</p>
<p>Valuation of investments – parent company only</p> <p>The valuation of investments relating to subsidiaries of the parent company is directly linked to the assessment of goodwill on consolidation as noted above.</p> <p>There is a risk that the uncertainty surrounding the trade of each subsidiary could result in a material error in respect of the recoverability of investments.</p>	<p>We have obtained and reviewed the detailed workings to support the initial recognition of investments.</p> <p>We have considered the validity of forecasts provided for each of the entities acquired and verified the assumptions used in the going concern assessments of those entities.</p> <p>We also assessed the disclosures made and application of the standard in line with IFRS.</p>

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Our application of materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements.

We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the group financial statements as a whole to be £350,000 (2018: £250,000) based on a percentage of group turnover.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £17,500 (2018: £12,500). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risk of material misstatement at the group level.

The group comprises 9 trading subsidiaries located in the UK and New Zealand, of which 7 are considered to be significant components. Monitoring and control over the operations of these subsidiaries, including those located overseas, is undertaken at a local level, with overall control being situated in Singapore. The remaining trading subsidiaries are not considered to be significant components.

In addition to the parent company, we were engaged to undertake full scope audits of 5 (2018: 3) UK-based trading components of the group. The remaining trading entities were audited by component auditors under our direction and review.

Whilst materiality for the group financial statements as a whole was set out as detailed in this report, each component of the group was audited to a lower level of materiality.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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. In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with 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 its 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 and the part of the directors' remuneration report to be audited 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 the directors

As explained more fully in the directors' responsibilities statement, set out on page 10, 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 the 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 or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by the Directors on 20 December 2019 to audit the financial statements for the period ending 31 December 2019. Our total uninterrupted period of engagement is 2 years, covering the periods ending 31 December 2016 to 31 December 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of this report

This report is made solely to the 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.



Mario Ciantanni (Senior Statutory Auditor)
For and on behalf of

Barnes Roffe LLP
Chartered Accountants and Statutory Auditors
Charles Lake House
Claire Causeway, Crossways Business Park
Dartford, Kent, DA2 6QA

Date: 29 May 2020

Consolidated Statement of Comprehensive Income

Year Ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Continuing operations			
Revenue from contracts with customers	5	50,780	12,511
Cost of sales		(38,572)	(8,672)
Gross profit		12,208	3,839
Administrative expenses		(8,094)	(2,280)
Finance costs, net	6	(128)	(20)
Operating profit		3,986	1,539
Non-operating expenses		-	(121)
Fair value loss		(69)	-
Profit before income tax		3,917	1,418
Income tax expense	7	(299)	(172)
Profit for the year	8	3,618	1,246
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign exchange differences on conversion of bonds		(2)	-
Foreign exchange differences on translation of foreign operations		(75)	7
Other comprehensive income for the year, net of tax		(77)	7
Total comprehensive income for the year		3,541	1,253
		£	£
Earnings per share for profit from continuing operations			
Basic earnings per share (pence)	26	11.00	12.22
Diluted earnings per share (pence)	26	10.36	11.21

The Group had no non-controlling interests during the year. Both the profit for the period and the total comprehensive income for the period are wholly attributable to the equity holders of the Company.

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	2019 £'000	2018 (Restated) £'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	1,150	246
Intangible assets	11	3,215	2,797
Right-of-use assets	12	1,844	-
Goodwill	13	36,540	29,640
Investment	14	2	2
Deferred tax assets	15	438	190
Total non-current assets		<u>43,189</u>	<u>32,875</u>
Current assets			
Cash and cash equivalents	16	4,508	1,523
Trade and other receivables	17	21,197	8,280
Inventories	18	172	-
Total current assets		<u>25,877</u>	<u>9,803</u>
Total assets		<u>69,066</u>	<u>42,678</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities	12	1,468	-
Deferred tax liabilities	15	97	10
Loan and other borrowings	19	709	484
Contingent consideration	20	3,175	3,838
Total non-current liabilities		<u>5,449</u>	<u>4,332</u>
Current liabilities			
Lease liabilities	12	389	-
Loan and other borrowings	19	1,072	1,218
Contingent consideration	20	3,258	2,988
Contract liabilities	21	448	622
Trade and other payables	22	14,839	4,760
Current tax liabilities		330	403
Total current liabilities		<u>20,336</u>	<u>9,991</u>
Total liabilities		<u>25,785</u>	<u>14,323</u>
Net assets		<u>43,281</u>	<u>28,355</u>

	Note	2019 £'000	2018 (Restated) £'000
EQUITY			
Share capital and share premium	23	38,455	27,039
Other reserves	19	30	63
Translation reserve		(68)	7
Retained earnings		4,864	1,246
Total equity		<u>43,281</u>	<u>28,355</u>

These financial statements were approved by the Directors and authorised for issue on 29 May 2020, and were signed on their behalf by:



Callum Laing

Chief Executive Officer

MBH Corporation plc

Company Registration Number: 10238873

Consolidated Statement of Changes in Equity

As at 31 December 2019

	<u>Share capital and premium</u>	<u>Other reserves</u>	<u>Translation reserves</u>	<u>Retained earnings</u>	<u>Total</u>
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2018	222	-	-	*	222
Profit for the period	-	-	-	1,246	1,246
Other comprehensive income	-	-	7	-	7
Total comprehensive income for the year	-	-	7	1,246	1,253
Transactions with owners in their capacity as owners					
Issue of ordinary shares as consideration for a business combination	25,853	-	-	-	25,853
Issue of ordinary shares	500	-	-	-	500
Credit to equity for equity-settled share-based payments	305	-	-	-	305
Issue of convertible bonds	-	63	-	-	63
Conversion of convertible notes	159	-	-	-	159
Total contributions by owners	<u>26,817</u>	<u>63</u>	<u>-</u>	<u>-</u>	<u>26,880</u>
Balance at 31 December 2018	27,039	63	7	1,246	28,355
Profit for the year	-	-	-	3,618	3,618
Other comprehensive income	-	(2)	(75)	-	(77)
Total comprehensive income for the year	-	(2)	(75)	3,618	3,541
Transactions with owners in their capacity as owners					
Issue of ordinary shares as consideration for a business combination	2,589	-	-	-	2,589
Issue of ordinary shares as consideration for contingent performance	436	-	-	-	436
Credit to equity for equity-settled share-based payments	500	-	-	-	500
Issue of treasury shares	7,488	-	-	-	7,488
Conversion of convertible notes	403	(31)	-	-	372
	<u>11,416</u>	<u>(31)</u>	<u>-</u>	<u>-</u>	<u>11,385</u>
Balance at 31 December 2019	<u>38,455</u>	<u>30</u>	<u>(68)</u>	<u>4,864</u>	<u>43,281</u>

* Amount less than £1,000.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

As at 31 December 2019

	2019 £'000	2018 £'000
Operating activities		
Profit before income tax	3,917	1,418
Adjustments for:		
Interest income	(3)	(1)
Interest expense	131	21
Depreciation of plant and equipment	141	34
Amortisation of intangible assets	618	187
Depreciation of right of use asset	363	-
Amortisation of transaction costs	35	18
Fair value adjustment	69	-
Loss on disposal of plant and equipment	3	-
Acquisition related expenses	-	121
Share-based payments expense	500	305
Operating cash flows before movements in working capital	5,774	2,103
Increase in trade and other receivables	(1,640)	(1,380)
Increase in inventory	(44)	-
Increase (Decrease) in trade and other payables	1,890	(82)
(Decrease) Increase in contract liabilities	(494)	189
Cash generated by operations	5,486	830
Income tax paid	(486)	(53)
Net cash from operating activities	5,000	777
Investing activities		
Interest received	3	1
Purchase of plant and equipment	(201)	(51)
Addition to intangible assets	(1,028)	(384)
Acquisition of subsidiaries, net of cash acquired	(152)	(3)
Net cash used in investing activities	(1,378)	(437)
Financing activities		
Interest paid	(50)	(21)
Repayments of bank loan	(209)	(44)
Payment of lease liabilities	(411)	-
Proceeds from issue of convertible note	-	976
Transaction costs related to loans and borrowings	-	(89)
Net cash from financing activities	(670)	822
Net increase in cash and cash equivalents	2,952	1,162
Cash and cash equivalents at beginning of year	1,175	(*)
Effect if foreign exchange rate charges	(112)	13
Cash and cash equivalents at end of year (note 16)	4,015	1,175

* Amount less than £1,000.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to Consolidated Financial Statements

As at 31 December 2019

1. GENERAL INFORMATION

MBH Corporation plc (“the Company”) is a public limited company domiciled and incorporated in the United Kingdom (Company Registration Number 10238873). The registered office address is 7 Royal Victoria Patriotic Building, John Archer Way, London SW18 3SX, United Kingdom.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are set out in note 24.

These financial statements are presented in British Pounds.

2. ADOPTION OF NEW AND REVISED STANDARDS

New and amended IFRS standards that are effective for the current year

The accounting policies adopted are consistent with those previously applied except that in the current financial year, the Group has adopted all the IFRS which are effective for annual financial periods beginning on or after 1 January 2019. Except for the impact arising from the adoption of IFRS 16 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group.

Impact of initial application of IFRS 16 Leases

In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in note 3. The impact of the

adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The effect of adoption of IFRS 16 as at 1 January 2019 is as follows:

	£'000
	Increase
Assets	
Right-of-use assets	<u>1,508</u>
Liabilities	
Lease liabilities	<u>1,508</u>

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets.

(a) Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on ‘risks and rewards’ in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on Lessee Accounting**(i) Former operating leases**

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

- a. Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- b. Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
- c. Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

(ii) Former finance leases

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's consolidated financial statements.

(c) Financial impact of the initial application of IFRS 16

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current and prior years.

There is no impact on assets, liabilities and equity as at 1 January 2018 as the Company is an investment holding company at that point of time.

The application of IFRS 16 has an impact on the consolidated statement of cash flows of the Group.

Under IFRS 16, lessees must present:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities;
- Cash paid for the interest portion of a lease liability as either operating activities or financing activities, as permitted by IAS 7 (the Group has opted to include interest paid as part of financing activities); and
- Cash payments for the principal portion for a lease liability, as part of financing activities.

The adoption of IFRS 16 did not have an impact on net cash flows.

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 17 – *Insurance Contracts*
- IFRS 10 and IAS 28 (amendments) – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to IFRS 3 – *Definition of a business*
- Amendments to IAS 1 and IAS 8 – *Definition of material*
- Conceptual Framework – *Amendments to References to the Conceptual Framework in IFRS Standards*

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in the year of initial application.

3. ACCOUNTING POLICIES**a. Statement of compliance with IFRS**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and interpretations issued by the IFRS Interpretation issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting in IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

b. Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

The principal accounting policies adopted are set out below.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

d. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-Based Payments* at the acquisition date (see below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination.

Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

e. Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) 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 a subsequent period.

On disposal of a cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

f. Revenue recognition

The Group recognises revenue from the following major sources:

Software cloud provider

The Group provides cloud-based software solutions to the nursery sector. Revenue is recognised in the accounting period in which the services are rendered. For fixed price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefit simultaneously.

Some contracts include multiple deliverables, such as nursery management software, child progress tracking software. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost-plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. Of the payments exceed the services rendered, a contract liability is recognised.

Vocation training provider

Revenue from course fees is recognised over the duration of the course. Revenue that is recognised but yet to be billed is included in contract asset.

The Group charges non-refundable registration fees to new apprentices who register with the Group. Registration fees revenue is recognised when the application is accepted.

Construction services

The Group is engaged to provide construction related services such as commercial office fit outs, commercial building refurbishment, shop fitting and seismic upgrades. Under the terms of the contracts, the Group has an enforceable right to payment for work done. Revenue from commercial refurbishment is therefore recognised over time on a cost-to-cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total costs. Management considers that this input method is an appropriate measure

of the progress towards complete satisfaction of these performance obligations.

The Group becomes entitled to invoice customers for construction services rendered based on achieving a series of performance-related milestones. When a particular milestone is reached, the customer is sent a relevant statement of work and an invoice for the related milestone payment. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost-to-cost method then the Group recognises a contract liability for the difference. There is not considered to be a significant financing component in contracts with customers as the period between the recognition of revenue under the cost-to-cost method and the milestone payment is always less than one year.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

g. Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to

future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset as follows:

- | | |
|---|---------------------|
| • Leasehold property | 10% – 25% per annum |
| • Office equipment, fixtures and fittings | 10% – 25% per annum |
| • Motor vehicles | 20% per annum |

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Prior to 1 January 2019, operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

h. Foreign currencies

In preparing the financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

i. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

j. Retirement benefit costs

Payments made to state-managed retirement benefit plans are accounted for as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

k. Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

l. Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable 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, and is accounted for using the liability method. 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 the initial recognition of 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. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting 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 is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

m. Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services for rental to others (excluding

investment properties), or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straightline method, on the following bases:

- | | |
|---|---------------------|
| ● Leasehold property | 10% – 25% per annum |
| ● Office equipment, fixtures and fittings | 10% – 25% per annum |
| ● Motor vehicles | 20% per annum |

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

n. Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straightline basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets – research and development expenditure

An amount initially recognised for internally-generated intangible asset arising from development (or from the development phase of an internal project) is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

o. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using

the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

p. Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets), the effective interest rate is the rate that exactly discounts estimated future cash receipts excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI.

(ii) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'other gains and losses' line item. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applied a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition of financial assets

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in other comprehensive income for debt instruments is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Compound instruments

The component parts of convertible loan notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to other equity reserve. Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognised in equity will be transferred to other equity reserve. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible loan notes using the effective interest method.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

q. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 and the amount recognised initially less cumulative amount of income recognised in accordance with the principles of IFRS 15.

r. Share-based payments

Share-based payment transactions of the Company 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 excludes the effect of nonmarketbased vesting conditions.

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 number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

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.

4. SIGNIFICANT JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

a. Purchase price allocation review

The Group has exercised significant judgement regarding the allocation of the purchase price to the assets and liabilities acquired, including judgement made relating to: identification of intangible assets, fair value adjustments to the carrying amount of assets and liabilities of the acquirees during the purchase price allocation review.

Key source of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

a. Impairment of non-financial assets

In accordance with the Group's accounting policy, the carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

The goodwill impairment review was undertaken in December 2019. The review assessed whether the carrying value of goodwill was supported by the net present value of future cash flows, using a pre-tax discount rate depending on geographical location of between 8.50% and 9.25%, management forecasts for a projection period of up to five years including an assumed improvement in operating margins, followed by an assumed annual long-term growth rate of 5.0%. Management have made the judgement that this long-term growth rate does not exceed the long-term average growth rate for the industry.

The goodwill impairment review concluded that no impairment charge was required as the carrying amount did not exceed the 'recoverable amount', defined as the higher of fair value less costs to sell and value in use.

Our approach in determining the recoverable amount utilises a discounted cash flow methodology, which necessarily involves making numerous estimates and assumptions regarding revenue growth, operating margins, appropriate discount rates and working capital requirements. The key assumptions used for estimating cash flow projections in the Group's impairment testing are those relating to revenue growth and operating margin. The key assumptions take account of the businesses' expectations for the projection period. These expectations consider the macroeconomic environment, industry and market conditions, the unit's historical performance and any other circumstances particular to the unit, such as business strategy and client mix.

These estimates will likely differ from future actual results of operations and cash flows, and it is possible that these differences could be material. In addition, judgements are applied in determining the level of cash-generating unit identified for impairment testing and the criteria used to determine which assets should be aggregated. A difference in testing levels could affect whether an impairment is recorded and the extent of impairment loss. Changes in our business activities or structure may also result in changes to the level of testing in future periods. Further, future events could cause the Group to conclude that impairment indicators exist and that the asset values associated with a given operation have become impaired. Any resulting impairment loss could have a material impact on the Group's financial condition and results of operations.

b. Useful life of internally generated software development cost

The Group constantly develop software that is used to provide solutions to the nursery section in United Kingdom. As at 31 December 2019, the carrying amount of the internally generated software was £2,687,000 (2018: £2,448,000). The Group estimates the useful life of the software to be at least 10 years based on the expected technical useful life of such assets. However, the actual useful life may be shorter, depending on the technical innovations and competitors' actions.

c. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the end of the reporting period was £36,540,000 (2018: £29,640,000). No impairment loss was recognised during the financial year based on the impairment testing assessment.

d. Contingent consideration

In the event that the subsidiaries achieve adjusted earnings before interest, tax, depreciation and amortisation ("adjusted EBITDA") exceeding prior year and exceeding adjusted EBITDA of base acquisition year for the next five financial years, additional consideration may be payable in shares the year upon release of results. Adjusted EBITDA represents adjustments that has been made to earnings before interest, tax, depreciation and amortisation ("EBITDA") which have been mutually agreed between the Board of Directors of MBH Corporation PLC and the original founding members of the companies within the Group.

As disclosed in Note 20 to the financial statements, as at 31 December 2019, the fair value of the contingent consideration of £6,433,000 (2018: £6,826,000) was estimated by calculating the present value of the future expected cash flows.

5. REVENUE

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines and geographical locations.

	2019 £'000	2018 £'000
Segment revenue		
<u>United Kingdom</u>		
Education sector		
- Course training provider	8,542	4,366
- Software cloud provider	797	437
- Marketing services	28	12
Construction service sector		
- Commercial refurbishment	15,161	858
Other revenue	336	-
 <u>New Zealand</u>		
Construction service sector		
- Commercial refurbishment	25,916	6,838
Total	50,780	12,511
 Timing of revenue recognition		
At a point in time		
<u>United Kingdom</u>		
Education sector		
- Marketing services	28	12
Other revenue	336	-
	364	12
 Over time		
<u>United Kingdom</u>		
Education sector		
- Course training provider	8,542	4,366
- Software cloud provider	797	437
Construction service sector		
- Commercial refurbishment	15,161	858
 <u>New Zealand</u>		
Construction service sector		
- Commercial refurbishment	25,916	6,838
	50,416	12,499
Total	50,780	12,511

The transaction price allocated to (partially) unsatisfied performance obligations at 31 December 2019 are as set out below.

	2019	2018
	£'000	£'000
Course training	-	477
Commercial refurbishment of buildings and office	448	466
Total	448	943

No single customers contributed 10 per cent or more to the Group's revenue in either 2019 or 2018.

6. FINANCE COSTS, NET

	2019	2018
	£'000	£'000
Interest income	(3)	(1)
Interest from bank overdraft	17	4
Interest from borrowings	33	17
Interest expense on lease liabilities	81	-
Total	128	20

7. TAX EXPENSES

Income tax recognised in profit or loss:

	2019	2018
	£'000	£'000
Current tax		
In respect of the current year	417	172
In respect of the previous year	(31)	-
Deferred tax		
In respect of the current year	(87)	-
Total	299	172

Reconciliation of the total tax charge

The tax rate in the income statement for the period is higher than the standard rate of corporation tax in the UK of 19% (2018 : 19%). The differences are reconciled below:

	2019	2018
	£'000	£'000
Accounting profit before taxation	3,917	1,418
Accounting profit multiplied by the UK standard rate of corporation tax of 19%	744	269
Effect of different tax rates of subsidiaries operating in other jurisdictions	193	39
Effect of income that is exempt from taxation	(155)	(245)
Effect of expenses that are not deductible in determining tax	8	109
Effect of timing differences	(222)	-
Effect of previously unrecognised tax losses now recognised as deferred tax assets	(139)	-
Adjustment in respect of previous years	(31)	-
Group relief	(99)	-
Total tax charge	299	172

The Group's profit is derived from several geographical areas, the tax rates in these main locations are as follows:

	2019	2018
United Kingdom	19%	19%
New Zealand	28%	28%

8. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting)

	2019	2018
	£'000	£'000
Amortisation of transaction costs for convertible notes	35	18
Depreciation of plant and equipment	141	34
Amortisation of intangible assets	618	187
Depreciation of right-of-use assets	363	-
Loss allowance on trade receivables	29	-
Net foreign exchange losses	13	7
Fair value loss on valuation of contingent consideration	69	-
Salaries and wages	4,628	1,157
Directors' remuneration – Directors of the Company	293	260
Directors' fees – Directors of the Company	32	19
Audit fees:		
- To auditors of the Group	56	22
- To other auditors	28	14
Non-audit fees:		
- To auditors of the Group	-	56
- To other auditors	6	-

The average number of staff employed by the Group during the financial period amounted to:

	2019	2018
	No.	No.
Total	<u>184</u>	<u>130</u>

9. DIVIDENDS

	2019	2018
	£'000	£'000
Proposed final dividend for the year ended 31 December 2019 of EUR 0.005 (2018: EUR NA) per share	<u>191</u>	-

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been provided for. The payment of this dividend will not have any tax consequences for the Group.

10. PLANT AND EQUIPMENT

	Leasehold property	Office equipment, fixtures and fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000
At Cost				
At 1 January 2018	-	-	-	-
Acquired on acquisition of subsidiaries	89	117	20	226
Additions	-	24	27	51
Exchange differences	3	-	-	3
At 31 December 2018	92	141	47	280
Acquired on acquisition of subsidiaries	-	753	99	852
Additions	1	118	82	201
Disposals	-	(3)	-	(3)
Exchange differences	(4)	-	-	(4)
At 31 December 2019	89	1,009	228	1,326
Accumulated depreciation				
At 1 January 2018	-	-	-	-
Charge for the year	(3)	(27)	(4)	(34)
At 31 December 2018	(3)	(27)	(4)	(34)
Charge for the year	(9)	(105)	(27)	(141)
Exchange differences	-	-	(1)	(1)
At 31 December 2019	(12)	(132)	(32)	(176)
Carrying amount				
At 31 December 2019	77	877	196	1,150
At 31 December 2018	89	114	43	246

11. INTANGIBLE ASSETS

	Internally generated software development costs	Trademark and licenses	Total
	£'000	£'000	£'000
At cost			
At 1 January 2018	-	222	222
Acquired on acquisition of subsidiaries	2,275	103	2,378
Additions	384	-	384
At 31 December 2018	2,659	325	2,984
Acquired on acquisition of subsidiaries	8	-	8
Additions	998	30	1,028
At 31 December 2019	3,665	355	4,020
Accumulated amortisation			
At 1 January 2018	-	-	-
Charge for the year	(162)	(25)	(187)
At 31 December 2018	(162)	(25)	(187)
Charge for the year	(568)	(50)	(618)
At 31 December 2019	(730)	(75)	(805)
Carrying amount			
At 31 December 2019	2,935	280	3,215
At 31 December 2018	2,497	300	2,797

Internally generated software development costs include the Group's software development system, which is created by an internal development team for the Group's specific requirements, with constant redevelopments and enhancements to its cloud-based software. The asset is carried at £2,935,000 (2018: £2,497,000) and is amortised on a straight-line basis over ten years. There are no other individually material intangible assets.

The trademark used for the know-how operations of the Company's business activities amounting to £222,000 (2018 : £222,000) is a perpetual licence to use the Agglomeration trademark and processes. Therefore, the trademark is carried at cost without amortisation, but is tested for impairment in accordance with note 4.

12. RIGHT-OF-USE ASSETS

	Leasehold property	Office equipment, fixtures and fittings	Motor vehicles	Total
	£'000	£'000	£'000	£'000
At Cost				
At 1 January 2019	-	-	-	-
Effects on adoption of IFRS 16	1,356	7	145	1,508
At 1 January 2019 (Revised)	1,356	7	145	1,508
Acquired on acquisition of subsidiaries	467	-	-	467
Additions	-	44	209	253
Exchange differences	(18)	-	(4)	(22)
At 31 December 2019	1,805	51	350	2,206
Accumulated depreciation				
At 1 January 2019	-	-	-	-
Charge for the year	(263)	(4)	(96)	(363)
Exchange differences	1	-	-	1
At 31 December 2019	(262)	(4)	(96)	(362)
Carrying amount				
At 31 December 2019	1,543	47	254	1,844

The average lease term is 3 – 10 years (2018: 3 – 5 years). Set out below are the carrying amounts of lease liabilities and the movement during the period:

	Total £'000
At 1 January 2019	-
Effects on adoption of IFRS 16	1,508
At 1 January 2019 (Revised)	1,508
Acquired on acquisition of subsidiaries	456
Additions	253
Payments	(411)
Accretion of interest	81
Exchange differences	(30)
At 31 December 2019	1,857
Classified as	
Current	389
Non-current	1,468
	1,857

The following are the amounts recognised in profit or loss:

	Total
	£'000
Depreciation of right-of-use assets	363
Interest expense on lease liabilities	81
Expenses relating to short-term lease (included in other expense)	82
	526

The Group had total cash outflows for leases of £526,000 in 2019. The Group also had non-cash additions to right-of-use assets of £720,000 and lease liabilities of £709,000 in 2019.

13. GOODWILL

	Group
	£'000
Cost and carrying amount	
At 1 January 2018	-
Arising on acquisition of subsidiaries	29,700
At 31 December 2018	29,700
Finalisation of acquisition of subsidiaries for 2018 (restated)	(60)
At 31 December 2018 (adjusted)	29,640
Arising on acquisition of subsidiaries (note 24)	6,900
At 31 December 2019	36,540

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGU) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2019	2018
	£'000	(Restated) £'000
Education sector (comprised several CGUs)	15,540	14,040
Construction service sector (comprised several CGUs)	21,000	15,600
	36,540	29,640

	Education		Construction services	
	2019	2018	2019	2018
Growth rates	5% – 20%	5 – 12%	5% – 10%	5%
Pre-tax discount rates	9.04%	8.50%	8.67% - 8.87%	8.97% – 9.25%

Assumption	Description
Growth rates	The forecasted growth rates are based on published industry research, potential of growth within the industry, and do not exceed the long-term average growth rate for the industries relevant to the CGUs.
Pre-tax discount rates	Discount rates represent the current market assessment of the risks specific to each entity within the CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Sensitivity to changes in assumptions

With regards to the assessment of value in use for both CGUs, the Group believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

14. INVESTMENT

	2019 £'000	2018 £'000
Financial assets designated at FVTOCI		
- Quoted equity investment	<u>2</u>	<u>2</u>

The Group designated the investment as investments designated at FVTOCI as these investments represent investments that the Group intends to hold for the long-term. The fair value of the Group's investment in equity investment designated at FVTOCI are estimated based on the quoted price of the investment.

15. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

	Deferred tax liabilities		Deferred tax assets	
	Fixed assets timing differences £'000	Fixed assets timing differences £'000	Unrealised tax losses £'000	Total £'000
At 1 January 2018	-	-	-	-
Acquisition of subsidiary (Reclassified)	(10)	-	190	190
At 31 December 2018	(10)	-	190	190
Acquisition of subsidiaries	(16)	1	89	90
Charged to profit or loss	(72)	20	138	158
Exchange difference	1	-	-	-
At 31 December 2019	(97)	21	417	438

Unrealised tax losses

At the end of the reporting period, the Group has tax losses of approximately £2,110,000 (2018: £2,826,000) that are available for offset against future taxable profits of the subsidiaries in which the losses arose. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

16. CASH AND CASH EQUIVALENTS

	2019	2018
	£'000	£'000
Cash at bank	4,507	1,523
Cash in hand	1	*
	<u>4,508</u>	<u>1,523</u>
Bank overdraft (note 19)	(493)	(348)
Cash and cash equivalent as per statement of consolidated cash flow	<u>4,015</u>	<u>1,175</u>

* Amount is less than £1,000.

17. TRADE AND OTHER RECEIVABLES

	2019	2018
	£'000	(Restated) £'000
Trade receivables	5,152	3,936
Contract assets	5,859	2,458
Loss allowance	(29)	(51)
	<u>10,982</u>	<u>6,343</u>
Other debtors	2,285	1,732
Prepayments	442	205
Shares held in treasury	7,488	-
	<u>21,197</u>	<u>8,280</u>

Non-trade amount due from connected parties are unsecured, interest-free and are repayable on demand.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Contract assets

	2019	2018
	£'000	£'000
Construction services contracts	3,491	633
Course training	2,368	1,825
Total contract assets	5,859	2,458

Amounts relating to contract assets are balances due from customers under the Group's construction service sector that arise when the Group receives payments from customers in line with a series of performance related milestones. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

Payment for course training provided by the Group's education sector is not due from the customer until the courses are complete (other than the initial upfront fee) and therefore a contract asset is recognised over the period in which the courses have been provided to represent the Group's right to consideration for the services transferred to date.

At 31 December 2019, the carrying amount of retention monies held by customers for contract work amounted to £700,000 (2018: £466,000).

The following table details the risk profile of trade receivables and contract assets based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on aging profile from invoice dates is not further distinguished between the Group's different customer base.

	Trade receivables – days past due				Total
	Not past due	<30	31-60	61 – 90	
	£'000	£'000	£'000	£'000	£'000
31 December 2019					
Expected credit loss rate (%)	0	0 – 3	3 – 5	5 – 20	
Estimated total gross carrying amount at default	9,835	694	43	439	11,011
Lifetime ECL		(2)	(1)	(26)	(29)
					10,982
31 December 2018					
Expected credit loss rate (%)	0	0 – 3	3 – 10	10 – 20	
Estimated total gross carrying amount at default (restated)	4,607	502	201	1,083	6,394
Lifetime ECL	-	(5)	(6)	(40)	(51)
					6,343

Loss allowance for other receivables has always been at an amount equal to lifetime expected credit losses (ECL). The ECL on other receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Management believes that there is no loss allowance required using 12-month ECL as it is not material.

18. INVENTORIES

	2019	2018
	£'000	£'000
Raw materials	<u>172</u>	<u>-</u>

The cost of inventories recognised as an expense during the year in respect of continuing operations was £983,000 (2018: NA).

19. LOAN AND OTHER BORROWINGS

		2019	2018
		£'000	£'000
<u>Current</u>			
Bank overdraft	(a)	493	348
Bank loan A	(b)	187	179
Bank loan B	(b)	31	-
Bank loan C	(b)	38	-
Convertible note	(c)	<u>323</u>	<u>691</u>
		1,072	1,218
<u>Non-current</u>			
Bank loan A	(b)	297	484
Bank loan B	(b)	17	-
Bank loan C	(b)	<u>395</u>	<u>-</u>
		709	484
Total		<u>1,781</u>	<u>1,702</u>

a. Bank overdraft

Bank overdrafts are repayable on demand. Overdrafts have been secured by a charge over certain of the Group's assets.

b. Bank loans**Loan A**

A loan of £750,000 was raised on May 2018 prior to the acquisition of Lara Group plc. Repayments commenced on August 2018 on a quarterly basis and will continue until May 2022. The loan carries variable interest rate of 3.85% plus LIBOR per annum. The loan is secured by a charge over certain of the Group's properties.

Loan B

A loan of £89,000 was raised prior to the acquisition of Innocreative Ltd. Repayments commenced on June 2018 on a monthly basis and will continue until May 2022. As at acquisition date, the outstanding loan remaining was £62,000. The loan carries fixed interest rate of 9.90% per annum. The loan is secured by a charge over certain of the Group's properties.

Loan C

A loan of £472,500 was raised prior to the acquisition of Crelace Limited. Repayments commenced on November 2018 on a monthly basis and will continue until October 2033. As at acquisition date, the outstanding loan remaining was £449,000. The loan carries fixed interest rate of 5.15% per annum. The loan is secured by a charge over certain of the Group's properties.

c. Convertible note

	2019 £'000	2018 £'000
At 1 January	691	-
Issuance of convertible bonds	-	976
Transaction costs paid	-	(89)
Net proceeds	691	887
Less: Amount classified as equity	-	(63)
Less: Conversion of convertible bonds (note 23)	(372)	(159)
Add back: Amortisation of transaction costs	35	18
Effect of change from foreign exchange rates	(31)	8
At 31 December	323	691

In October 2018, the Company issued €1,096,000 (£976,000) principal amount of convertible bond due October 2020 with zero interest rate to the bondholder. The convertible bonds may be redeemed, in whole or in part, at the discretion of the bondholder for a period of one year from the date of issuance at €1.20 per Company's share in accordance with the terms and conditions of the convertible bond. In the event that the convertible bond is not fully converted to the Company's shares, the amount will be payable over 24 months beginning from the first-year anniversary of the issuance of convertible bond. During the year, £403,000 (2018: £159,000) of convertible loans were converted to 384,000 shares (2018: 148,000 shares) at the conversion price of €1.20.

d. Reconciliation of movement of liabilities to cash flows arising from financing activities

	Liabilities			Equity component of convertible note	Total
	Bank overdrafts	Borrowings	Convertible note		
	£'000	£'000	£'000	£'000	£'000
At 1 January 2019	348	663	691	63	1,765
Net cash provided by financing activities					
Repayment of borrowings	-	(195)	-	-	(195)
Proceeds from borrowings	-	36	-	-	36
Transaction costs / finance costs paid	17	33	-	-	50
Total changes from financing cash flows	17	(126)	-	-	(109)
Other changes in liabilities					
Acquisition of subsidiaries, net	656	461	-	-	1,117
Decrease in overdraft position	(511)	-	-	-	(511)
Conversion of convertible notes	-	-	(372)	(31)	(403)
Effect of change from foreign exchange rates	-	-	(31)	(2)	(33)
Total liability other changes	145	461	(403)	(33)	170
Other changes					
Amortisation of transaction costs	-	-	35	-	35
Interest expense	(17)	(33)	-	-	(50)
Total liability-related other changes	(17)	(33)	35	-	(15)
At 31 December 2019	493	965	323	30	1,811

20. CONTINGENT CONSIDERATION

	Group £'000	
At 1 January 2018		-
Arising from acquisition of subsidiaries		6,826
At 31 December 2018		6,826
Arising from acquisition of subsidiaries (note 24)		2,333
Issuance of shares		(436)
Expected issuance of shares reclassified to other payables		(2,359)
Increase in consideration for existing subsidiaries		69
At 31 December 2019		6,433
	2019	2018
	£'000	£'000
Amount due for settlement within 12 months (shown under current liabilities)	3,258	2,988
Amount due for settlement after 12 months (shown under non-current liabilities)	3,175	3,838
	6,433	6,826

The Company has an incentive scheme for certain directors and senior employees of the subsidiaries of the Group. In accordance with the terms stipulated in the Share Purchase Agreement between the Company and subsidiaries of the Group, certain directors and senior employees may be granted additional equity shares in the Company should the subsidiary for which they are responsible, achieve increased profits in excess of its previous year, provided that this is in excess of the base year of assessment which is the year of acquisition.

For every £1 of additional adjusted EBITDA generated by the subsidiary over that of the previous year, the directors and senior employees to the Share Purchase Agreement are entitled to receive additional equity shares in the Company equivalent in value to three times that amount, subject to satisfactory due-diligence conducted by the board of the Company.

21. CONTRACT LIABILITIES

	2019	2018
	£'000	£'000
Amounts related to construction services contracts	448	622

Contract liabilities relates to balances due to customers under construction services contracts, including retentions payable. These arise if a particular milestone payment exceeds the revenue recognised to date under the cost-to-cost method.

22. TRADE AND OTHER PAYABLES

	2019	2018
	£'000	(Restated) £'000
Trade payables	6,339	2,928
Other taxation and social security	785	652
Other payables	570	260
Accruals	585	490
Advances received	635	-
Consideration payable (note 20)	2,359	-
Deferred consideration (note 24)	3,566	430
	<u>14,839</u>	<u>4,760</u>

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

23. ISSUED CAPITAL AND SHARE PREMIUM

	2019	2018
	£'000	£'000
Share capital	34,721	26,770
Share premium	3,734	269
	<u>38,455</u>	<u>27,039</u>

Issued capital comprises of 39,253,811 fully paid ordinary shares of €1.00 each (2018: 30,322,804 fully paid ordinary shares of €1.00 each).

	Number of shares	Par value	Share premium	Total
	'000	£'000	£'000	£'000
At 1 January 2018	250	222	-	222
Acquisition of subsidiaries	29,168	25,743	110	25,853
Issuance of new shares for equity-settled share-based payments	345	305	-	305
Issuance of shares	412	368	132	500
Conversion of convertible notes (note 19)	148	132	27	159
At 31 December 2018	30,323	26,770	269	27,039
Acquisition of subsidiaries	1,972	1,701	799	2,500
Acquisition of subsidiary completed in 2018	78	65	24	89
Issuance of new shares held in treasury	5,637	5,094	2,394	7,488
Issuance of new shares for equity-settled share-based payments	490	440	60	500
Issuance of new shares as consideration for contingent performance (note 20)	370	315	121	436
Conversion of convertible notes (note 19)	384	336	67	403
At 31 December 2019	39,254	34,721	3,734	38,455

For the financial year ended 31 December 2019, the Company issued equity-settled share-based payments amounting to £500,000 (2018 : £305,000) for directors and senior management remuneration.

24. SUBSIDIARIES

The Group consists of the below subsidiaries, all of which are included within the consolidated financial statements.

Name of subsidiary	Principal activities	Country of incorporation	Proportion of ownership interest and voting power held	
			2019	2018
Lara Group plc	Investment holding	United Kingdom	100%	100%
Corsora Ltd	Investment holding	United Kingdom	100%	100%
Guildprime Specialist Contracts Ltd (note 24(a)(i))	Commercial interior fit-out and construction contractor	United Kingdom	100%	-
Crelace Limited (note 24(a)(ii))	Investment holding	United Kingdom	100%	-
Accerion Ltd (note 24(a)(iii))	Investment holding	United Kingdom	100%	-
Innocreative Ltd (note 24(a)(iv))	Investment holding	United Kingdom	100%	-
Subsidiaries under Lara Group plc				
Daytrum Ltd	Investment holding	United Kingdom	100%	100%
Acacia Training Ltd	Vocational training to health, social and management sector	United Kingdom	100%	100%
Amplify Investments Ltd	Investment holding	United Kingdom	100%	100%
Smart Allicks Ltd	Investment holding	United Kingdom	100%	100%
Parenta Holdings Ltd	Investment holding	United Kingdom	100%	100%
Parenta Group Ltd	Education software solutions	United Kingdom	100%	100%
Parenta Training Ltd	Vocational training to early years sector	United Kingdom	100%	100%
Parenta Financial Services Limited	Dormant	United Kingdom	100%	100%
Parenta Limited	Dormant	United Kingdom	100%	100%
Subsidiaries under Corsora Ltd				
Cape Ltd	Commercial interior fit-out and construction contractor	New Zealand	100%	100%
Algatron Limited	Investment holding	United Kingdom	100%	100%
du Boulay Contracts Ltd	Commercial interior fit-out and construction contractor	United Kingdom	100%	100%
Subsidiary under Crelace Limited (note 24(a)(ii))				
Gaysha Limited	Commercial interior fit-out and construction contractor	United Kingdom	100%	-
Subsidiary under Accerion Ltd (note 24(a)(iii))				
UK Sports Training Ltd	Vocational training to health sector	United Kingdom	100%	-
Subsidiary under Innocreative Ltd (note 24(a)(iv))				
K S Training Ltd	Vocational training to education sector	United Kingdom	100%	-

a. Acquisition of subsidiaries**i) Guildprime Specialist Contracts Ltd (“Guildprime”)**

On 3 June 2019, the Group acquired Guildprime, and has been accounted for by the acquisition method of accounting, with no consideration paid in cash.

No shares have been issued in relation to the acquisition, with the contingent consideration of approximately £2,828,000 to be settled in shares by the purchaser in two parts: i) subject to the finalisation of Guildprime’s financial statements for the year ended 31 December 2019, and ii) certain directors and senior employees of Guildprime in accordance with the terms stipulated in the Share Purchase Agreement (“SPA”) between the Company and Guildprime depending on the results of Guildprime. The consideration has only been provisionally determined based on the management’s best estimate of the likely values.

In addition, the contingent consideration requires the Group to pay the vendors approximately £558,000 if Guildprime’s adjusted EBITDA for the next five financial years (2020 to 2024) exceeds the adjusted EBITDA for the prior year, subjected to terms stipulated in the SPA. The consideration is computed based on three times of the difference between the adjusted EBITDA for current year and highest EBITDA from prior years. The consideration is payable upon the release of results for the financial year.

ii) Crelace Limited (“Crelace”) and Gaysha Limited (“Gaysha”)

On 18 October 2019, the Group acquired Crelace and its subsidiary, Gaysha for £2,514,000. The transaction has been accounted for by the acquisition method of accounting, with no consideration paid in cash.

The contingent consideration requires the Group to pay the vendors approximately £668,000 if Crelace’s adjusted EBITDA for the next five financial years (2021 to 2025) exceeds the adjusted EBITDA for the prior year, subjected to terms stipulated in the SPA. The consideration is computed based on three times of the difference between the adjusted EBITDA for the current and the highest EBITDA from prior years. The consideration is payable upon the release of results for the financial year.

iii) Accerion Ltd (“Accerion”) and UK Sports Training Ltd (“UK Sports”)

On 18 October 2019, the Group acquired Accerion and its subsidiary, UK Sports for £390,000. The transaction has been accounted for by the acquisition method of accounting, with no consideration paid in cash.

The contingent consideration requires the Group to pay the vendors approximately £737,000 if Accerion’s adjusted EBIT for the next five financial years (2020 to 2024) exceeds the adjusted EBIT for the prior year, subjected to terms stipulated in the SPA. The consideration is computed based on three times of the difference between the adjusted EBIT for the current and the highest EBIT from prior years. The consideration is payable upon the release of results for the financial year.

iv) Innocreative Ltd (“Innocreative”) and K S Training Ltd (“K S Training”)

On 11 November 2019, the Group acquired Innocreative and its subsidiary, K S Training for £74,000. The transaction has been accounted for by the acquisition method of accounting, with no consideration paid in cash.

The contingent consideration requires the Group to pay the vendors approximately £369,000 if Innocreative’s adjusted EBITDA for the next five financial years (2021 to 2025) exceeds the adjusted EBITDA for the prior year, subjected to terms stipulated in the SPA. The consideration is computed based on three times of the difference between the adjusted EBITDA for the current and the highest EBITDA from prior years. The consideration is payable upon the release of results for the financial year.

	Guildprime	Crelace and Gaysha	Accerion and UK Sports	Innocreative and K S Training	Total
	£'000	£'000	£'000	£'000	£'000
Fair value of assets acquired					
Fixed and intangible assets	1,205	112	8	2	1,327
Trade and other receivables	807	2,787	111	84	3,789
Inventory	58	70	-	-	128
Cash at bank and in hand	159	284	61	-	504
Deferred tax asset	60	16	-	(2)	74
Trade and other payables	(962)	(1,885)	(35)	(51)	(2,933)
Lease liabilities	(456)	-	-	-	(456)
Bank overdraft	-	(653)	-	(3)	(656)
Loans payable (Current)	-	(38)	-	(12)	(50)
Loans payable (Non-current)	-	(411)	-	(50)	(461)
Income tax payable	16	-	(18)	(25)	(27)
Net identifiable assets (liabilities) acquired	887	282	127	(57)	1,239
Add: goodwill	2,500	2,900	1,000	500	6,900
Total consideration	3,387	3,182	1,127	443	8,139
Breakdown					
Consideration – MBH shares	-	2,500	-	-	2,500
Deferred consideration	2,828	14	390	74	3,306
Contingent consideration	559	668	737	369	2,333
Total consideration	3,387	3,182	1,127	443	8,139
Effects on cash flows of the Group					
Cash paid	-	-	-	-	-
(Less) / Add: net of cash and cash equivalents and bank overdraft in businesses acquired	(159)	369	(61)	3	152
Cash inflow/(outflow) on acquisition	(159)	369	(61)	3	152
Total goodwill (note 13)	2,500	2,900	1,000	500	6,900

b. Goodwill arising on acquisitions

Goodwill amounting to £6,900,000 (2018: £19,613,000) arose in the acquisition of the above companies and business because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development of these companies. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

c. Impact of acquisitions on the results of the Group

Included in the revenue and profit for the year is £5,759,000 and £846,000 respectively attributable to the additional business generated by the above acquisitions.

Had these business combinations been effected at 1 January 2019, the revenue and profit for the year of the Group from continuing operations would have been as follows:

	Revenue	Profit for the year
	£'000	£'000
Guildprime	4,734	377
Crelace and Gaysha	8,986	84
Accerion and UK Sports	367	106
Innocreative and K S Training	405	26
	<u>14,492</u>	<u>593</u>

The Directors consider these “pro-forma” numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point of comparison in future periods.

The net profit after tax is not an accurate representation of the trading results for the Group as the pre-acquisition results include significant one-off transactions which would not normally occur under the Group’s ownership if the companies have been acquired at the beginning of the current year.

d. Acquisition-related costs

In 2018, acquisition-related costs amounting £121,000 had been excluded from the consideration transferred and have been recognised as an expense in the period, within the “non-operating expenses” line item in the statement of comprehensive income.

25. OPERATING SEGMENT

The Group determines its operating segments based on components of the Group’s business which are reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The Group has the following business segments with the segmental analysis used to allocate resources and to assess performance:

1. Education sector – this segment includes provision of education and learning related services for apprentices.
2. Construction service sector – this segment includes commercial interior fit-out and construction contractor services.

The accounting policies of the reportable segments are the same as the Group’s accounting policies described in note 2. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors’ salaries, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Inter-segment transfers: Segment revenue and expenses include transfers between business segments. Intersegment sales are charged at prevailing market prices. These transfers are eliminated on consolidation.

Segment information about the Group's operating segments are presented below.

	Revenue		Net profit	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Revenue and net profit				
Education sector	9,368	4,815	824	1,491
Construction service sector	41,076	7,696	3,322	517
Others	336	-	-	-
Total for continuing operations	50,780	12,511	4,146	2,008
Central administration costs and directors' salaries			(160)	(584)
Finance costs			-	(6)
Fair value changes			(69)	-
Profit before tax			3,917	1,418
Income tax expense			(299)	(172)
Consolidated revenue and profit	50,780	12,511	3,618	1,246

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2018: Nil).

	2019	2018
	£'000	(Restated) £'000
Segment assets		
Education sector	24,402	20,868
Construction service sector	35,608	20,794
Total segment assets	60,010	41,662
Unallocated assets	9,056	1,016
Consolidated total assets	69,066	42,678
Segment liabilities		
Education sector	4,992	4,868
Construction service sector	14,545	8,810
Total segment liabilities	19,537	13,678
Unallocated liabilities	6,248	645
Consolidated total liabilities	25,785	14,323

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible and financial assets and liabilities attributable to each segment.

Goodwill has been allocated to reportable segments as described in note 13. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

Unallocated corporate assets mainly represent bank balances and cash, other receivables, deposits and prepayments at corporate level. Unallocated corporate liabilities represent other payables at corporate level.

Geographical information

The geographical locations of the customers of the Group principally comprise the Europe and Oceania. The Group's revenue from external customers and information about its segment assets by geographical location are detailed below:

	Revenue from external customer		Non-current assets	
	2019	2018	2019	2018 (Restated)
	£'000	£'000	£'000	£'000
Europe	24,864	5,673	29,118	19,438
Oceania	25,916	6,838	14,071	13,437
Consolidated revenue and profit	50,780	12,511	43,189	32,875

Information about major customers

There is no single customer which contributes 10% or more of the revenue in 2019 and 2018.

26. EARNINGS PER SHARE

	2019 pence	2018 pence
Basic earnings per share	11.00	12.22
Diluted earnings per share	<u>10.36</u>	<u>11.21</u>

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2019 pence	2018 pence
Profit from continuing operations attributable to the ordinary equity holders of the company	3,618	1,246
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	<u>3,618</u>	<u>1,246</u>
	2019 Number ('000)	2018 Number ('000)
Weighted average number of ordinary shares for the purposes of basic earnings per share	32,878	10,192
Effect of dilutive potential ordinary shares from share options and convertible bonds	<u>2,059</u>	<u>924</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>34,937</u>	<u>11,116</u>

27. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

a. Capital management policies and objectives

The Group manages its capital to ensure that entities in 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. Management ensures that all externally imposed financial covenants are complied with. As at the end of the reporting period, the Group is in compliance with all financial covenants for external borrowings.

The capital structure of the Group consists of equity and bank borrowings. Management reviews the capital structure on an on-going basis. As a part of this review, management considers the cost of capital, the tenure and the risks associated with each class of capital.

b. Categories of financial instruments

The Group holds the following financial instruments:

	2019	2018
	£'000	(Restated) £'000
Financial assets:		
Trade and other receivables	13,267	8,075
Cash and cash equivalents	4,508	1,523
Equity instruments designated as at FVTOCI	<u>2</u>	<u>2</u>
	<u>17,777</u>	<u>9,600</u>
Financial liabilities at amortised cost:		
Trade and other payables	14,054	4,108
Convertible notes	323	691
Loans and borrowings	<u>1,458</u>	<u>1,011</u>
	<u>15,835</u>	<u>5,810</u>

c. Offsetting financial assets and financial liabilities

The Group does not have any financial instruments which are subject to enforceable master netting arrangements or similar netting agreements.

d. Financial risk management policies and objectives

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group. The Board of Directors provides written principles for overall financial risk management and written policies covering specific areas, such as market risk (including foreign exchange risk, interest rate risk and equity price risk), credit risk, liquidity risk and cash flow interest rate risk. Such written policies are reviewed annually by the Board of Directors and periodic reviews are undertaken to ensure that the Group's policy guidelines are complied with. Risk management is carried out by the management team under the policies approved by the Board of Directors.

The Group does not hold or issue derivative financial instruments for speculative purposes.

i) Foreign exchange risk management

The Group transacts business in Euro and therefore is exposed to foreign exchange risk.

As at each reporting date, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

	Euro	
	2019	2018
	£'000	£'000
Convertible loans	358	762

If the relevant foreign currency strengthens by 10% against the functional currency of each group entity, profit or loss and other equity will decrease by £36,000 (2018: £76,000).

Conversely, a weakening of foreign currency by 10% would have the opposite effect on profits.

10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's profit or loss and/or equity.

ii) Interest rate risk management

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. The Group monitors the movements in interest rates on an ongoing basis and evaluates the exposure for its debt obligations. The Group's borrowings are carried at amortised cost.

For variable-rate bank borrowing, the analysis is prepared assuming the amounts outstanding at the end of the reporting period were outstanding for the whole year. A 100-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rate had been 100 basis points higher/lower and all other variables were held constant, the Group's profit would increase/decrease by £5,000 (2018 : £7,000).

iii) Overview of the Group's exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2019, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, the Group has tasked its key management personnel to develop and maintain the Group's credit risk gradings according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the credit management committee uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Category	Company definition of category	Basis for recognition of expected credit loss (ECL) provision
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Asset is written off

The tables below detail the credit quality of the Group's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

	Note	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount £'000	Loss allowance £'000	Net carrying amount £'000
<u>31 December 2019</u>							
Trade receivables and contract assets	17	n.a.	a)	Lifetime ECL (simplified approach)	11,011	(29)	10,982
Other receivables	17	n.a.	b)	12-month ECL	2,727	-	2,727
<u>31 December 2018</u>							
Trade receivables and contract assets	17	n.a.	a)	Lifetime ECL (simplified approach)	6,394	(51)	6,343
Other receivables	17	n.a.	b)	12-month ECL	1,937	-	1,937

For trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Notes 14 includes further details on the loss allowance for these assets.

For other receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by historical credit loss experience based on past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

iv) Credit risk management

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Information on counterparties supplied by independent rating agencies where available, other publicly available financial information and the Group's own historical transactions with these counterparties are used to make decisions relating to credit granted to customers or advances made to suppliers. The Group's exposure to credit risk, concentration risk and the credit terms granted to counterparties are monitored continuously.

The Group's credit risk primarily relates to the Group's trade and other receivables, prepayments and bank balances. Trade receivables and contract assets account for 15.9% (2018 : 8.7%) of total assets, and consist of a large number of customers, spread across diverse industries. For contract related work and contract assets, collection of debts including retention sums can involve extended period of time. Management closely monitors overdue trade debts. The recoverable amount of each individual trade debt is reviewed at the end of each reporting period. Such review takes into consideration the due date, the period the payment is overdue, the results of communications with debtors, adherence to installment payment plans or otherwise and current commercial information of debtors where available. Following the identification of slow payments, the responsible sales personnel discuss with the relevant customers and report on results of recovery actions and recovery prospects. Management is of the view that adequate allowance for doubtful debts has been made for irrecoverable amounts.

The Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at any time during the year. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

Other receivables account for 14.8% (2018: 5%) of total assets. To minimise risk, trade prepayments are generally made to suppliers with good credit ratings and with good trading history with the Group. At 31 December 2019, there was no concentration of credit risk with any particular supplier.

Bank balances are placed with reputable banking institutions in the United Kingdom and New Zealand.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at end of the financial period in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the statement of financial position.

Further details of credit risks on trade and other receivables are disclosed in note 17 to the financial statements.

v) Liquidity risk management

The Group maintains a level of cash and cash equivalents deemed adequate by the Management to finance the Group's operations and mitigate the effects of fluctuations in cash flows relative to expectations. Management monitors cash flows, utilisation of bank borrowings and compliance with financial covenants relating to credit facilities.

Certain companies of the Group have embarked on more service concession arrangements which involve substantial commitment of funds during the construction of infrastructure with cash inflows only after completion and delivering of projects to end users.

Management is satisfied that with the availability of credit facilities and operations from newly acquired companies during the financial year, the Group will be able to meet its obligations as and when they fall due. It is appropriate for the financial statements to be prepared on a going concern basis.

Non-derivative financial liabilities

The following table details 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 the Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

	Weighted average effective interest rate	On demand or within 1 year	Within 2 or 5 years	More than 5 years	Adjustment	Total
	%	£'000	£'000	£'000	£'000	£'000
<u>31 December 2019</u>						
Non-interest bearing	-	14,377	-	-	-	14,377
Variable interest rate	4.6	196	311	-	(23)	484
Fixed interest rate	5.2	580	153	283	(42)	974
Total		15,153	464	283	(65)	15,835
<u>31 December 2018</u>						
Non-interest bearing	-	4,809	-	-	-	4,809
Variable interest rate	4.6	187	507	-	(31)	663
Fixed interest rate	2.9	358	-	-	(10)	348
Total		5,354	507	-	(41)	5,810

vi) Fair value of financial assets and financial liabilities

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets / Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique and key input	Significant unobservable input(s)	Relationship of unobservable input to fair value
	31 December 2019	31 December 2018				
	Assets/ (Liabilities)	Assets/ (Liabilities)				
	£'000	£'000				
Listed equity share	2	2	Level 1	Quoted bid prices in an active market.	n.a.	n.a.
Contingent consideration	(6,433)	(6,826)	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration.	Discount rate of 8.50% – 9.25% per annum determined using a Capital Asset Pricing Model.	A slight increase in the discount rate used in isolation would result in a significant decrease in the fair value.

28. SUBSEQUENT EVENTS

On 10 January 2020, the Company completed the acquisition of Samuel Hobson House Ltd (“Samuel Hobson”).

On 26 March 2020, the Company completed the acquisition of Robinsons Caravans Ltd (“Robinsons”) and entities that are part of the Robinsons Caravans group.

The proposed acquisition of Asia Pacific Energy Ventures Pte Ltd (“APEV”) and its wholly owned subsidiaries was completed on 17 June 2019. Since that date, it became apparent that the business strategies of MBH and APEV were moving in different directions, and the key stakeholders agreed that it was in the best interest of both parties to separate. As a result of an adjusting post balance sheet event which occurred on 22 April 2020, it has been deemed that the definition of control under IFRS 10 has not been satisfied, as control of this company was never passed to the group and as such APEV and its wholly owned subsidiaries have been excluded from consolidation in the financial statements for the year ended 31 December 2019.

The most significant emerging risk is the ongoing outbreak of the Coronavirus (COVID-19). Based on the current position, there will be an impact on the short-term performance of our portfolio companies. The financial impact is uncertain and unquantifiable at this point in time.

We are monitoring the situation carefully as it evolves to understand the potential impact on our people and our business. We are taking all necessary steps to protect our people and mitigate the risk to our business.

Based on our current forecast, we believe the Group is able to carry on as a going concern and the group will be able to trade through the COVID-19 period. The updates on COVID-19 related restrictions as at the date of this annual report are as follows:

New Zealand

- Construction Industry: New Zealand currently allows building and construction businesses to be open, provided they are meeting COVID-19 health and safety requirements.

United Kingdom

- Education Industry: The United Kingdom currently allows training providers to provide training online. Training on physical premises will be open on 1 June 2020, provided the premises are meeting COVID-19 health and safety requirements.
- Construction Industry: The United Kingdom currently allows building and construction businesses to be open, provided they are meeting COVID-19 health and safety requirements.
- Aged Care Industry: There are currently no restrictions in place.
- Retail Industry: Non-essential retail outlets are required to remain closed.

Parent Company Statement of Financial Position

As at 31 December 2019

	Note	2019 £'000	2018 £'000
ASSETS			
Non-current assets			
Intangible assets	D	222	222
Investment in subsidiaries	E	37,146	30,960
Total non-current assets		37,368	31,182
Current assets			
Cash and cash equivalents		258	279
Trade and other receivables	F	12,720	2,879
Deferred tax assets	G	92	-
Total current assets		13,070	3,158
Total assets		50,438	34,340
LIABILITIES			
Non-current liabilities			
Contingent consideration	H	7,082	3,838
Current liabilities			
Contingent and deferred consideration	H	2,656	2,988
Convertible notes	I	323	691
Trade and other payables	J	2,620	312
Total current liabilities		5,599	3,991
Net assets		37,757	26,511
EQUITY			
Share capital and share premium	K	38,455	27,039
Other reserve	L	31	63
Retained earnings		(729)	(591)
Total equity		37,757	26,511

These financial statements were approved by the Directors and authorised for issue on 29 May 2020, and were signed on their behalf by:



Callum Laing
Chief Executive Officer
MBH Corporation plc
Company Registration Number: 10238873

The above parent statement of financial position should be read in conjunction with the accompanying notes.

Parent Company Statement of Changes in Equity

As at 31 December 2019

	Share capital	Share premium	Other reserves	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2018	222	-	-	*	222
Profit for the year, representing total comprehensive income for the year	-	-	-	(591)	(591)
Transactions with owners in their capacity as owners					
Issue of ordinary shares as consideration for a business combination	25,743	110	-	-	25,853
Credit to equity for equity-settled share-based payments	305	-	-	-	305
Issue of ordinary shares	368	132	-	-	500
Issue of convertible bonds	-	-	63	-	63
Conversion of convertible notes	132	27	-	-	159
	<u>26,548</u>	<u>269</u>	<u>63</u>	<u>-</u>	<u>26,880</u>
Balance at 31 December 2018	26,770	269	63	(591)	26,511
Profit for the year	-	-	-	(138)	(138)
Other comprehensive income	-	-	(2)	-	(2)
Total comprehensive income for the year			<u>(2)</u>	<u>(138)</u>	<u>(140)</u>
Transactions with owners in their capacity as owners					
Issue of ordinary shares as consideration for a business combination	1,766	823	-	-	2,589
Issue of ordinary shares as consideration for contingent performance	315	121	-	-	436
Credit to equity for equity-settled share-based payments	440	60	-	-	500
Issue of ordinary shares	5,094	2,394	-	-	7,488
Conversion of convertible notes	336	67	(30)	-	373
	<u>7,951</u>	<u>3,465</u>	<u>(30)</u>	<u>-</u>	<u>11,386</u>
Balance at 31 December 2019	<u>34,721</u>	<u>3,734</u>	<u>31</u>	<u>(729)</u>	<u>37,757</u>

* Amount less than £1,000.

The above parent statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to Parent Company Financial Statements

A. ACCOUNTING POLICIES

a. Statement of compliance with FRS 101

These financial statements (the parent company financial statements) were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101) and in accordance with applicable accounting standards.

No profit or loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006. The results of MBH Corporation plc are included in the consolidated financial statements of MBH Corporation plc which are included on pages 37 to 81.

The accounting policies which follow set out those policies which apply in preparing the parent company financial statements for the year ended 31 December 2019. The parent company financial statements are presented in Pounds (GBP).

b. Basis of preparation

The Company's previous financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. For the year ended 31 December 2019, the Company has applied the reduced disclosure framework of FRS 101 for all periods presented.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 *Share Based Payments*;
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q) (ii), B66 and B67 of IFRS 3 *Business Combinations*;
- The requirements of IFRS 7 *Financial Instruments: Disclosures*;
- The requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*;

- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 *Revenue from Contracts with Customers*.
- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 *Leases*.
- The requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 *Presentation of Financial Statements*;
- The requirements of IAS 7 *Statement of Cash Flows*;
- The requirements of paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
- The requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies*;
- The requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;
- The requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- The requirements of paragraphs 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of Assets*.

c. Fixed asset investments

In the parent company financial statements, investment in subsidiaries are measured at cost less accumulated impairment.

d. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, call and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

e. Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the statement of financial position date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except in respect of deferred income tax assets which are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

f. Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

g. Amounts owed to/from group undertakings

Amounts owed to/from group undertakings are recognised at fair value, less provision for impairment. Provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

h. Share capital

Ordinary shares are classified as equity.

i. Foreign currency translation

Transactions in foreign currencies are recorded at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. Differences arising on the translation of monetary assets and liabilities are taken to the income statement.

The financial statements of the parent company are presented in Pounds. The functional currency of the parent company is Pounds.

j. Share-based payment arrangements

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 Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments 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.

B. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. However, the nature of estimation means that actual outcomes could differ from those estimates. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. Details regarding judgements which have the most significant effect on the amounts recognised in the financial statements are as follows:

Impairment of non-financial assets

The parent company applies the same consideration for impairment on its investments as it applies to the consideration of goodwill impairment in the consolidated financial statements. For details of the consideration of the goodwill impairment see note 4 in the consolidated financial statements.

C. LOSS FOR THE YEAR

As permitted by Section 408 of the Companies Act 2006, the parent company's profit or loss account has not been included in these financial statements. The parent company's loss after tax was £140,000 (2018: £591,000).

The total Directors' emoluments paid through the parent company was £325,000 (2018 : £279,000). There were no employees (2018: nil) other than the Directors.

The audit fee is disclosed in note 5 of the consolidated financial statements.

D. INTANGIBLE ASSETS

	Trademark and licenses £'000
<u>At cost and carrying amount</u>	
At 1 January 2018	-
Additions	222
At 31 December 2018 and 31 December 2019	222

The trademark used for the know-how operations of the Company's business activities amounting to £222,000 (2018 : £222,000) is a perpetual licence to use the Agglomeration trademark and processes. Therefore, the trademark is carried at cost without amortisation, but is tested for impairment in accordance with note 4 of the consolidated financial statements.

E. INVESTMENT IN SUBSIDIARIES

	Company £'000
<u>Cost and carrying amount</u>	
At 1 January 2018	-
Additions	30,960
At 31 December 2018	30,960
Additions	6,186
At 31 December 2019	37,146

All of the subsidiary undertakings are included within note 24 of the consolidated financial statements.

F. TRADE AND OTHER RECEIVABLES

	2019	2018
	£'000	£'000
Trade receivables due from related companies	27	5
Other receivables due from related companies	4,228	2,002
Other receivables	962	859
Shares held in treasury	7,488	-
Prepayments	15	13
Total	<u>12,720</u>	<u>2,879</u>

Receivables due from related companies are non-interest bearing and are generally on between 30 and 60 days' terms and are shown net of any provisions for impairment. As at 31 December 2019, no material impairment of trade receivables was required.

G. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised by the Company and movements thereon during the current and prior reporting period.

	Fixed assets timing differences £'000
At 1 January and 31 December 2018	-
Charged to profit or loss	92
At 31 December 2019	<u>92</u>

Unrealised tax losses

At the end of the reporting period, the Group has tax losses of approximately £485,000 (2018: £485,000) that are available for offset against future taxable profits of the subsidiaries in which the losses arose. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

H. CONTINGENT CONSIDERATION

Disclosures in respect of contingent consideration are provided in note 20 to the consolidated financial statements.

I. CONVERTIBLE NOTES AND OTHER RESERVE

Disclosures in respect of convertible notes and other reserve are provided in note 19 to the consolidated financial statements.

J. TRADE PAYABLES AND OTHER PAYABLES

	2019	2018
	£'000	£'000
Trade payables	75	86
Other payables	109	86
Provision and accruals	73	140
Consideration payable	2,359	-
Other taxation and social security	4	-
Total	<u>2,359</u>	<u>312</u>

K. ISSUED CAPITAL AND SHARE PREMIUM

Disclosures in respect of share capital and share premium of the Company are provided in note 24 to the consolidated financial statements.

L. POST BALANCE SHEET EVENTS

Disclosures in respect of subsequent events of the Company are provided in note 28 to the consolidated financial statements.

M. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under FRS 101 from disclosing transactions with wholly owned group companies.

Disclosures in respect of transactions with other related parties of the Company as follows:

	2019	2018
	£'000	£'000
Management fee income	<u>214</u>	<u>20</u>



Company registration number: 10238873

MBH
CORPORATION