

# ANNUAL REPORT 2020

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MBH CORPORATION PLC  
FINANCIAL STATEMENTS

**FOR THE YEAR ENDED  
31 DECEMBER 2020**

COMPANY REGISTRATION NUMBER:  
10238873

**MBH**

**MBH CORPORATION PLC  
FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2020**

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**MBH CORPORATION PLC  
OFFICERS AND PROFESSIONAL ADVISERS  
31 DECEMBER 2020**

**The Board of Directors**

Mr Callum Arthur Michael Laing  
Ms Victoria Anne Sylvester  
Ms Svetlana Coronado  
Mr Stanislaw Jozef Patey

**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**

Charles Russell Speechlys LLP  
5 Fleet Place  
London  
EC4M 7RD

**Stock exchange listing**

MBH Corporation plc is listed on:

- Primärmarkt of the Düsseldorf Stock Exchange (M8H:GR)
- Frankfurt Stock Exchange (M8H)
- OTC Markets Group Inc (OTCMKTS: MBHCF)

**MBH CORPORATION PLC  
THE DIRECTORS' REPORT  
31 DECEMBER 2020**

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 2020.

**RESULTS AND DIVIDENDS**

**The total profit for the year amounted to £1,367,000 after tax. We note that the profit after tax represents acquisitions that were completed during the year (refer note 27 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	
Victoria Anne Sylvester	
Svetlana Coronado	Appointed 1 June 2020
Stanislaw Jozef Patey	Appointed 1 August 2020
Allan Michael Presland	Resigned 29 May 2020
Victor Wei-Nam Tan	Resigned 29 May 2020
David Hallam	Resigned 29 May 2020
Toby David Street	Resigned 29 May 2020

**Company Secretary**

Mr Toby David Street resigned from the position of Company Secretary on 10 October 2020. Ms Victoria Anne Sylvester was appointed Company Secretary on 10 October 2020.

**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, bonds and contingent consideration. 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.

**EMPLOYEES AND EQUAL OPPORTUNITY**

Our employees are vital to the success of the Group. We want to attract, motivate and retain the best people to deliver great customer service and help our business to grow. The diversity of the subsidiaries companies of MBH Corporation Plc requires the Group to promote a culture of equality and diversity through our policies, procedures and working practices. No employee or potential employee therefore receives less favourable treatment due to their sex, race (including creed, colour, nationality, ethnic or national origins), pregnancy or maternity, religious beliefs, sex change, sexual orientation, marital or parental status, connections with a national minority, membership or non-membership of a trade union, age, political belief or disability where a reasonable adjustment cannot be made. We want to ensure that all our employees receive equal and fair treatment, and this applies to recruitment and selection, terms and conditions of employment, promotion, training, development opportunities and employment benefits.

**MBH CORPORATION PLC**  
**THE DIRECTORS' REPORT**  
**31 DECEMBER 2020**

We believe in creating a culture throughout the Group that is free from discrimination and harassment and will not permit or tolerate discrimination in any form. In terms of equal opportunities, the Group gives full and fair consideration to applications for employment when these are received from disabled people. Should an employee become disabled when working for the Group, we will endeavour to adapt the work environment and provide retraining if necessary so that they may continue their employment. Training, career development and promotion opportunities are equally applied for all our employees, regardless of disability.

We provide a range of learning opportunities and initiatives that are designed to help our employees develop their skills and experience. These include online courses, workshops, mentoring and coaching and during the covid pandemic our employees were upskilled where necessary to ensure they were able to meet any new working conditions. To ensure the safety of all employees and customers during the COVID-19 outbreak, we rolled out a number of precautions and policies we deemed necessary to ensure they were fully aware of the operational changes and health and safety precautions introduced in response to the pandemic.

**Employee Involvement**

Our ESG committee ensures engagement from employees within our companies with regards to equality and diversity across the group and this committee is represented at board level by the ESG Board Representative.

Employee engagement is supported through clear communication of the Group's performance and objectives; and in addition the individual company's role in achieving the group objectives. This information is cascaded in various forums and formats which includes team briefings, employee events, intranet sites and newsletters.

Each company who joins the Group has an incentive plan as part of the earn out consideration in each acquisition agreement. The principals of the companies have agreed to share such incentives with their employees as and when employees have shown the characteristics to promote the objectives and culture of the Group.

**MBH CORPORATION PLC**  
**DIRECTORS' RESPONSIBILITIES STATEMENT**  
**31 DECEMBER 2020**

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. The Company's financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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 FRS 101 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 not 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 have 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 confirm that:

- so far as each Director is aware there is no relevant audit information of which the company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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 and all of the entities controlled by the Company, its subsidiaries as at 31 December 2020.

Signed on behalf of the Directors



**Callum Laing**  
Chief Executive Officer  
MBH Corporation plc

Approved by the Directors on 30 April 2021

**MBH CORPORATION PLC**  
**THE GROUP STRATEGIC REPORT**  
**31 DECEMBER 2020**

**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 2020, the Group comprised 22 trading entities in United Kingdom, New Zealand, Australia, U.S.A and Singapore that employed an aggregate 444 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 2020**

In 2020, MBH's net profit after tax decreased by 62% from the previous year to £1.4m. The statutory financial statements for the year ended 31 December 2020 and 31 December 2019 only represent the results for the companies in the Group from the date of acquisition (refer to Note 27 Business Combinations).

**Revenue**

Revenue was £60.4m which represents an increase of 19% from last year. The increase in revenue was largely driven by acquisitions offset by a decrease in revenue generated by the Construction Vertical (refer to Note 4 Operating Segments).

**Earnings**

Net profit after tax for the year ended 31 December 2020 decreased by £2.3m or 62% from last year. The key earnings metrics are as:

	<b>2020 (£'000s)</b>	<b>2019 (£'000s)</b>	<b>Var (£'000s)</b>	<b>Var %</b>
EBIT	1,788	4,045	(2,257)	56
NPAT	1,367	3,618	(2,257)	62

Basic earnings per share ("EPS") was £0.0249 pence (2019: £0.11 pence). Fully diluted EPS was £0.0247 pence (2019: £0.104 pence).

**Cash and Financial Position**

As at 31 December 2020, the Group has cash on hand of £6.2m (2019: £4.5m). Cash outflow from operating activities for the year was £2.3m (2019: inflow £5m). This excludes cash inflow from acquisition of subsidiaries of £2.8m.

Capital expenditure for the year was £1.4m which was largely spent on software development for the Education sector.

Total cash inflow for the year was £1.6m.

The Group's net cash position is £5.7m which includes £0.5m of bank overdraft.

Net assets of the Group are £59.7m (2019: £43.3m)

**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.

**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 risk is the ongoing outbreak and containment of the Coronavirus (COVID-19). COVID-19 has impacted the financial performance of the Group for the year ended 31 December 2020 and at present risks still exist in the short term. The short and long term financial impact is uncertain and unquantifiable at this point in time. We are monitoring the situation and 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, pandemics, 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***

Unfortunately, as with the wider economy and society more generally, this year's results have been severely impacted by Covid-19 and, as a result of which the Group's net profit after tax is significantly below 2019. During the pandemic, key executive management personnel within the Group including members of the Board of directors increased the frequency of its meetings to ensure information on disruptions of operations were appropriately communicated and any preventative measures were implemented to reduce risks and minimise financial losses.

The Group will continue to its best ability to minimise any financial losses that may arise from COVID-19 in 2021. In addition, the Group will continue to monitor cash reserves to ensure there is sufficient working capital to continue operations for the foreseeable future.

### ***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.

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**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 on 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 the International Standards on Auditing ("ISA") prior to joining MBH.
- Directors Declaration – a personal liability statement that the directors of each company will sign 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 80% 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").

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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 throughout 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.

**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 globally 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 30 April 2021

# **MBH CORPORATION PLC**

## **CORPORATE GOVERNANCE STATEMENT**

### **INTRODUCTION**

This statement is made by me, Svetlana Coronado, 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 four Directors: two Non-Executive Directors, and two Executive Directors. The Board has one standing committee (the "Committee") being the Audit 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.

## **MBH CORPORATION PLC CORPORATE GOVERNANCE STATEMENT**

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, two executive directors, and one non-executive director. 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 one committee (Audit) 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 four 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 one committees, namely the Audit Committee.

**MBH CORPORATION PLC**  
**CORPORATE GOVERNANCE STATEMENT**

**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. Ms Svetlana Coronado and Mr Stanislaw Jozef Patey sit on the audit committee.

The audit committee has met 3 times this year and other attendees included the Chief Financial Officer, and the external auditors. The committee:

- Reviewed the 2020 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 2020 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.

**INFORMATION ON DIRECTORS**

The directors of the Company at any time during or since the end of the financial year and up to the date of this report are:

Name, responsibilities	Experience and other directorships
<p><b>Svetlana Coronado</b>  <b>Chairman</b>                      Independent non-executive Chairman                      Chairman of Audit and Risk committee                       Appointed: 1 June 2020</p>	<p>Ms. Lana Coronado, currently based in Las Vegas, Nevada USA, graduated with a Masters Degree from Lviv Polytechnic National University in Europe in 1984, beginning her career teaching adult further education.</p> <p>Since then, Lana boasts a wealth of experience spanning across IT consulting, media and the finance industries. Her career includes roles at Credit Suisse, Merrill Lynch, and her most recent position as a partner at Stone Peak Private Equity.</p> <p>With Lana’s previous multiple Board role experiences, a particular interest in the small and mid-sized enterprises sector and a warming ability to form friendships in her partnerships, she utilises her vast experience to help small and medium sized businesses achieve their full potential.</p> <p><b>Other Appointments:</b> Nil</p>
<p><b>Callum Laing</b>                      Chief Executive Officer                       Appointed: 16 January 2017</p>	<p>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.</p> <p><b>Other Appointments:</b> Nil</p>

**MBH CORPORATION PLC**  
**CORPORATE GOVERNANCE STATEMENT**

Name, responsibilities	Experience and other directorships
<p><b>Victoria Sylvester</b>            Executive Director            Company Secretary</p> <p>Appointed: 29 May 2019</p>	<p>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.</p> <p><b>Other Appointments:</b> Acacia Training Limited            R&amp;V Sylvester Limited            Foundations Nail &amp; Beauty Academy Ltd            Middle Coppice Management Limited            Samuel Hobson House Limited            SHH Top Co Ltd</p>
<p><b>Stanislaw Jozef Patey</b>            Non-Executive Director            Member of of Audit and Risk committee</p> <p>Appointed: 1 August 2020</p>	<p>Stan has considerable corporate experience at operational and board level.</p> <p>For many years Stan has acted as an M&amp;A Advisor, Corporate Strategist and mentor to many Chief Executive Officers within larger private family firms in the UK.</p> <p>His expertise spans across various industries, such as Venture Capital, Private Equity, Energy, Engineering, IT and Food Manufacture/Distribution.</p> <p><b>Other Appointments:</b> Nil</p>
<p><b>Allan Presland</b>            Former Chairman</p> <p>Appointed: 7 March 2018            Resigned: 29 May 2020</p>	<p>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.</p> <p><b>Other Appointments:</b> Parenta Group Ltd            Parenta Training Ltd            Parenta Holdings Ltd            Parenta Ltd            Lara Group PLC            Amplify Investments Ltd            Hex Investments Ltd            Parenta Trust            Parenta Partners LLP</p>
<p><b>Victor Tan</b>            Former Executive Director            Chief Financial Officer</p> <p>Appointed: 16 February 2018            Resigned: 29 May 2020</p>	<p>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.</p> <p><b>Other Appointments:</b> GCT Horizon Pte Ltd</p>
<p><b>David Hallam</b>            Former Non-Executive Director</p> <p>Appointed: 7 March 2018            Resigned: 29 May 2020</p>	<p>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.</p> <p>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.</p> <p>David has also helped smaller businesses go to market for sale in an advisory capacity or as Non-Executive Director.</p> <p><b>Other Appointments:</b> NIL</p>

**MBH CORPORATION PLC**  
**CORPORATE GOVERNANCE STATEMENT**

Name, responsibilities	Experience and other directorships
<p><b>Toby Street</b>  Former Non-Executive Director</p> <p>Appointed: 16 January 2017  Resigned: 29 May 2020</p>	<p>Toby has been a previous business owner of a digital marketing agency in London, listed on the Nasdaq Stockholm stock exchange. Other experience includes working at renowned real estate &amp; private equity company Mayfair, London, advising high net worth individuals on investment.</p> <p><b>Other Appointments:</b> Street Assets Ltd  Fasted Life Ltd</p>

**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	
	Held	Attended	Held	Attended
Callum Laing	22	22	N/A	N/A
Svetlana Coronado	16	15	3	1
Victoria Sylvester	22	22	N/A	N/A
Stanislaw Jozef Patey	10	9	3	1
Allan Presland	6	6	N/A	N/A
Victor Tan	6	6	3	2
David Hallam	6	6	3	2
Toby Street	6	4	3	2

**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.

**MBH CORPORATION PLC**  
**CORPORATE GOVERNANCE STATEMENT**

**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 B1G1.com (see box below for more details).

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.

Whilst many of the MBH Principals have their own preferred charities, we have one organization that we have partnered with since the beginning. B1G1.com or 'Buy One Give One', is an organization 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 B1G1.com and you will soon be able to track the projects funded on our website.

**MBH CORPORATION PLC**  
**STREAMLINED ENERGY AND CARBON REPORTING**  
**YEAR ENDED 31 DECEMBER 2020**

This report summarises the energy usage, associated emissions, energy efficiency actions and energy performance for MBH, under the government policy Streamlined Energy & Carbon Reporting (SECR), as implemented by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

It also summarises, in the reporting methodology below, the methodologies utilised for all calculations related to the elements reported under Energy & Carbon. Under the new SECR legislation we are mandated to include energy consumption, related emissions, intensity metrics and all energy efficiency improvements implemented throughout the portfolio in our most recent financial year.

**Organisational structure and qualification**

MBH is required to comply with SECR as a group, as we exceed the qualification threshold of employee numbers (in 2020, MBH employed 444 FTE across the group), and of turnover (in 2020, MBH had a turnover of £ 60.4million). MBH is also listed on the Frankfurt Stock Exchange. There are no businesses within the corporate group that qualify for SECR in their own right for this reporting year. In the event of any subsidiary of the group qualifying individually for SECR, the breakdown of consumption and emissions will be detailed in this report, ensuring transparency and compliance throughout the group.

**Annual reporting figures**

Group (Global) Greenhouse Gas Emissions and Energy Use Data for the period 1 January 2020 to 31 December 2020 is as follows:

Indicator	Metric	2020
Scope 1	tonnes CO2e	287
Scope 2	tonnes CO2e	83
Total CO2e emissions <sup>1</sup>	tonnes CO2e	369
CO2e emissions intensity	tonnes CO2e / £100,000 revenue	0.71
<b>Total energy consumption <sup>2</sup></b>	<b>kWh</b>	<b>1,878,184</b>

1. UK-based greenhouse gas emissions: 63%

2. UK-based energy consumption: 71%

Note: 2019 comparatives are not required.

This is the first year for which we have calculated and reported our emissions and energy performance, in accordance with the Streamlined Energy and Carbon Reporting (SECR) requirement and Greenhouse Gas Protocol guidance. In future reports, we will disclose historic figures to provide a comparison year.

**Energy-related activities in the reporting period**

During the reporting period, several of our entities undertook initiatives to reduce carbon emissions, from purchasing green electricity to installing LED lighting and using hybrid vehicles. For example, since October, electricity supplied to Cape is generated using 100% renewable sources – wind, water and sun, which will save around 3.8 tonnes of CO2e.

In addition to replacing inefficient light bulbs with LEDs, Driven by Riide has begun to invest in hybrid vehicles, with three hybrid vehicles currently in the fleet of 12. As well as installing LED lighting, Guildprime has a car charging point installed at the office to support one hybrid and one full electric vehicle. Finally, Learning Wings has also installed energy efficient lighting to reduce electricity consumption.

**Methodology**

MBH collects and reports data in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition. Data is based on energy and fuel consumption of 20 entities for the period 1 January to 31 December 2020, with an operational control boundary. VGT, which was acquired in December 2020 is excluded and will be included in next years' reporting.

UK CO2e emissions were calculated using DEFRA (2020) greenhouse gas reporting conversion factors for all fuels. The following factors were used to calculate emissions for non-UK energy: Australia: Australian Government - National Greenhouse Accounts Factors (2020), Singapore: Institute for Global Environmental Strategies (2020), United States: US Environmental Protection Agency (EPA) eGrid (2018) and New Zealand: International Energy Agency (IEA) (2012). Some energy consumption was estimated where primary data was unavailable due to tenancy arrangements.

**MBH CORPORATION PLC  
INDEPENDENT AUDITOR'S REPORT  
YEAR ENDED 31 DECEMBER 2020**

**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 2020 which comprise the consolidated statement 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 2020 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.

**Emphasis of matter**

We draw attention to Note 26 to the financial statements which describes the accounting treatment for shares issued during the year in consideration for the acquisition of investments in subsidiary companies where the market value of those shares was below the nominal value. Our opinion is not modified in respect of this matter.

**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, 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**

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors assessment of the entity's ability to continue to adopt the going concern basis of accounting included review and interrogation of forecasts prepared for the group by the group's management, and comparison of forecasts to actual results generated by the group in previous accounting periods. We have also considered management's assessment of the continued impact of the coronavirus pandemic on the group and the effect this may have on the use of the going concern basis of accounting.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

**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 22 trading subsidiaries located in the UK, New Zealand, Australia, USA and Singapore. 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.

We were engaged to undertake full scope audits of 7 (2019: 5) 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.

**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.

**MBH CORPORATION PLC**  
**INDEPENDENT AUDITOR'S REPORT**  
**YEAR ENDED 31 DECEMBER 2020**

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

<b>Key audit matter</b>	<b>How the scope of our audit addressed the key audit matter</b>
<p><b><i>Acquisition accounting – parent company only</i></b></p> <p>As detailed in Note 28 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 have sought external legal opinion in respect of the shares issued in consideration for the acquisitions.</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><b><i>Goodwill – group only</i></b></p> <p>As detailed in Note 14 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 have considered the assumptions used in the preparation of discounted cash flows for each of the entities acquired forming the basis for management's impairment review.</p> <p>We also assessed the disclosures made and application of the standard in line with IFRS.</p>
<p><b><i>Valuation of investments – parent company only</i></b></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 £450,000 (2019: £350,000) 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 £25,500 (2019: £17,500). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

**MBH CORPORATION PLC**  
**INDEPENDENT AUDITOR'S REPORT**  
**YEAR ENDED 31 DECEMBER 2020**

**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.

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and 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 financials are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, set out on page 4, 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.

**Auditor's responsibilities for the audit of the financial statements**

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

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

- The engagement partner ensures that the engagement team collectively has the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- We identify the laws and regulations applicable to the group through discussion with directors and other management, and from our commercial knowledge and experience of the relevant sector;
- The specific laws and regulations which we consider may have a direct material effect on the financial statements or the operations of the group, are as follows:
  - Companies Act 2006
  - FRS101
  - IFRS
  - Listing requirements
  - Health and Safety legislation
  - Employment legislation
  - Tax legislation

**MBH CORPORATION PLC**  
**INDEPENDENT AUDITOR'S REPORT**  
**YEAR ENDED 31 DECEMBER 2020**

- We assess the extent of compliance with the laws and regulations identified above through making enquiries of management, reviewing board minutes and inspecting legal correspondence;
- Laws and regulations are communicated within the audit team at the planning meeting, and during the audit as any further laws and regulation are identified. The audit team remain alert to instances of non-compliance throughout the audit; and

We assess the susceptibility of the group's financial statements to material misstatement, including obtaining an understanding of how fraud might occur by:

- Making enquires of management as to where they consider there was susceptibility to fraud and their knowledge of actual suspected and alleged fraud;
- Considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations;
- Reviewing the financial statements and testing the disclosures against supporting documentation;
- Performing analytical procedures to identify any unusual or unexpected trends or anomalies;
- Inspecting and testing journal entries to identify unusual or unexpected transactions;
- Assessing whether judgement and assumptions made in determining significant accounting estimates were indicative of management bias; and
- Investigating the rationale behind significant transactions, or transactions that are unusual or outside the group's usual course of business.

The areas that we identify as being susceptible to misstatement through fraud were:

- Management bias in the estimates and judgements made;
- Management override of controls; and
- Posting of unusual journals or transactions.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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](http://www.frc.org.uk/auditorresponsibilities). This description forms part of our auditor's report.

**Other matters which we are required to address**

We were re-appointed by the Directors to audit the financial statements for the period ending 31 December 2020. Our total uninterrupted period of engagement is 3 years, covering the periods ending 31 December 2016 to 31 December 2020.

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 Auditor  
Charles Lake House  
Claire Causeway, Crossways Business Park  
Dartford, Kent, DA2 6QA

Date: 30 April 2021

**MBH CORPORATION PLC**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2020**

**Consolidated Statement of Comprehensive Income**  
**Year Ended 31 December 2020**

	<b>Note</b>	<b>2020</b> <b>£'000</b>	2019 £'000
<b>Continuing operations</b>			
Revenue from contracts with customers	<b>5</b>	60,401	50,780
Cost of sales		(47,748)	(38,572)
<b>Gross profit</b>		<b>12,653</b>	12,208
Other income	<b>8</b>	1,523	-
Administrative expenses		(12,708)	(8,059)
Finance costs, net	<b>6</b>	(694)	(163)
<b>Operating profit</b>		<b>774</b>	3,986
Fair value gain/(loss)		321	(69)
<b>Profit before income tax</b>		<b>1,095</b>	3,917
Income tax benefit/(expense)	<b>7</b>	272	(299)
<b>Profit after income tax</b>	<b>8</b>	<b>1,367</b>	3,618
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Foreign exchange differences on conversion of bonds		-	(2)
Foreign exchange differences on translation of foreign operations		120	(75)
<b>Other comprehensive income for the year, net of tax</b>		<b>120</b>	(77)
<b>Total comprehensive income for the year</b>		<b>1,487</b>	3,541
Earnings per share for profit from continuing operations			
Basic earnings per share (pence)	<b>9</b>	2.49	11.00
Diluted earnings per share (pence)	<b>9</b>	2.47	10.36

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.*

**MBH CORPORATION PLC**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2020**

**Consolidated Statement of Financial Position**  
**As at 31 December 2020**

	Note	2020 £'000	2019 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	7,416	1,150
Intangible assets	12	4,164	3,215
Right-of-use assets	13	1,934	1,844
Goodwill	14	90,605	36,540
Investment	15	106	2
Deferred tax assets	16	560	438
<b>Total non-current assets</b>		<b>104,785</b>	<b>43,189</b>
<b>Current assets</b>			
Cash and cash equivalents	17	6,217	4,508
Trade and other receivables	18	18,953	21,197
Inventories	19	4,057	172
<b>Total current assets</b>		<b>29,227</b>	<b>25,877</b>
<b>Total assets</b>		<b>134,012</b>	<b>69,066</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities	13	1,556	1,468
Deferred tax liabilities	16	317	97
Loan and other borrowings	20	6,682	709
Bonds	21	23,261	-
Contingent consideration	22	17,153	3,175
Other payables	23	34	-
<b>Total non-current liabilities</b>		<b>49,003</b>	<b>5,449</b>
<b>Current liabilities</b>			
Lease liabilities	13	371	389
Loan and other borrowings	20	4,670	1,072
Contingent consideration	22	3,945	3,258
Trade and other payables	23	15,725	15,287
Provisions	24	46	-
Current tax liabilities		471	330
<b>Total current liabilities</b>		<b>25,228</b>	<b>20,336</b>
<b>Total liabilities</b>		<b>74,231</b>	<b>25,785</b>
<b>Net assets</b>		<b>59,781</b>	<b>43,281</b>
<b>EQUITY</b>			
Share capital and share premium	25	69,638	38,455
Other reserves	26	(15,869)	30
Translation reserve		52	(68)
Retained earnings		5,960	4,864
<b>Total equity</b>		<b>59,781</b>	<b>43,281</b>

These financial statements were approved by the Directors and authorised for issue on 30 April 2021, and were signed on their behalf by:

  
**Callum Laing**  
 Chief Executive Officer  
 MBH Corporation plc

Company Registration Number: 10238873

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

**MBH CORPORATION PLC**  
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**Consolidated Statement of Changes in Equity**  
**Year Ended 31 December 2020**

	Share capital and premium	Other reserves	Translation reserves	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 January 2019</b>	27,039	63	7	1,246	28,355
Profit for the year	-	-	-	3,618	3,618
Other comprehensive income	-	(2)	(75)	-	(77)
<b>Total comprehensive income for the year</b>	-	(2)	(75)	3,618	3,541
<b>Transactions with owners in their capacity as owners</b>					
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 shares	7,488	-	-	-	7,488
Conversion of convertible notes	403	(31)	-	-	372
	<b>11,416</b>	<b>(31)</b>	<b>-</b>	<b>-</b>	<b>11,385</b>
<b>Balance at 31 December 2019</b>	<b>38,455</b>	<b>30</b>	<b>(68)</b>	<b>4,864</b>	<b>43,281</b>
Profit/(Loss) for the year	-	-	-	1,367	1,367
Other comprehensive income	-	-	120	-	120
<b>Total comprehensive income for the year</b>	-	-	<b>120</b>	<b>1,367</b>	<b>1,487</b>
<b>Transactions with owners in their capacity as owners</b>					
Issue of ordinary shares as consideration for a business combination	16,514	(10,411)	-	-	6,103
Issue of ordinary shares as consideration for contingent performance	11,977	(4,868)	-	-	7,109
Credit to equity for equity-settled share-based payments	498	-	-	-	498
Issue of ordinary shares	1,632	(590)	-	-	1,042
Dividends declared	562	-	-	(271)	291
Termination of convertible notes	-	(30)	-	-	(30)
	<b>31,183</b>	<b>(15,898)</b>	<b>-</b>	<b>(271)</b>	<b>15,013</b>
<b>Balance at 31 December 2020</b>	<b>69,638</b>	<b>(15,869)</b>	<b>52</b>	<b>5,960</b>	<b>59,781</b>

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

**MBH CORPORATION PLC**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
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**Consolidated Statement of Cash Flows**  
**Year Ended 31 December 2020**

	<b>2020</b>	2019
	<b>£'000</b>	£'000
<b>Operating activities</b>		
Profit before income tax	1,095	3,917
Adjustments for:		
Interest income	(20)	(3)
Interest expense	678	131
Depreciation of plant and equipment	243	141
Amortisation of intangible assets	1,036	618
Amortisation of right of use asset	523	363
Amortisation of transaction costs	36	35
Fair value (gain)/loss	(321)	69
Loss on disposal of plant and equipment	(32)	3
Loss allowance on trade receivables	82	-
Acquisition related costs	18	-
Share-based payments expense	265	500
<b>Operating cash flows before movements in working capital</b>	<b>3,603</b>	5,774
Decrease/(Increase) in trade and other receivables	2,029	(1,640)
Decrease/(Increase) in inventory	796	(44)
(Decrease)/Increase in trade and other payables	(8,737)	1,396
Increase in provisions	7	-
<b>Cash (used in)/generated by operations</b>	<b>(2,302)</b>	5,486
Income tax paid	(26)	(486)
<b>Net cash (used in)/from operating activities</b>	<b>(2,328)</b>	5,000
<b>Investing activities</b>		
Interest received	20	3
Proceeds from sale of property, plant and equipment	90	-
Purchase of plant and equipment	(478)	(201)
Addition to intangible assets	(944)	(1,028)
Payment for investment	(42)	-
Acquisition related costs paid	(18)	-
Acquisition of subsidiaries, net of cash acquired	2,843	(152)
<b>Net cash from/(used in) investing activities</b>	<b>1,471</b>	(1,378)
<b>Financing activities</b>		
Interest paid	(525)	(50)
Proceeds from borrowings	6,280	-
Repayments of loans and borrowings	(1,691)	(209)
Repayment of bonds	(1,007)	-
Payment of lease liabilities	(561)	(411)
<b>Net cash from/(used in) from financing activities</b>	<b>2,496</b>	(670)
<b>Net increase in cash and cash equivalents</b>	<b>1,639</b>	2,952
<b>Cash and cash equivalents at beginning of year</b>	<b>4,015</b>	1,175
Effect of foreign exchange rate charges	100	(112)
<b>Cash and cash equivalents at end of year (note 17)</b>	<b>5,754</b>	4,015

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

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**Notes to the Consolidated Financial Statements**  
**Year Ended 31 December 2020**

**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 27.

These financial statements are presented in British Pounds.

**2. 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 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 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.

**MBH CORPORATION PLC**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
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**2. ACCOUNTING POLICIES (continued)**

**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) Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

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**2. ACCOUNTING POLICIES (continued)**

**g) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue/income can be reliably measured. As the Group operates diverse businesses, it applies a number of relevant accounting standards for the recognition of revenue. The following summarises specific recognition criteria in line with these standards for revenue from the following major sources:

Course Training Services

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.

Other Education Training services (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. 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. If the payments exceed the services rendered, a contract liability is recognised.

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.

Commercial Refurbishment 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.

Sale of goods

The Group's contracts with customers for the sale of goods generally include one performance obligation. Revenue for the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, typically at either the point of sale or at the time of delivery of the goods to the customer. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Transportation services

Revenue from providing services 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 benefits simultaneously.

Health and care services

Revenue generated from the services and management of an aged care facilities is recognised over time when the customer simultaneously receives the benefits from the services provided by the Group as the Group performs under the contract.

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 benefits simultaneously.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence the Group does not adjust any of the transaction price for the time value of money.

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**2. ACCOUNTING POLICIES (continued)**

**h) 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.

**i) 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.

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**2. ACCOUNTING POLICIES (continued)**

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.

**j) 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.

**k) 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.

**l) 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. Included in liabilities is a provision for long-service leave. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of each reporting period on high quality corporate bond rates with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

**m) 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.

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**2. ACCOUNTING POLICIES (continued)**

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.

**n) Property, plant and equipment**

*Recognition and Measurement*

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.

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of the asset also includes the cost of replacing parts that are eligible for capitalisation, and the cost of major inspections

*Depreciation*

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 straight-line 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.

*Derecognition*

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.

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**2. ACCOUNTING POLICIES (continued)**

**o) 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 straight-line 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 pre-tax 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.

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**2. ACCOUNTING POLICIES (continued)**

**p) 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.

**q) 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 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 fair value through other comprehensive income (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.

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**2. ACCOUNTING POLICIES (continued)**

*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.

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**2. ACCOUNTING POLICIES (continued)**

*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.

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**2. ACCOUNTING POLICIES (continued)**

*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.

**r) 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.

**s) 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 non-market-based 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.

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**2. ACCOUNTING POLICIES (continued)**

**t) 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 the following standards and amendments for the first time which are effective for annual reporting periods beginning on or after 1 January 2020.

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

The Group applied *Definition of a Business (Amendments to IFRS 3)* to business combinations whose acquisition dates are on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets. The details of accounting policies are set out in Note 2(d). See also Note 28 for details of the Group's acquisition of subsidiaries during the year.

The adoption of the amendments listed above did not have any material effect on the financial performance or position of the Group.

*Standards issued but not effective*

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**3. SIGNIFICANT JUDGEMENTS AND ESTIMATES**

In the application of the Group's accounting policies, which are described in note 2, 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.

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**3. SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)**

**b) 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 2020. 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 6.25% and 9.10%, 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.

**c) 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 2020, the carrying amount of the internally generated software was £2,748,000 (2019: £2,687,000). 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.

**d) 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 £90,605,000 (2019: £36,540,000). No impairment loss was recognised during the financial year based on the impairment testing assessment.

**e) Contingent consideration**

In the event that the subsidiaries achieve adjusted earnings before interest and tax ("adjusted EBIT") exceeding prior year and exceeding adjusted EBIT of base acquisition year for the next five financial years, additional consideration may be payable in shares the year upon release of results. Adjusted EBIT represents adjustments that has been made to earnings before interest and tax ("EBIT") 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 22 to the financial statements, as at 31 December 2020, the fair value of the contingent consideration of £21,098,000 (2019: £6,433,000) was estimated by calculating the present value of the future expected cash flows.

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**4. OPERATING SEGEMENTS**

**a) Basis for segmentation**

The Group's Board of Directors (the chief operating decision-makers) monitor the operating results of the segments separately for the purpose of making decisions about resource allocation and performance assessment. The Group's operating segments are organised by industry sector and the nature of products and services offered. Operating segments for the year ended 31 December 2020 were determined based on reporting at regular Board meetings of the Group.

The following summary describes the operations of each reportable segment:

<b>Reportable Segments</b>	<b>Operations</b>
Education	Includes the provision of education and learning related services for apprentices.  This segment includes the acquisition of Logistica Training from 9 June 2020; Learning Wings from 30 June 2020; NVQ Nail and Beauty from 9 November 2020 and Academy One from 26 November 2020 (refer to Note 28 Business Combinations).
Construction Services	Includes commercial interior fit-out and construction contractor services.  This segment includes the acquisition of G.S. Contracts from 30 July 2020 and Cobul Constructions from 30 October 2020 (refer to Note 28 Business Combinations).
Leisure	Includes the sale of new and pre-owned touring caravans and related caravan accessories and awnings. This segment was acquired on 12 March 2020. (refer to Note 28 Business Combinations).

Other operations include the provision of care services and residential elderly-care, transportation services including taxis and licensed private hire operators and property services including state brokerage, commercial funding company and a real estate investor association and mentoring programme. Each of these segments were acquired during 2020 (refer to Note 28 Business Combinations). None of these segments met the quantitative thresholds for reportable segments in 2020.

**b) Information about reportable segments**

Information related to each reportable segment is set out below.

The Board primarily uses a measure of adjusted earnings before interest and tax (EBIT, see below) to assess the performance of the operating segments. For the purposes of monitoring segment performance and allocating resources between segments, the Board also receives information about the segments' revenue, assets and liabilities on a monthly basis. Disaggregated information about segment revenue including by geographic location is disclosed in note 5.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2.

The previous year's segment information has been re-presented to show the comparative figures in a similar manner to the current year.

<b>31 December 2020</b>	<b>Reportable segments</b>				<b>All Other Segments</b>	<b>Total</b>
	<b>Education</b>	<b>Construction Services</b>	<b>Leisure</b>	<b>Total Reportable segments</b>		
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>		
<b>Total Segment Revenue from continuing operations (Note 5)*</b>	11,161	34,734	11,912	57,807	2,594	<b>60,401</b>
<b>Adjusted EBIT</b>	1,511	(1,251)	1,279	1,539	393	<b>1,932</b>
<b>Segment Assets</b>	18,422	12,857	5,391	36,670	3,698	<b>40,368</b>
<b>Segment Liabilities</b>	(4,938)	(8,893)	(5,275)	(19,106)	(2,834)	<b>(21,940)</b>

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**4. OPERATING SEGEMENTS (continued)**

31 December 2019	Reportable segments				All Other Segments	Total
	Education	Construction Services	Leisure	Total Reportable segments		
	£'000	£'000	£'000	£'000		
<b>Total Segment Revenue from continuing operations (Note 5)*</b>	9,367	41,077	-	50,444	336	<b>50,780</b>
<b>Adjusted EBIT</b>	895	3,362	-	4,257	336	<b>4,593</b>
<b>Segment Assets</b>	18,525	24,820	-	43,345	-	<b>43,345</b>
<b>Segment Liabilities</b>	(3,186)	(9,918)	-	(13,104)	-	<b>(13,104)</b>

\* Transactions between segments are carried out at arm's length basis and are eliminated on consolidation. There was no inter-segment revenue in the year (2019: Nil).

**c) Reconciliations of information on reportable segments to the amounts reported in the financial statements**

*(i) Adjusted EBIT*

Adjusted EBIT excludes the allocation of central administration costs and directors' salaries; management fee charges; the effects of significant items of income and expenditure which may have an impact on the quality of earnings such as restructuring costs, legal expenses, and impairments where the impairment is the result of an isolated, non-recurring event. It also excludes the effects of unrealised gains or losses on financial instruments.

A reconciliation of adjusted EBIT to Profit from continuing operations in the Statement of Comprehensive Income is provided as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Total segment Adjusted EBIT</b>	<b>1,932</b>	<b>4,593</b>
Other income	479	-
Central administration costs and directors' salaries	(353)	(258)
Professional and Marketing Fees	(408)	(400)
Group eliminations	(182)	214
Finance costs, net	(694)	(163)
Fair value gain/(loss)	321	(69)
<b>Profit before income tax</b>	<b>1,095</b>	<b>3,917</b>
Income tax benefit/(expense)	272	(299)
<b>Profit for the year</b>	<b>1,367</b>	<b>3,618</b>

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**4. OPERATING SEGEMENTS (continued)**

*(ii) Segment Assets and Liabilities*

Segment assets are measured in the same way as in the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset. Goodwill has been allocated to reportable segments as described in note 14. 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 and bonds at corporate level.

	Assets		Liabilities	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
<b>Total Segment Assets/(Liabilities)</b>	<b>40,368</b>	43,345	<b>(21,940)</b>	(13,104)
Unallocated assets/(liabilities)	13,831	9,056	(7,682)	(6,248)
Goodwill recognised on acquisition (note 14)	90,605	36,540	-	-
Bonds issued on acquisition (note 21)	-	-	(23,261)	-
Contingent consideration recognised on acquisition (note 22)	-	-	(21,098)	(6,433)
Group eliminations	(10,792)	(19,875)	(250)	-
<b>Total assets/(liabilities) as per the Balance Sheet</b>	<b>134,012</b>	<b>69,066</b>	<b>(74,231)</b>	<b>(25,785)</b>

**d) Geographical information**

The Group's information about its segment non-current assets and Group non-current assets including goodwill by geographical location are detailed below:

	2020	2019
	£'000	£'000
<b>Primary geographical location</b>		
United Kingdom	73,304	29,118
Oceania	25,794	14,071
Asia	1,449	-
North America	4,238	-
	<b>104,785</b>	<b>43,189</b>

**e) Information about major customers**

There is no single customer which contributes 10% or more of the revenue in 2020 and 2019, respectively.

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**5. REVENUE**

**a) Disaggregation of revenue from contracts with customers**

In the following table, revenue from contracts with customers is disaggregated by major products/services, primary geographical locations and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Groups three reportable segments (see Note 4).

	Reportable segments								All Other Segments		Total	
	Education		Construction Services		Leisure		Total Reportable segments					
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>Primary geographical location</b>												
United Kingdom	10,963	9,367	18,919	15,161	11,912	-	41,794	24,528	2,372	336	44,166	24,864
Oceania	-	-	15,815	25,916	-	-	15,815	25,916	-	-	15,815	25,916
Asia	198	-	-	-	-	-	198	-	-	-	198	-
North America	-	-	-	-	-	-	-	-	222	-	222	-
	<b>11,161</b>	<b>9,367</b>	<b>34,734</b>	<b>41,077</b>	<b>11,912</b>	<b>-</b>	<b>57,807</b>	<b>50,444</b>	<b>2,594</b>	<b>336</b>	<b>60,401</b>	<b>50,780</b>
<b>Major products/ services</b>												
Course Training services	10,420	8,542	-	-	-	-	10,420	8,542	-	-	10,420	8,542
Other Education Training services	741	825	-	-	-	-	741	825	-	-	741	825
Commercial Refurbishment services	-	-	34,734	41,077	-	-	34,734	41,077	-	-	34,734	41,077
Sale of goods (caravans)	-	-	-	-	11,912	-	11,912	-	-	-	11,912	-
Transportation services	-	-	-	-	-	-	-	-	1,294	-	1,294	-
Health and care services	-	-	-	-	-	-	-	-	1,078	-	1,078	-
Property related services	-	-	-	-	-	-	-	-	222	-	222	-
Other services	-	-	-	-	-	-	-	-	-	336	-	336
	<b>11,161</b>	<b>9,367</b>	<b>34,734</b>	<b>41,077</b>	<b>11,912</b>	<b>-</b>	<b>57,807</b>	<b>50,444</b>	<b>2,594</b>	<b>336</b>	<b>60,401</b>	<b>50,780</b>
<b>Timing of Revenue Recognition</b>												
At a point in time	10,420	28	-	15,161	11,912	-	22,332	15,189	-	336	22,332	15,525
Over time	741	9,339	34,734	25,916	-	-	35,475	35,255	2,594	-	38,069	35,255
	<b>11,161</b>	<b>9,367</b>	<b>34,734</b>	<b>41,077</b>	<b>11,912</b>	<b>-</b>	<b>57,807</b>	<b>50,444</b>	<b>2,594</b>	<b>336</b>	<b>60,401</b>	<b>50,780</b>

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**5. REVENUE (continued)**

**b) Transaction Price**

The transaction price allocated to (partially) unsatisfied performance obligations at 31 December 2020 are as set out below.

	<b>2020</b> <b>£'000</b>	2019 £'000
Commercial refurbishment of buildings and office	-	448

**6. FINANCE COSTS, NET**

	<b>2020</b> <b>£'000</b>	2019 £'000
<u>Financial income</u>		
Interest income	(20)	(3)
<u>Financial expense</u>		
Amortisation of transaction costs for convertible notes	36	35
Interest expenses on bonds	325	-
Interest expense on bank overdraft	8	17
Interest expense on borrowings	262	33
Interest expense on lease liabilities	83	81
<b>Total Financial expense</b>	<b>714</b>	<b>166</b>
<b>Finance costs, net</b>	<b>694</b>	<b>163</b>

**7. TAX (BENEFIT)/EXPENSES**

Income tax recognised in profit or loss:

	<b>2020</b> <b>£'000</b>	2019 £'000
<b>Current tax</b>		
In respect of the current year	(269)	417
In respect of the previous year	(101)	(31)
<b>Deferred tax</b>		
In respect of the current year	98	(87)
<b>Total</b>	<b>(272)</b>	<b>299</b>

**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% (2019: 19%). The differences are reconciled below:

	<b>2020</b> <b>£'000</b>	2019 £'000
Accounting profit before taxation	<b>1,095</b>	3,917
Accounting profit multiplied by the UK standard rate of corporation tax of 19%	208	744
Effect of different tax rates of subsidiaries operating in other jurisdictions	(101)	193
Effect of income that is exempt from taxation	(61)	(155)
Effect of expenses that are not deductible in determining tax	-	8
Effect of timing differences	93	(222)
Effect of previously unrecognised tax losses now recognised as deferred tax assets	5	(139)
Adjustment in respect of previous years	(101)	(31)
Group relief	(315)	(99)
<b>Total tax charge</b>	<b>(272)</b>	<b>299</b>

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**7. TAX (BENEFIT)/EXPENSES (continued)**

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

	<b>2020</b>	2019
United Kingdom	19%	19%
New Zealand	28%	28%
Singapore	17%	NA
United States of America	21%	NA
Australia	26%	NA

**8. PROFIT FOR THE YEAR**

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

	<b>Note</b>	<b>2020</b> <b>£'000</b>	2019 £'000
<b>Depreciation and amortisation expenses</b>			
Depreciation of plant and equipment	11	243	141
Amortisation of intangible assets	12	1,036	618
Amortisation of right-of-use assets	13	523	363
<b>Total</b>		<b>1,802</b>	<b>1,122</b>
Loss allowance on trade receivables		82	29
Net foreign exchange (gains)/losses		(45)	13
Loss on sale/disposal of fixed assets		32	-
Fair value loss on valuation of contingent consideration		-	69
Fair value gain on bond redemption		(321)	-
<b>Other income</b>			
Other income		(578)	-
Government grant income		(945)	-
<b>Total</b>		<b>(1,523)</b>	<b>-</b>
<b>Salaries and wages</b>			
Salaries and wages		6,063	4,628
Directors' remuneration – Directors of the Company <sup>1</sup>		249	293
Directors' fees – Directors of the Company		40	32
<b>Total salaries and wages</b>		<b>6,352</b>	<b>4,953</b>
<b>Audit fees:</b>			
- To auditors of the Company		79	56
- To other auditors		56	28
		<b>135</b>	<b>84</b>
<b>Non-audit fees:</b>			
- To auditors of the Company		20	-
- To other auditors		42	6
		<b>62</b>	<b>6</b>
<b>Total</b>		<b>197</b>	<b>90</b>

1. The highest paid director received remuneration of £101,000 (2019: £140,000). The remuneration of the Key Management Personnel, that have the authority and responsibility for planning, directing and controlling the activities of the Group includes the Directors and Chief Financial Officer and comprises short-term employment benefits and share-based payments.

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

	<b>2020</b>	2019
<b>Total</b>	<b>No.</b> <b>444</b>	No. 184

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**9. EARNINGS PER SHARE**

	<b>2020</b> pence	2019 pence
Basic earnings per share	<b>2.49</b>	11.00
Diluted earnings per share	<b>2.47</b>	10.36

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

	<b>2020</b> £'000	2019 £'000
Profit from continuing operations attributable to the ordinary equity holders of the company	<b>1,367</b>	3,618
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	<b>1,367</b>	3,618

	<b>2020</b> Number ('000)	2019 Number ('000)
Weighted average number of ordinary shares for the purposes of basic earnings per share	54,865	32,878
Effect of dilutive potential ordinary shares from share options and convertible bonds	421	2,059
<b>Weighted average number of ordinary shares for the purposes of diluted earnings per share</b>	<b>55,286</b>	<b>34,937</b>

**10. DIVIDENDS**

	<b>2020</b> £'000	2019 £'000
Proposed final dividend for the year ended 31 December 2020 of EUR 0.005 (2019: EUR 0.005) per share	<b>315</b>	191

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.

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**11. PLANT AND EQUIPMENT**

	<b>Land and Buildings</b>	<b>Leasehold property</b>	<b>Office equipment, fixtures and fittings</b>	<b>Motor vehicles</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>At 1 January 2019</b>					
Cost	-	141	306	98	545
Accumulated depreciation	-	(52)	(192)	(55)	(299)
<b>Net book amount</b>	<b>-</b>	<b>89</b>	<b>114</b>	<b>43</b>	<b>246</b>
<b>Movements year ended 31 December 2019</b>					
Acquired on acquisition of subsidiaries	-	-	753	99	852
Additions	-	1	118	82	201
Disposals	-	-	(3)	-	(3)
Charge for the year	-	(9)	(105)	(27)	(141)
Exchange differences	-	(4)	-	(1)	(5)
<b>Closing net book amount</b>	<b>-</b>	<b>77</b>	<b>877</b>	<b>196</b>	<b>1,150</b>
<b>At 31 December 2019</b>					
Cost	-	138	1,532	360	2,030
Accumulated depreciation	-	(61)	(655)	(164)	(880)
<b>Net book amount</b>	<b>-</b>	<b>77</b>	<b>877</b>	<b>196</b>	<b>1,150</b>
<b>Movements year ended 31 December 2020</b>					
Reclassified to right-of-use asset	-	-	-	(44)	(44)
<b>Restated net book amount as at 1 January 2020</b>	<b>-</b>	<b>77</b>	<b>877</b>	<b>152</b>	<b>1,106</b>
Acquired on acquisition of subsidiaries (note 28)	4,954	283	333	567	6,137
Additions	-	179	220	79	478
Disposals	-	-	-	(54)	(54)
Charge for the year	-	(17)	(181)	(45)	(243)
Exchange differences	-	(12)	1	3	(8)
<b>Closing net book amount</b>	<b>4,954</b>	<b>510</b>	<b>1,250</b>	<b>702</b>	<b>7,416</b>
<b>At 31 December 2020</b>					
Cost	4,954	588	2,267	1,011	8,820
Accumulated depreciation	-	(78)	(1,017)	(309)	(1,404)
<b>Net book amount</b>	<b>4,954</b>	<b>510</b>	<b>1,250</b>	<b>702</b>	<b>7,416</b>

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**12. INTANGIBLE ASSETS**

	<b>Internally generated software development costs</b>	<b>Trademark and licenses</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>At 1 January 2019</b>			
Cost	4,584	462	5,046
Accumulated amortisation	(2,087)	(162)	(2,249)
<b>Net book amount</b>	<b>2,497</b>	<b>300</b>	<b>2,797</b>
<b>Movements year ended 31 December 2019</b>			
Acquired on acquisition of subsidiaries	8	-	8
Additions	998	30	1,028
Charge for the year	(568)	(50)	(618)
<b>Closing net book amount</b>	<b>2,935</b>	<b>280</b>	<b>3,215</b>
<b>At 31 December 2019</b>			
Cost	5,590	492	6,082
Accumulated amortisation	(2,655)	(212)	(2,867)
<b>Net book amount</b>	<b>2,935</b>	<b>280</b>	<b>3,215</b>
<b>Movements year ended 31 December 2020</b>			
Acquired on acquisition of subsidiaries (note 28)	-	1,042	1,042
Additions	469	475	944
Charge for the year	(656)	(380)	(1,036)
Exchange differences	-	(1)	(1)
<b>Closing net book amount</b>	<b>2,748</b>	<b>1,416</b>	<b>4,164</b>
<b>At 31 December 2020</b>			
Cost	6,059	2,171	8,230
Accumulated amortisation	(3,311)	(755)	(4,066)
<b>Net book amount</b>	<b>2,748</b>	<b>1,416</b>	<b>4,164</b>

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 £2,748,000 (2019: £2,935,000) 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 (2019: £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 3.

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**13. RIGHT-OF-USE ASSETS**

	<b>Leasehold property</b>	<b>Office equipment, fixtures and fittings</b>	<b>Motor vehicles</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>At 1 January 2019</b>				
Cost	1,356	7	145	1,508
Accumulated amortisation	-	-	-	-
<b>Net book amount</b>	<b>1,356</b>	<b>7</b>	<b>145</b>	<b>1,508</b>
<b>Movements year ended 31 December 2019</b>				
Acquired on acquisition of subsidiaries	467	-	-	467
Additions	-	44	209	253
Charge for the year	(263)	(4)	(96)	(363)
Exchange differences	(17)	-	(4)	(21)
<b>Closing net book amount</b>	<b>1,543</b>	<b>47</b>	<b>254</b>	<b>1,844</b>
<b>At 31 December 2019</b>				
Cost	1,834	51	350	2,235
Accumulated amortisation	(291)	(4)	(96)	(391)
<b>Net book amount</b>	<b>1,543</b>	<b>47</b>	<b>254</b>	<b>1,844</b>
<b>Movements year ended 31 December 2020</b>				
Reclassified to right-of-use asset	-	-	44	44
<b>Restated net book amount as at 1 January 2020</b>	<b>1,543</b>	<b>47</b>	<b>298</b>	<b>1,888</b>
Acquired on acquisition of subsidiaries (note 28)	410	16	71	497
Additions	-	62	35	97
Disposals	-	(4)	-	(4)
Charge for the year	(332)	(25)	(166)	(523)
Exchange differences	(42)	-	21	(21)
<b>Closing net book amount</b>	<b>1,579</b>	<b>96</b>	<b>259</b>	<b>1,934</b>
<b>At 31 December 2020</b>				
Cost	2,283	128	525	2,936
Accumulated amortisation	(704)	(32)	(266)	(1,002)
<b>Net book amount</b>	<b>1,579</b>	<b>96</b>	<b>259</b>	<b>1,934</b>

The average lease term is 3 - 10 years (2019: 3 - 10 years). Set out below are the carrying amounts of lease liabilities and the movement during the period:

	<b>2020</b>	2019
	<b>£'000</b>	£'000
At 1 January	1,857	-
On adoption of IFRS 16	-	1,508
Acquired on acquisition of subsidiaries (note 28)	454	456
Additions	97	253
Adjustments	(9)	-
Payments	(561)	(411)
Accretion of interest	83	81
Exchange differences	6	(30)
<b>At 31 December</b>	<b>1,927</b>	<b>1,857</b>
<b>Classified as</b>		
Current	371	389
Non-current	1,556	1,468
	<b>1,927</b>	<b>1,857</b>

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**13. RIGHT-OF-USE ASSETS (continued)**

The following are the amounts recognised in profit or loss:

	<b>2020</b> <b>£'000</b>	2019 £'000
Amortisation of right-of-use assets (note 8)	523	363
Interest expense on lease liabilities (note 6)	83	81
Expenses relating to short-term lease (included in other expense)	135	82
<b>Total</b>	<b>741</b>	<b>526</b>

During the year, the Group had total cash outflows for leases of £513,000 (2019: £526,000). The Group also had non-cash additions to right-of-use assets of £594,000 (2019: £720,000) and lease liabilities of £504,000 (2019: £709,000).

**14. GOODWILL**

	<b>Group</b> <b>£'000</b>
<b><u>Cost and carrying amount</u></b>	
At 1 January 2019	29,640
Arising on acquisition of subsidiaries	6,900
At 31 December 2019	36,540
Adjustment to previous business combinations (note 28)	3,065
Arising on acquisition of subsidiaries (note 28)	51,000
<b>At 31 December 2020</b>	<b>90,605</b>

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:

	<b>2020</b> <b>£'000</b>	2019 £'000
Education sector	32,815	15,540
Construction service sector	37,800	21,000
Leisure sector	8,900	-
Health sector	1,030	-
Transportation services sector	6,210	-
Property service sector	3,850	-
	<b>90,605</b>	<b>36,540</b>

	<b>Growth rates</b>		<b>Pre-tax discount rates</b>	
	<b>2020</b> <b>%</b>	2019 %	<b>2020</b> <b>%</b>	2019 %
Education sector	5-25	5 - 20	9.04	9.04
Construction service sector	5-30	5 - 10	8.67 -8.87	8.67 -8.87
Leisure sector	10	-	9.08	-
Health services sector	20	-	8.26	-
Transportation services sector	20-30	-	9.08	-
Property service sector	10-25	-	6.25	-

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**14. GOODWILL (continued)**

<b>Assumption</b>	<b>Description</b>
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.

**15. INVESTMENT**

	<b>Note</b>	<b>2020 £'000</b>	2019 £'000
Financial assets designated at FVTOCI			
- Quoted equity investment	(a)	-	2
- Unquoted equity investment	(b)	<b>106</b>	-
		<b>106</b>	<b>2</b>

(a) 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.

(b) The Group holds a seed investment in Riide Ltd, a private company limited by shares (registered in the United Kingdom). As at 31 December 2020, the investment held by the Group is less than 10% of the total shareholding in Riide Ltd.

**16. 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.

	<b>Deferred tax liabilities</b>		<b>Deferred tax assets</b>	
	<b>Fixed assets timing differences</b>	<b>Fixed assets timing differences</b>	<b>Unrealised tax losses</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 January 2019	(10)	-	190	190
Acquisition of subsidiaries	(16)	1	89	90
Charged to profit or loss	(72)	20	138	158
Exchange difference	1	-	-	-
<b>At 31 December 2019</b>	<b>(97)</b>	<b>21</b>	<b>417</b>	<b>438</b>
Acquisition of subsidiaries	(220)	127	-	127
Charged to profit or loss	-	-	(5)	(5)
Exchange difference	-	-	-	-
<b>At 31 December 2020</b>	<b>(317)</b>	<b>148</b>	<b>412</b>	<b>560</b>

*Unrealised tax losses*

At the end of the reporting period, the Group has tax losses of approximately £2,170,000 (2019: £2,110,000) 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.

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**17. CASH AND CASH EQUIVALENTS**

	<b>2020</b> <b>£'000</b>	2019 £'000
Cash in hand	3	1
Cash at bank	5,550	4,507
Short-term deposits	664	-
	<hr/> 6,217	<hr/> 4,508
Bank overdraft (note 20)	(463)	(493)
<b>Cash and cash equivalent as per statement of consolidated cash flow</b>	<b>5,754</b>	<b>4,015</b>

**18. TRADE AND OTHER RECEIVABLES**

	<b>2020</b> <b>£'000</b>	2019 £'000
Trade receivables	6,510	5,152
Contract assets	4,709	5,859
Loss allowance	(424)	(29)
	<hr/> <b>10,795</b>	<hr/> <b>10,982</b>
Other debtors	6,921	9,773
Prepayments	1,237	442
	<hr/> <b>18,953</b>	<hr/> <b>21,197</b>

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.

Balances previously disclosed as shares held in treasury as at 31 December 2019 of £7,488,000 have been reclassified to other debtors, as this reflects the nature of the asset.

Contract assets

	<b>2020</b> <b>£'000</b>	2019 £'000
Construction services contracts	2,078	3,491
Course training	2,631	2,368
<b>Total contract assets</b>	<hr/> <b>4,709</b>	<hr/> <b>5,859</b>

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 2020, the carrying amount of retention monies held by customers for contract work amounted to £1,046,000 (2019: £700,000).

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.

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**18. TRADE AND OTHER RECEIVABLES (continued)**

	Trade receivables – days past due					Total £'000
	Not past due	<30	31-60	61 - 90	More than 90 days	
	£'000	£'000	£'000	£'000	£'000	
<b>31 December 2020</b>						
Expected credit loss rate (%)	0	0 - 3	3 - 5	5 - 20	20-50	
Estimated total gross carrying amount at default	7,872	1,877	530	224	716	11,219
Lifetime ECL	-	(19)	(21)	(26)	(358)	(424)
						<b>10,795</b>
<b>31 December 2019</b>						
Expected credit loss rate (%)	0	0 - 3	3 - 5	5 - 20	20-50	
Estimated total gross carrying amount at default (restated)	9,835	694	43	439	-	11,011
Lifetime ECL	-	(2)	(1)	(26)	-	(29)
						<b>10,982</b>

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.

**19. INVENTORIES**

	2020 £'000	2019 £'000
Raw materials	128	172
Work-in-progress	320	-
Finished goods	3,609	-
<b>Total</b>	<b>4,057</b>	<b>172</b>

The cost of inventories recognised as an expense during the year in respect of continuing operations was £9,938,000 (2019: £983,000).

**20. LOAN AND OTHER BORROWINGS**

		2020 £'000	2019 £'000
<u>Current</u>			
Bank overdraft	(a)	463	493
Bank loans	(b)	931	256
Stock financing	(c)	3,276	-
Convertible note	(e)	-	323
		<b>4,670</b>	<b>1,072</b>
<u>Non-current</u>			
Bank loans	(b)	4,882	709
Loan note	(d)	1,800	-
		<b>6,682</b>	<b>709</b>
<b>Total</b>		<b>11,352</b>	<b>1,781</b>

**a) Bank overdraft**

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

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**20. LOAN AND OTHER BORROWINGS (continued)**

**b) Loans**

The terms and conditions of outstanding secured bank loans and government loans are as follows:

Type of loan	Currency	Nominal interest rate	Year of maturity	2020 Carrying amount £'000	2019 Carrying amount £'000
Secured bank loan	GBP	3.85% + LIBOR	2022	297	484
Secured bank loan	GBP	9.90%	2022	18	48
Secured bank loan	GBP	4.40%	2033	400	433
Secured bank loan	GBP	19.60%	2021	22	-
Secured bank loan	GBP	4.90%	2021	19	-
Secured bank loan	NZD	0.00%	2023	32	-
Secured bank loan	GBP	3.99% + Base Rate	2023	250	-
Secured bank loan	SGD	6.25%	2023	77	-
Secured bank loan	GBP	3.85% + Base Rate	2025	210	-
Secured bank loan	GBP	15% over Base Rate	2025	250	-
Secured bank loan	GBP	2.96% + Base Rate	2026	150	-
Secured bank loan	GBP	3.99%	2026	170	-
Secured bank loan	GBP	3.00% + Base Rate	2026	248	-
Secured bank loan	GBP	3.19% + Base Rate	2026	250	-
Secured bank loan	GBP	3.63% + Base Rate	2026	250	-
Secured bank loan	GBP	3.05% + Base Rate	2026	350	-
Secured bank loan	GBP	2.59% + Base Rate	2026	400	-
Secured bank loan	GBP	3.50%	2035	1,450	-
Secured bank loan	SGD	2.08%	2048	364	-
Secured bank loan	USD	3.75%	2050	116	-
Unsecured bank loan	GBP	13.30%	2023	40	-
Unsecured bank loan	GBP	5.00%	2025	250	-
Unsecured bank loan	GBP	2.50%	2026	200	-
<b>Total loans</b>				<b>5,813</b>	<b>965</b>

The bank loans are secured over the Group's land and buildings, inventories, and trade receivables. UK government backed loans were issued during 2020 under the Coronavirus Business Interruption Loan Scheme and the Bounce Back Loan Scheme. All loans denominated in GBP were issued with a 12-month interest free period.

**c) Stock financing**

The Group has stock financing facilities secured over the Group's inventory of finished goods (caravans). The financing facilities are repayable at the earlier of maturity of the facility or the sale of the secured caravan and accrued interest on a monthly basis with an annual variable interest rates at 31 December 2020 ranging between 7.90% - 9.90% (2019: Nil).

**d) Loan note**

A loan of £1,800,000 was raised for the acquisition of Samuel Hobson House TopCo Limited. The loan is interest-free and repayable in 2023. The loan is secured by a charge on certain Group assets.

**e) Convertible note**

	2020 £'000	2019 £'000
Net proceeds at 1 January	323	691
Less: Conversion of convertible bonds (note 20(f))	(359)	(372)
Add back: Amortisation of transaction costs	36	35
Effect of change from foreign exchange rates	-	(31)
<b>At 31 December</b>	<b>-</b>	<b>323</b>

During the year, the Company, as the convertible note owner, elected to convert the outstanding convertible notes to listed bonds (Refer to note 21). In the prior year, £403,000 of convertible loans were converted to 384,000 shares at the conversion price of €1.20.

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**20. LOAN AND OTHER BORROWINGS (continued)**

**f) Reconciliation of movement of liabilities to cash flows arising from financing activities**

	<b>Liabilities</b>						
	<b>Borrowings</b>					<b>Equity component of convertible note</b>	<b>Total</b>
	<b>Bank overdrafts</b>	<b>Bank loans</b>	<b>Loan notes</b>	<b>Stock financing</b>	<b>Convertible note</b>		
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
At 1 January 2020	<b>493</b>	<b>965</b>	-	-	<b>323</b>	<b>30</b>	<b>1,811</b>
<u>Net cash provided by financing activities</u>							
Repayment of borrowings	-	(1,691)	-	-	-	-	(1,691)
Proceeds from borrowings	-	3,581	-	2,699	-	-	6,280
Interest paid	(8)	(136)	-	(126)	-	-	(270)
<b>Net cash inflow from financing cash flows</b>	<b>(8)</b>	<b>1,754</b>	-	<b>2,573</b>	-	-	<b>4,319</b>
<u>Movement in loans and other borrowings</u>							
Acquisition of subsidiaries, net	-	2,972	-	577	-	-	3,549
Issued on acquisition	-	-	1,800	-	-	-	1,800
Decrease in overdraft position	(30)	-	-	-	-	-	(30)
Conversion of convertible notes	-	-	-	-	(359)	(30)	(389)
Effect of change from foreign exchange rates	-	(14)	-	-	-	-	(14)
<b>Other movement in loans and other borrowings</b>	<b>(30)</b>	<b>2,958</b>	<b>1,800</b>	<b>577</b>	<b>(359)</b>	<b>(30)</b>	<b>4,916</b>
<u>Statement of Comprehensive Income</u>							
Amortisation of transaction costs	-	-	-	-	36	-	36
Interest expense	8	136	-	126	-	-	270
<b>Total amounts recognised in the Statement of Comprehensive Income</b>	<b>8</b>	<b>136</b>	-	<b>126</b>	<b>36</b>	-	<b>306</b>
<b>At 31 December 2020</b>	<b>463</b>	<b>5,813</b>	<b>1,800</b>	<b>3,276</b>	-	-	<b>11,352</b>

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**20. LOAN AND OTHER BORROWINGS (continued)**

	Liabilities			Equity component of convertible note	Total
	Bank overdrafts	Borrowings	Convertible note		
	£'000	£'000	£'000		
At 1 January 2019	348	663	691	63	1,765
<b>Net cash from financing activities</b>					
Repayment of borrowings	-	(195)	-	-	(195)
Proceeds from borrowings	-	36	-	-	36
Interest paid	(17)	(33)	-	-	(50)
<b>Net cash outflow from financing activities</b>	<b>(17)</b>	<b>(192)</b>	<b>-</b>	<b>-</b>	<b>(209)</b>
<b>Movement in loans and other borrowings</b>					
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)
<b>Other movement in loans and other borrowings</b>	<b>145</b>	<b>461</b>	<b>(403)</b>	<b>(33)</b>	<b>170</b>
<b>Statement of Comprehensive Income</b>					
Amortisation of transaction costs	-	-	35	-	35
Interest expense	17	33	-	-	50
<b>Total amounts recognised in the Statement of Comprehensive Income</b>	<b>17</b>	<b>33</b>	<b>35</b>	<b>-</b>	<b>85</b>
<b>At 31 December 2019</b>	<b>493</b>	<b>965</b>	<b>323</b>	<b>30</b>	<b>1,811</b>

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**21. BONDS**

	<b>2020</b> <b>£'000</b>	2019 £'000
<u>Non-current</u>		
Bonds	<b>23,261</b>	-

On 8 June 2020, the Company listed a €50,000,000 MBH Bond programme on the Irish Stock Exchange (trading as Euronext Dublin). The key features of the bond programme are as follows:

- 5-year maturity term;
- Interest payable semi-annually;
- Interest rate up to 5%; and
- Unsecured.

Further information on the MBH Bond can be found on the Company's website <https://www.mbhcorporation.com/mbh-bond>

The terms and conditions of outstanding bonds are as follows:

<b>Type of loan</b>	<b>Currency</b>	<b>Nominal interest rate</b>	<b>Year of maturity</b>	<b>2020</b> <b>Carrying amount</b> <b>£'000</b>	<b>2019</b> <b>Carrying amount</b> <b>£'000</b>
Unsecured bonds	EUR	2.00%	2025	4,432	-
Unsecured bonds	GBP	5.00%	2025	8,382	-
Unsecured bonds	GBP	5.00%	2025	3,004	-
Unsecured bonds	USD	5.00%	2025	2,196	-
Unsecured bonds	GBP	5.00%	2025	5,247	-
				<b>23,261</b>	-

**a) Reconciliation of movement of bonds to cash flows arising from financing activities**

	<b>Bonds</b>	<b>Bond interest</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 January 2020	-	-	-
<u>Net cash from financing activities</u>			
Bond redemption	(1,007)	-	(1,007)
Interest paid	-	(246)	(246)
<b>Total cash outflow from financing activities</b>	<b>(1,007)</b>	<b>(246)</b>	<b>(1,253)</b>
<u>Movement in Bonds liability</u>			
Issuance of bonds	24,692	-	24,692
Effect of change from foreign exchange rates	(103)	(9)	(112)
<b>Other movement in bonds liability</b>	<b>24,589</b>	<b>(9)</b>	<b>24,580</b>
<u>Statement of Comprehensive Income</u>			
Fair value gain on bond redemption	(321)	-	(321)
Interest expense	-	325	325
<b>Total amounts recognised in the Statement of Comprehensive Income</b>	<b>(321)</b>	<b>325</b>	<b>4</b>
<b>At 31 December 2020</b>	<b>23,261</b>	<b>70</b>	<b>23,331</b>

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**22. CONTINGENT CONSIDERATION**

	<b>2020</b> <b>£'000</b>	2019 £'000
At 1 January	6,433	6,826
Adjustment from acquisitions in 2019	2,364	-
Arising from acquisition of subsidiaries (note 28)	16,916	2,333
Recognised on acquisition of subsidiary (note 28)	187	-
Issuance of shares	(4,761)	(436)
Expected issuance of shares reclassified to other payables	(18)	(2,359)
Increase in consideration for existing subsidiaries	-	69
Charge to profit or loss	(23)	-
At 31 December	<b>21,098</b>	<b>6,433</b>
Amount due for settlement within 12 months (shown under current liabilities)	3,945	3,258
Amount due for settlement after 12 months (shown under non-current liabilities)	17,153	3,175
	<b>21,098</b>	<b>6,433</b>

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 EBIT 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.

**23. TRADE AND OTHER PAYABLES**

	<b>2020</b> <b>£'000</b>	2019 £'000
<u>Current</u>		
Trade payables	6,081	6,339
Other taxation and social security	698	785
Other payables	1,965	570
Accruals	618	585
Advances received	8	635
Consideration payable	277	2,359
Deferred consideration (note 28)	5,739	3,566
Contract liabilities	269	448
Bonds interest payable	70	-
	<b>15,725</b>	<b>15,287</b>
<u>Non-current</u>		
Other payables	34	-
<b>Total</b>	<b>15,759</b>	<b>15,287</b>

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.

Contract liabilities

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.

	<b>2020</b> <b>£'000</b>	2019 £'000
Construction services contracts	<b>269</b>	<b>448</b>

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**24. PROVISIONS**

	<b>2020</b> <b>£'000</b>	2019 £'000
Provision for long service leave	<b>46</b>	-

**25. ISSUED CAPITAL AND SHARE PREMIUM**

	<b>2020</b> <b>£'000</b>	2019 £'000
Share capital	62,723	34,721
Share premium	6,915	3,734
	<b>69,638</b>	<b>38,455</b>

Issued capital comprises of 70,470,225 fully paid ordinary shares of €1.00 each (2019: 39,253,811 fully paid ordinary shares of €1.00 each).

	<b>Number of shares</b>	<b>Par value</b>	<b>Share premium</b>	<b>Total</b>
	<b>'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 January 2019	30,323	26,770	269	27,039
Issue of ordinary shares as consideration for a business combination	2,050	1,766	823	2,589
Issuance of shares	5,637	5,094	2,394	7,488
Credit to equity for equity-settled share-based payments	490	440	60	500
Issuance of ordinary shares as consideration for contingent performance (note 22)	370	315	121	436
Conversion of convertible notes (note 19)	384	336	67	403
<b>At 31 December 2019</b>	<b>39,254</b>	<b>34,721</b>	<b>3,734</b>	<b>38,455</b>
Issue of ordinary shares as consideration for a business combination	15,681	14,012	2,502	16,514
Issuance of new shares as consideration for contingent performance (note 22)	12,567	11,298	679	11,977
Credit to equity for equity-settled share-based payments	562	498	-	498
Issuance of ordinary shares	1,782	1,632	-	1,632
Dividends declared	624	562	-	562
<b>At 31 December 2020</b>	<b>70,470</b>	<b>62,723</b>	<b>6,915</b>	<b>69,638</b>

For the financial year ended 31 December 2020, the Company issued equity-settled share-based payments amounting to £264,000 (2019: £500,000) for directors and senior management remuneration.

**26. OTHER RESERVES**

Details of the movements in the other reserve is set out in the Consolidated Statement of Changes in Equity.

The Other Reserve has arisen through the issue of share capital in consideration for the acquisition of investments in subsidiary companies. Where the fair value of consideration exceeds the nominal value of share capital issued, merger relief would apply. Due to fluctuations in the company's share price, certain acquisitions have been made whereby the market value of consideration is below the nominal value of the share capital issued. The Group has obtained legal opinion to ensure that the requirements of s580 Companies Act 2006 have been complied with and that shares have not been issued at a discount. The directors do however acknowledge the fact that alternative conclusions may be drawn in respect of the legal treatment of the shares issued. Should a contravention of s580(1) Companies Act 2006 have occurred in respect of the issue of the consideration shares, an adjustment would be required, to reduce the value of investments in subsidiaries by £15.9m and to recognise a debtor of the same amount in the parent company accounts (in the Group accounts the effect would be to remove other reserves and bring in a debtor of £15.9m) from the parties to whom the shares were issued. In addition, interest at the appropriate rate would also be due from the parties to whom the shares were issued, in accordance with s580(2) Companies Act 2006, totalling £0.2m. In order for the requirements of IFRS 3 to be complied with by accounting for investments at their fair value, the difference between the fair value of consideration and the nominal value of share capital issued has been reflected within the Other Reserve.

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**27. SUBSIDIARIES**

The Company holds a majority of the voting rights in 44 subsidiaries (2019: 21). The company has 22 subsidiaries that are significant and material to the Group in 2020 (2019: 9).

Significant subsidiaries of the Group are those with the most significant contribution to the Group's net profit or net assets. The Group's interest in the significant subsidiaries results are listed in the table below:

Name of subsidiary	Principal activities	Country of incorporation	Proportion of ownership interest and voting power held	
			2020	2019
<b>Education</b>				
Acacia Training Ltd	Vocational training to health, social and management sector	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%
UK Sports Training Ltd	Vocational training to health sector	United Kingdom	100%	100%
K S Training Ltd	Vocational training to education sector	United Kingdom	100%	100%
Logistica Training Limited	Vocational training to education sector	United Kingdom	100%	-
Learning Wings Pte Ltd	Training and Enrichment programs to primary school students	Singapore	100%	-
NVQ Nail & Beauty Specialist Academy Limited	Vocational training to beauty sector	United Kingdom	100%	-
Academy 1 Sports Ltd	Vocational training to sports education sector	United Kingdom	100%	-
<b>Construction Services</b>				
Cape Ltd	Commercial interior fit-out and construction contractor	New Zealand	100%	100%
Guildprime Specialist Contracts Ltd	Commercial interior fit-out and construction contractor	United Kingdom	100%	100%
du Boulay Contracts Ltd	Commercial interior fit-out and construction contractor	United Kingdom	100%	100%
Gaysha Limited	Commercial interior fit-out and construction contractor	United Kingdom	100%	100%
G.S. Contracts (Joinery) Ltd	Commercial interior fit-out and construction contractor	United Kingdom	100%	-
C&B Pty Ltd trading as Cobul Construction	Commercial building and fit-out projects and construction contractor	Australia	100%	-
<b>Leisure</b>				
Robinsons Caravans Limited	Sale of new and used caravans	United Kingdom	100%	-
<b>Health</b>				
Samuel Hobson House Limited	Aged care residential services	United Kingdom	100%	-
<b>Transport</b>				
Driven by Riide Ltd *	Taxi services	United Kingdom	100%	-
Driven by Riide Data Ltd	Taxi services	Ireland	100%	-
Victoria Gosden Travel Limited	Taxi and licensed private hire operator	United Kingdom	100%	-
<b>Property</b>				
Meeting Of The Minds, Inc DbA LIREIA	Real Estate investor association and mentoring programme	USA	100%	-
Everyday Realty Services, Inc	Real Estate brokerage and commercial funding company	USA	100%	-

\* Effective 24 March 2021, Driven by Riide Ltd has changed its name to Take Me (Group) Ltd.

(a) A complete list of the Group's subsidiaries will be attached to the MBH Corporation Plc's annual return made to the UK Registrar of Companies.

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**28. BUSINESS COMBINATIONS**

**2020 Acquisitions**

**a) Acquisition of assets**

On 13 December 2019, Acacia Training Limited, a wholly-owned subsidiary of the Group, acquired the assets of Apprentice Supermarket C.I.C. The total consideration was £67,000 and was settled on 18 March 2020 via a 100% share issuance.

**b) Acquisition of subsidiaries**

i) SHH Topco Limited and Samuel Hobson House limited ("SHH Group")

On 10 January 2020, the Group acquired, via a special purpose entity, SHH Topco Limited and Samuel Hobson House Limited. The transaction has been accounted for by the acquisition method of accounting, with no consideration paid in cash.

The total consideration is to be settled by the issuance of loan note of £1,800,000 (Note 20) and MBH shares. The contingent consideration will be settled in MBH shares by the purchaser in accordance with the terms stipulated in the Share Purchase Agreement.

The consideration and fair value of assets and liabilities acquired has only been provisionally determined based on the management's best estimate of the likely values at the point of acquisition, and will be finalised within 12 months from acquisition date.

ii) Robinsons Caravans Holding Company Ltd and Robinsons Caravans Limited ("Robinsons Group")

On 12 March 2020, the Group acquired, via a special purpose entity, Robinsons Caravans Holding Company Ltd and Robinsons Caravans Limited. The transaction has been accounted for by the acquisition method of accounting, with no consideration paid in cash.

The total consideration is to be settled in bonds. The bonds amounting to £7,974,000 was issued on 18 June 2020 at the following terms: i) 5-year maturity with principal payable at maturity; and ii) 5% coupon rate per annum payable semi-annually. The contingent consideration will be settled in MBH shares by the purchaser in accordance with the terms stipulated in the Share Purchase Agreement.

The consideration and fair value of assets and liabilities acquired has only been provisionally determined based on the management's best estimate of the likely values at the point of acquisition, and will be finalised within 12 months from acquisition date.

iii) Logistica Training Limited ("Logistica")

On 9 June 2020, the Group acquired, via a special purpose entity, Logistica Training Limited. The transaction has been accounted for by the acquisition method of accounting, of which, £1,817,000 was paid in cash, and £342,000 offset against directors' receivable as at acquisition date.

The remaining consideration is to be settled in bonds. The bonds amounting to €6,459,000 (£5,746,000) was issued on 8 June 2020 at the following terms: i) 5-year maturity with principal payable at maturity; and ii) 2% coupon rate per annum payable semi-annually. The contingent consideration will be settled in MBH shares by the purchaser in accordance with the terms stipulated in the Share Purchase Agreement.

The consideration and fair value of assets and liabilities acquired has only been provisionally determined based on the management's best estimate of the likely values at the point of acquisition, and will be finalised within 12 months from acquisition date.

iv) Learning Wings Pte Ltd ("Learning Wings")

On 30 June 2020, the Group acquired, via a special purpose entity, Learning Wings Pte Ltd. The transaction has been accounted for by the acquisition method of accounting, with no consideration paid in cash.

The total consideration is to be settled in MBH shares. The contingent consideration will be settled in MBH shares by the purchaser in accordance with the terms stipulated in the Share Purchase Agreement.

The consideration and fair value of assets and liabilities acquired has only been provisionally determined based on the management's best estimate of the likely values at the point of acquisition, and will be finalised within 12 months from acquisition date.

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**28. BUSINESS COMBINATIONS (continued)**

v) G.S. Contracts Holdings Ltd and G.S. Contracts (Joinery) Ltd ("G.S Group")

On 30 July 2020, the Group acquired, via a special purpose entity, G.S. Contracts Holdings Ltd and G.S. Contracts (Joinery) Ltd. The transaction has been accounted for by the acquisition method of accounting, with no consideration paid in cash.

The total consideration is to be settled in bonds and MBH shares. The bonds amounting to £760,000 was issued on 7 October 2020 at the following terms: i) 5-year maturity with principal payable at maturity; and ii) 5% coupon rate per annum payable semi-annually. The contingent consideration will be settled in MBH shares by the purchaser in accordance with the terms stipulated in the Share Purchase Agreement.

The consideration and fair value of assets and liabilities acquired has only been provisionally determined based on the management's best estimate of the likely values at the point of acquisition, and will be finalised within 12 months from acquisition date.

vi) Driven by Riide Ltd, Riide East Midlands Ltd and Driven by Riide Data Ltd ("DBR Group")

On 17 August 2020, the Group acquired, via a special purpose entity, Driven by Riide Ltd, Riide East Midlands Ltd and Driven by Riide Data Ltd. The transaction has been accounted for by the acquisition method of accounting, with no consideration paid in cash.

The total consideration is to be settled in bonds and MBH shares. The bonds amounting to £2,244,000 was issued on 7 October 2020 at the following terms: i) 5-year maturity with principal payable at maturity; and ii) 5% coupon rate per annum payable semi-annually. The contingent consideration will be settled in MBH shares by the purchaser in accordance with the terms stipulated in the Share Purchase Agreement.

The consideration and fair value of assets and liabilities acquired has only been provisionally determined based on the management's best estimate of the likely values at the point of acquisition, and will be finalised within 12 months from acquisition date.

vii) Meeting Of The Minds ("MOTM")

On 2 September 2020, the Group acquired, via a special purpose entity, Meeting Of The Minds, Inc DbA LIREIA. The transaction has been accounted for by the acquisition method of accounting, with no consideration paid in cash.

The total consideration is to be settled in bonds and MBH shares. The bonds amounting to USD1,900,000 (£1,427,000) was issued on 13 October 2020 at the following terms: i) 5-year maturity with principal payable at maturity; and ii) 5% coupon rate per annum payable semi-annually. The contingent consideration will be settled in MBH shares by the purchaser in accordance with the terms stipulated in the Share Purchase Agreement.

The consideration and fair value of assets and liabilities acquired has only been provisionally determined based on the management's best estimate of the likely values at the point of acquisition, and will be finalised within 12 months from acquisition date.

viii) Everyday Realty Services, Inc ("ERS")

On 2 September 2020, the Group acquired, via a special purpose entity, Everyday Realty Services, Inc. The transaction has been accounted for by the acquisition method of accounting, with no consideration paid in cash.

The total consideration is to be settled in bonds and MBH shares. The bonds amounting to USD1,100,000 (£826,000) was issued on 13 October 2020 at the following terms: i) 5-year maturity with principal payable at maturity; and ii) 5% coupon rate per annum payable semi-annually. The contingent consideration will be settled in MBH shares by the purchaser in accordance with the terms stipulated in the Share Purchase Agreement.

The consideration and fair value of assets and liabilities acquired has only been provisionally determined based on the management's best estimate of the likely values at the point of acquisition, and will be finalised within 12 months from acquisition date.

ix) C&B Pty Ltd trading as Cobul Construction ("Cobul")

On 30 October 2020, the Group acquired, via a special purpose entity, C&B Pty Ltd trading as Cobul Construction. The transaction has been accounted for by the acquisition method of accounting, with no consideration paid in cash.

The total consideration is to be settled in bonds and MBH shares. The bonds amounting to £5,247,000 was issued on 18 December 2020 at the following terms: i) 5-year maturity with principal payable at maturity; and ii) 5% coupon rate per annum payable semi-annually. The contingent consideration will be settled in MBH shares by the purchaser in accordance with the terms stipulated in the Share Purchase Agreement.

The consideration and fair value of assets and liabilities acquired has only been provisionally determined based on the management's best estimate of the likely values at the point of acquisition, and will be finalised within 12 months from acquisition date.

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**28. BUSINESS COMBINATIONS (continued)**

x) NVQ Nail & Beauty Specialist Academy Limited ("NVQ")

On 9 November 2020, the Group acquired, via a special purpose entity, NVQ Nail & Beauty Specialist Academy Limited. The transaction has been accounted for by the acquisition method of accounting, with no consideration paid in cash.

The total consideration is to be settled in MBH shares. The contingent consideration will be settled in MBH shares by the purchaser in accordance with the terms stipulated in the Share Purchase Agreement.

The consideration and fair value of assets and liabilities acquired has only been provisionally determined based on the management's best estimate of the likely values at the point of acquisition, and will be finalised within 12 months from acquisition date.

xi) Academy 1 Group Ltd, Academy 1 Sports College East Ltd, Academy 1 Sports Management Ltd and Academy 1 Sports Ltd ("A1 Group")

On 26 November 2020, the Group acquired, via a special purpose entity, Academy 1 Group Ltd, Academy 1 Sports College East Ltd, Academy 1 Sports Management Ltd and Academy 1 Sports Ltd. The transaction has been accounted for by the acquisition method of accounting, with no consideration paid in cash.

The total consideration is to be settled in bonds and MBH shares. As at 31 December 2020, no bonds have been issued. The contingent consideration will be settled in MBH shares by the purchaser in accordance with the terms stipulated in the Share Purchase Agreement.

The consideration and fair value of assets and liabilities acquired has only been provisionally determined based on the management's best estimate of the likely values at the point of acquisition, and will be finalised within 12 months from acquisition date.

xii) Victoria Gosden Travel Limited ("VGT")

On 16 December 2020, the Group acquired, via a special purpose entity, Victoria Gosden Travel Limited. The transaction has been accounted for by the acquisition method of accounting, with no consideration paid in cash.

The total consideration is to be settled in bonds and MBH shares. As at 31 December 2020, no bonds have been issued. The contingent consideration will be settled in MBH shares by the purchaser in accordance with the terms stipulated in the Share Purchase Agreement.

The consideration and fair value of assets and liabilities acquired has only been provisionally determined based on the management's best estimate of the likely values at the point of acquisition, and will be finalised within 12 months from acquisition date.

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**28. BUSINESS COMBINATIONS (continued)**

	<b>SHH Group</b>	<b>Robinsons Group</b>	<b>Logistica</b>	<b>Learning Wings</b>	<b>G.S. Group</b>	<b>DBR Group</b>	<b>MOTM</b>	<b>ERS</b>	<b>Cobul</b>	<b>NVQ</b>	<b>A1 Group</b>	<b>VGT</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b><u>Fair value of assets acquired</u></b>													
Property, plant and equipment	1,849	2,507	2	251	858	53	-	54	16	13	26	508	6,137
Intangibles	-	145	-	-	-	557	25	46	-	-	-	269	1,042
Investments	-	-	-	-	-	62	-	-	-	-	-	-	62
Right-of-use assets	-	-	-	56	-	55	-	302	13	-	31	40	497
Trade and other receivables	347	862	477	197	452	240	-	38	331	81	864	107	3,996
Inventory	-	4,645	-	-	35	-	-	-	-	-	1	-	4,681
Cash and cash equivalents	3	452	1,982	22	299	252	1	459	480	78	318	314	4,660
Deferred tax asset	-	73	5	-	-	-	-	-	49	-	-	-	127
Trade and other payables	(395)	(5,597)	(73)	(21)	(754)	(741)	(27)	(509)	(429)	-	(305)	(350)	(9,201)
Loans and borrowings	-	(1,987)	-	(303)	(350)	(170)	(4)	(116)	-	-	(350)	(269)	(3,549)
Lease liabilities	-	-	-	(58)	-	(52)	-	(297)	(13)	-	(29)	(5)	(454)
Income tax payable	-	(47)	(54)	(6)	26	(179)	-	-	(48)	-	(124)	(12)	(444)
Deferred tax liability	(4)	(26)	-	-	(92)	-	-	-	-	-	-	(98)	(220)
Contingent consideration	-	-	-	-	-	-	-	-	(187)	-	-	-	(187)
<b>Net identifiable assets (liabilities) acquired</b>	<b>1,800</b>	<b>1,027</b>	<b>2,339</b>	<b>138</b>	<b>474</b>	<b>77</b>	<b>(5)</b>	<b>(23)</b>	<b>212</b>	<b>172</b>	<b>432</b>	<b>504</b>	<b>7,147</b>
Add: goodwill	1,030	8,900	9,100	1,000	2,410	4,300	2,480	1,370	11,800	1,300	5,400	1,910	51,000
<b>Total consideration</b>	<b>2,830</b>	<b>9,927</b>	<b>11,439</b>	<b>1,138</b>	<b>2,884</b>	<b>4,377</b>	<b>2,475</b>	<b>1,347</b>	<b>12,012</b>	<b>1,472</b>	<b>5,832</b>	<b>2,414</b>	<b>58,147</b>
<b><u>Elements of consideration</u></b>													
Cash	-	-	1,817	-	-	-	-	-	-	-	-	-	1,817
Offset of directors' accounts	-	-	342	-	-	-	-	-	-	-	-	-	342
MBH shares	150	-	-	220	379	1,154	649	296	2,392	190	928	720	7,078
Bonds / Loan note	1,800	7,974	5,746	-	760	2,244	1,427	826	5,247	-	-	-	26,024
Deferred consideration	-	434	-	521	601	1	-	-	351	457	2,211	1,394	5,970
Contingent consideration	880	1,519	3,534	397	1,144	978	399	225	4,022	825	2,693	300	16,916
<b>Total consideration</b>	<b>2,830</b>	<b>9,927</b>	<b>11,439</b>	<b>1,138</b>	<b>2,884</b>	<b>4,377</b>	<b>2,475</b>	<b>1,347</b>	<b>12,012</b>	<b>1,472</b>	<b>5,832</b>	<b>2,414</b>	<b>58,147</b>
<b><u>Effects on cash flows of the Group</u></b>													
Cash paid	-	-	(1,817)	-	-	-	-	-	-	-	-	-	(1,817)
Add: net of cash and cash equivalents and bank overdraft in businesses acquired	3	452	1,982	22	299	252	1	459	480	78	318	314	4,660
Cash inflow on acquisition	<b>3</b>	<b>452</b>	<b>165</b>	<b>22</b>	<b>299</b>	<b>252</b>	<b>1</b>	<b>459</b>	<b>480</b>	<b>78</b>	<b>318</b>	<b>314</b>	<b>2,843</b>

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**28. BUSINESS COMBINATIONS (continued)**

**c) Goodwill arising on acquisitions**

Goodwill amounting to £51,000,000 (2019: £6,900,000) 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.

**d) Impact of acquisitions on the results of the Group**

Included in the revenue and profit after income tax for the year is £18,782,000 (2019: £5,759,000) and £2,054,000 (2019: £846,000) respectively attributable to the additional business generated by the above acquisitions.

Had these business combinations been effected at 1 January 2020, the revenue and profit after income tax for the year of the Group from continuing operations would have been as follows:

	<b>Revenue</b>	<b>Profit/(Loss)</b>
	<b>£'000</b>	<b>after income tax</b>
	<b>£'000</b>	<b>£'000</b>
SHH Group	1,078	169
Robinsons Group	14,818	1,320
Logistica	2,320	755
Learning Wings	297	7
G.S. Group	3,126	(127)
DBR Group	3,237	(32)
MOTM	203	(8)
ERS	393	13
Cobul	5,862	1,447
NVQ	254	24
A1 Group	3,558	(243)
VGT	1,084	23
<b>Total</b>	<b>36,230</b>	<b>3,348</b>

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 total profit/(loss) 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.

**e) Acquisition-related costs**

In 2020, acquisition-related costs amounting £18,000 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.

**2019 Acquisitions**

As disclosed in the 31 December 2019 annual report and accounts the Group acquired 100% of the issued share capital and voting rights of:

- Guildprime Specialist Contracts Ltd ("Guildprime")
- Gaysha Limited ("Gaysha")
- UK Sports Training Ltd ("UK Sports")
- K S Training Ltd ("K S Training")

A provisional fair value exercise to determine the fair value of assets and liabilities acquired in relation to the above acquisitions was carried out. Within the twelve-month hindsight period, the Group has reassessed the provisional fair values, which have now been finalised as per the table below.

Per note 14 the adjustment to previous business combinations of £3,065,000 relates to the movement in goodwill. As disclosed in the 2019 financial statements, the goodwill was £6,900,000.

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**28. BUSINESS COMBINATIONS (continued)**

**Final recognised amounts of identifiable net assets**

	<b>Guildprime</b>	<b>Gaysha</b>	<b>UK Sports</b>	<b>K S Training</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b><u>Fair value of assets acquired</u></b>					
Property, plant and equipment	738	112	-	2	852
Intangibles	-	-	8	-	8
Right-of-use assets	467	-	-	-	467
Trade and other receivables	807	2,787	111	84	3,789
Inventory	58	70	-	-	128
Cash and cash equivalents	159	284	61	-	504
Deferred tax asset	60	16	-	(2)	74
Trade and other payables	(962)	(1,923)	(35)	(63)	(2,983)
Lease liabilities	(456)	-	-	-	(456)
Loans and borrowings	-	(1,064)	-	(53)	(1,117)
Income tax payable	16	-	(18)	(25)	(27)
<b>Net identifiable assets (liabilities) acquired</b>	<b>887</b>	<b>282</b>	<b>127</b>	<b>(57)</b>	<b>1,239</b>
Add: goodwill (note 14) (restated)	3,790	4,200	1,000	975	9,965
<b>Total consideration</b>	<b>4,677</b>	<b>4,482</b>	<b>1,127</b>	<b>918</b>	<b>11,204</b>
<b><u>Breakdown</u></b>					
Consideration – MBH shares	-	2,500	-	-	2,500
Deferred consideration (restated)	3,417	14	390	187	4,008
Contingent consideration (restated)	1,260	1,968	737	731	4,696
<b>Total consideration</b>	<b>4,677</b>	<b>4,482</b>	<b>1,127</b>	<b>918</b>	<b>11,204</b>
<b><u>Effects on cash flows of the Group</u></b>					
Cash paid	-	-	-	-	-
(Less) / Add: net of cash and cash equivalents and bank overdraft in businesses acquired	(159)	369	(61)	3	152
<b>Cash inflow/(outflow) on acquisition (restated)</b>	<b>(159)</b>	<b>369</b>	<b>(61)</b>	<b>3</b>	<b>152</b>

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**29. DIVESTMENT OF SUBSIDIARIES**

The Group disposed of a number of wholly owned dormant special purpose entities during the year ended 31 December 2020 (2019: Nil). MBH Parent's equity interest in some subsidiaries changed from being an indirect 100% interest via special purpose entity to a direct 100% interest. The total equity ownership interest has not changed.

There was no impact of the divestment of the subsidiaries in 2020 on the Statement of Financial Position, financial performance or cash flows of the Group for the year ended 31 December 2020. There was no gain/(loss) recognised on disposal in the Statement of Other Comprehensive Income.

**30. 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:

	<b>2020</b>	2019
	<b>£'000</b>	£'000
<b>Financial assets:</b>		
Trade and other receivables	17,716	13,267
Cash and cash equivalents	6,217	4,508
Equity instruments designated as at FVTOCI	106	2
	<b>24,039</b>	<b>17,777</b>
<b>Financial liabilities at amortised cost:</b>		
Trade and other payables	15,061	14,502
Lease liabilities	1,927	1,857
Loans and borrowings	11,352	1,781
Bonds	23,261	-
Contingent consideration	21,098	6,433
	<b>72,699</b>	<b>24,573</b>

**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.

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**30. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (continued)**

**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.

**e) Foreign exchange risk management**

The Group transacts business in Euro and United States Dollar (USD) 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:

	<b>Euro</b>		<b>USD</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Convertibles	-	-	-	358
Bonds	2,196	-	4,432	-
<b>Total</b>	<b>2,196</b>	<b>-</b>	<b>4,432</b>	<b>-</b>

If the relevant foreign currency strengthens by 10% against the functional currency of each group entity, profit or loss and other equity denominated in Euro and in USD will decrease by £443,000 (2019: £36,000) and £220,000 (2019: Nil) respectively. 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.

**f) 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 £3,000 (2019: £5,000).

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**30. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (continued)**

**g) 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 2020, 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
<b>31 December 2020</b>							
<b>Trade receivables and contract assets</b>	<b>18</b>	<b>n.a.</b>	<b>a)</b>	<b>Lifetime ECL (simplified approach)</b>	<b>11,219</b>	<b>(424)</b>	<b>10,795</b>
<b>Other receivables</b>	<b>18</b>	<b>n.a.</b>	<b>b)</b>	<b>12-month ECL</b>	<b>6,921</b>	<b>-</b>	<b>6,921</b>
<b>31 December 2019</b>							
Trade receivables and contract assets	18	n.a.	a)	Lifetime ECL (simplified approach)	11,011	(29)	10,982
Other receivables	18	n.a.	b)	12-month ECL	9,773	-	9,773

- a) 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.
- b) 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.

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**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2020**

**30. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (continued)**

**h) 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 8.1% (2019: 15.9%) 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 instalment 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 5.4% (2019: 14.8%) 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 2020, there was no concentration of credit risk with any particular supplier.

Bank balances are placed with reputable banking institutions in the countries the Group is operating in.

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 18 to the financial statements.

**i) 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.

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**30. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (continued)**

	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
<b>31 December 2020</b>						
Non-interest bearing	-	15,027	34	-	-	15,061
Variable interest rate	4.6	584	2,267	-	(196)	2,655
Fixed interest rate	4.2	4,292	3,517	2,074	(1,186)	8,697
Lease liabilities	8.0	401	2,286	-	(760)	1,927
Bonds	5.0	-	29,688	-	(6,427)	23,261
Contingent consideration	-	3,945	17,153	-	-	21,098
<b>Total</b>		<b>24,249</b>	<b>54,945</b>	<b>2,074</b>	<b>(8,569)</b>	<b>72,699</b>
<b>31 December 2019</b>						
Non-interest bearing	-	14,825	-	-	-	14,825
Variable interest rate	4.6	196	311	-	(23)	484
Fixed interest rate	2.9	580	153	283	(42)	974
Lease liabilities	8.0	420	2,157	-	(720)	1,857
Contingent consideration	-	3,258	3,175	-	-	6,433
<b>Total</b>		<b>19,279</b>	<b>5,796</b>	<b>283</b>	<b>(785)</b>	<b>24,573</b>

**j) 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 2020 Assets/ (Liabilities)	31 December 2019 Assets/ (Liabilities)				
	£'000	£'000				
Listed equity share	-	2	Level 1	Quoted bid prices in an active market.	n.a.	n.a.
Seed Investment	106	-	Level 2	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly	Financial Statements of Riide Ltd	n.a.
Contingent consideration	(21,098)	(6,433)	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.

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**31. SUBSEQUENT EVENTS**

On 26 January 2021, the Company announced acquisition of 100% of the share capital of 3K's Engineering Company Limited ("3K's"), a fabrication and heavy machining service in the United Kingdom. 3K's Engineering will be included in a newly created Engineering vertical in the Group.

On 15 February 2021, the Company announced acquisition of 100% of the share capital of GBS Partners Inc. ("GBS"), a food manufacturing company trading as Boulder Sausage in the United States of America. GBS will be included in a newly created Food Manufacturing vertical in the Group.

On 15 March 2021, the Company announced acquisition of 100% of the share capital of 4X Limited ("4X"), a taxi service provider in the United Kingdom. 4X Limited will be included in the Transport vertical in the Group.

The financial effects of the above acquisitions have not been recognised at 31 December 2020. The operating results and assets and liabilities of the acquired companies will be consolidated from 1 February 2021 (for 3K's and GBS) and from 1 March 2021 (for 4X).

As at reporting date, the status of acquisition accounting is incomplete and does not permit the disclosure of any pro-forma financial information.

Other than the matters outlined above, no matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations, results of operations or state of affairs of the Group in subsequent accounting periods.

**MBH CORPORATION PLC**  
**PARENT ENTITY FINANCIAL STATEMENTS**  
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**Parent Company Statement of Financial Position**  
**As at 31 December 2020**

	Note	2020 £'000	2019 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	D	222	222
Investment in subsidiaries	E	108,184	37,146
Deferred tax assets	F	91	91
<b>Total non-current assets</b>		<b>108,497</b>	<b>37,459</b>
<b>Current assets</b>			
Cash and cash equivalents		155	258
Trade and other receivables	G	13,362	12,720
<b>Total current assets</b>		<b>13,517</b>	<b>12,978</b>
<b>Total assets</b>		<b>122,014</b>	<b>50,437</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Contingent consideration	H	17,153	7,082
Bonds	I	23,261	-
Loan and other borrowings		1,800	-
<b>Total non-current liabilities</b>		<b>42,214</b>	<b>7,082</b>
<b>Current liabilities</b>			
Contingent and deferred consideration	H	3,781	2,656
Convertible notes	J	-	323
Trade and other payables	K	6,046	2,620
<b>Total current liabilities</b>		<b>9,827</b>	<b>5,599</b>
<b>Total liabilities</b>		<b>52,041</b>	<b>12,681</b>
<b>Net assets</b>		<b>69,973</b>	<b>37,756</b>
<b>EQUITY</b>			
Share capital and share premium	L	69,638	38,455
Other reserves	M	-	30
Retained earnings		335	(729)
<b>Total equity</b>		<b>69,973</b>	<b>37,756</b>

These financial statements were approved by the Directors and authorised for issue on 30 April 2021, 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.*

**MBH CORPORATION PLC**  
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**Parent Company Statement of Changes in Equity**  
**For the year ended 31 December 2020**

	Share capital	Share premium	Other reserves	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 January 2019</b>	26,770	269	63	(591)	26,511
Loss for the year	-	-	-	(138)	(138)
Other comprehensive income	-	-	(2)	-	(2)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>(138)</b>	<b>(140)</b>
<b>Transactions with owners in their capacity as owners</b>					
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	(31)	-	372
	<b>7,951</b>	<b>3,465</b>	<b>(31)</b>	<b>-</b>	<b>11,385</b>
<b>Balance at 31 December 2019</b>	<b>34,721</b>	<b>3,734</b>	<b>30</b>	<b>(729)</b>	<b>37,756</b>
Profit for the year, representing total comprehensive income for the year	-	-	-	1,335	1,335
<b>Transactions with owners in their capacity as owners</b>					
Issue of ordinary shares as consideration for a business combination	14,012	2,502	-	-	16,514
Issue of ordinary shares as consideration for contingent performance	11,298	679	-	-	11,977
Credit to equity for equity-settled share-based payments	498	-	-	-	498
Issue of ordinary shares	1,632	-	-	-	1,632
Dividends declared	562	-	-	(271)	291
Termination of convertible notes	-	-	(30)	-	(30)
	<b>28,002</b>	<b>3,181</b>	<b>(30)</b>	<b>(271)</b>	<b>30,882</b>
<b>Balance at 31 December 2020</b>	<b>62,723</b>	<b>6,915</b>	<b>-</b>	<b>335</b>	<b>69,973</b>

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

**MBH CORPORATION PLC**  
**PARENT ENTITY FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2020**

**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 87.

The accounting policies which follow set out those policies which apply in preparing the parent company financial statements for the year ended 31 December 2020. 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 2020, 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*.

**MBH CORPORATION PLC**  
**PARENT ENTITY FINANCIAL STATEMENTS**  
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**A. ACCOUNTING POLICIES (continued)**

**c) Investment in subsidiaries**

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.

**MBH CORPORATION PLC**  
**PARENT ENTITY FINANCIAL STATEMENTS**  
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**A. ACCOUNTING POLICIES (continued)**

**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 3 in the consolidated financial statements.

**C. PROFIT/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 profit after tax was £1,335,000 (2019: loss after tax of £140,000).

The total Directors' emoluments paid through the parent company was £289,000 (2019: £325,000). There were no employees (2019: nil) other than the Directors.

The audit fee is disclosed in note 8 of the consolidated financial statements.

**D. INTANGIBLE ASSETS**

	<b>Trademark and licenses</b>
	<b>£'000</b>
<b><u>At cost and carrying amount</u></b>	
At 1 January 2019	222
Additions	-
<b>At 31 December 2019 and 31 December 2020</b>	<b>222</b>

The trademark used for the know-how operations of the Company's business activities amounting to £222,000 (2019: £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 3 of the consolidated financial statements.

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**E. INVESTMENT IN SUBSIDIARIES**

	<u>Company</u> <u>£'000</u>
<b><u>Cost and carrying amount</u></b>	
At 1 January 2019	30,960
Additions	6,186
At 31 December 2019	37,146
Additions	71,038
<b>At 31 December 2020</b>	<b>108,184</b>

All of the subsidiary undertakings are included within note 27 of the consolidated financial statements.

**F. 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.

	<b>Fixed assets timing differences</b> <b>£'000</b>
At 1 January 2019	-
Charged to profit or loss	91
<b>At 31 December 2019</b>	<b>91</b>
Charged to profit or loss	-
<b>At 31 December 2020</b>	<b>91</b>

*Unrealised tax losses*

At the end of the reporting period, the Company has tax losses of approximately £485,000 (2019: £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.

**G. TRADE AND OTHER RECEIVABLES**

	<b>2020</b> <b>£'000</b>	2019 £'000
Trade receivables due from related companies	19	27
Other receivables due from related companies	9,499	4,228
Other receivables	3,310	8,450
Prepayments	534	15
<b>Total</b>	<b>13,362</b>	<b>12,720</b>

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 2020, no material impairment of trade receivables was required.

Other debtors of £3,310,000 includes an amount of £1,043,000 due from shareholders which represents the difference between the nominal value of shares issued and the consideration received. In accordance with the Companies Act 2006, interest on the balance is due to the Company at the appropriate rate of interest.

Balances previously disclosed as shares held in treasury as at 31 December 2019 of £7,488,000 have been reclassified to other debtors, as this reflects the nature of the asset.

**MBH CORPORATION PLC**  
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**H. CONTINGENT CONSIDERATION**

Disclosures in respect of contingent consideration are provided in note 22 to the consolidated financial statements.

**I. BONDS**

Disclosures in respect of bonds are provided in note 21 to the consolidated financial statements.

**J. CONVERTIBLE NOTES**

Disclosures in respect of convertible notes are provided in note 20 to the consolidated financial statements.

**K. TRADE PAYABLES AND OTHER PAYABLES**

	<b>2020</b> <b>£'000</b>	2019 £'000
Trade payables	27	75
Other payables	102	109
Provision and accruals	78	73
Consideration payable	18	2,359
Deferred consideration	5,739	-
Bonds interest payable	70	-
Other taxation and social security	12	4
<b>Total</b>	<b>6,046</b>	<b>2,620</b>

**L. ISSUED CAPITAL AND SHARE PREMIUM**

Disclosures in respect of share capital and share premium of the Company are provided in note 25 to the consolidated financial statements.

**M. OTHER RESERVES**

Details of the movements in other reserves is set out in the Parent Company Statement of Changes in Equity. Disclosures in respect of other reserves of the Company are provided in note 26 to the consolidated financial statements.

**N. POST BALANCE SHEET EVENTS**

Disclosures in respect of subsequent events of the Company are provided in note 31 to the consolidated financial statements.

**O. 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:

	<b>2020</b> <b>£'000</b>	2019 £'000
Management fee income	<b>614</b>	214

MBH