

REGISTRAR COPY

Registered number: 03466181

MHR GLOBAL HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



MHR GLOBAL HOLDINGS LIMITED

COMPANY INFORMATION

Directors	J R Mills Mrs E A Mills Miss J M Mills
Company secretary	P J Ward
Registered number	03466181
Registered office	The Old Hall Ashwell Oakham Rutland LE15 7LJ
Independent auditors	MHA MacIntyre Hudson Chartered Accountants & Statutory Auditors Peterbridge House The Lakes Northampton NN4 7HB
Bankers	Barclays Bank plc 14 Park Row Nottingham NG1 6BX

MHR GLOBAL HOLDINGS LIMITED

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MHR GLOBAL HOLDINGS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

The directors present their report and the financial statements for the year ended 31 December 2018.

Principal activity

The principal activity of the Group during the year was the development and marketing of computer software for government, industry and commerce.

Business review

The directors are pleased to report another successful year. Net assets have increased by 8% in the year financial year due to profits for the year exceeding dividends paid for the year.

We are an independent business continuously working to deliver business improvement by understanding what our customers want, by engaging with customers and delivering the very best solution to deliver maximum value. We focus on product and service excellence, innovation and reliability.

Our solutions support some of the largest and most successful organisations in the UK, from public, commercial and not-for-profit sectors.

There are no bank borrowings or significant long-term debt. The Group has a strong and sustainable business model, with c1,150 (2017 - c1,000) customers signed to long term contracts, but with no reliance on any one customer or sector, the revenues being balanced across both public and private sectors.

During the year the Group undertook a reconstruction that brought MHR Estates Limited (formerly Ancaster Properties Limited) in to the Group. The reconstruction has been accounted for under merger accounting principles, resulting in a re-presentation of the 2017 financial statements.

Financial review

Profit and Loss

The financial year 2018 was a success for revenue with organic growth of 8.8% to £65,402,518 (2017 - £60,126,799).

Profit before interest, tax and exceptional one-off items was £6,344,841 (2017 - £1,260,351) and the operating profit margin was 9.7% (2017 – 2.1%).

Balance Sheet

The strong performance of the Group in 2018 resulted in an improved position in net assets in comparison to the prior year, 2018 closing at £23,153,689 (2017 - £22,422,607).

MHR GLOBAL HOLDINGS LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Principal risks and uncertainties

The principal financial risks faced by the Group, and the Group's objectives and policies in relation to those risks are as follows:

Cash flow risk:

The Group cash flow position is closely monitored by the finance department. Detailed cash flow forecasts are regularly prepared with the objectives of alerting the directors to potential future risks.

Credit Risk:

Credit risk arises if the Group is unable to recover sums due from customers. The Group has strong procedures in place with regard to credit control to minimise bad debt.

Currency risk:

Currency dealings are minimal and therefore currency movements do not pose a significant risk to the business.

Brexit:

It is not expected that the UK leaving the EU will have a material impact on the Group.

Financial key performance indicators

The directors consider the following Key Performance Indicators when assessing the performance of the Group:

Turnover

Turnover increased through organic growth by 8.8% to £65,402,518 (2017 - £60,126,799).

Profit before interest and tax

Profit before interest, tax and exceptional one-off items was £6,344,841 (2017 - £1,260,351). This is due to an increase in gross profit and the impact of the merger accounting re-statement due to the acquisition of MHR Estates Limited in the year.

Net profit margin

The Group achieved a net profit margin before interest and tax of 9.7% (2017 - 2.1%).

Other key performance indicators

The directors consider the following Key Performance Indicators when assessing the non-financial performance of the Group:

We support the management, development and payment of approximately 7.2% (2017 - 6.5%) of the UK workforce, equating to 2.3 million (2017 - 2.2 million) employees. This is due to the increase in the number of customer contracts won in the year.

This report was approved by the board and signed on its behalf.



J R Mills
Director

Date: 25-09-19

MHR GLOBAL HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £5,191,766 (2017 - £17,666).

Dividends of £2,192,249 (2017 - £473,685) have been paid in the year.

Directors

The directors who served during the year were:

J R Mills
Mrs E A Mills
Miss J M Mills

Future developments

The Group is expected to continue to grow in 2019 through organic expansion into new international markets.

Employee involvement

The Group recognises the benefit of keeping employees informed of the progress of the business and does so through formal and informal meetings.

MHR GLOBAL HOLDINGS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditors

The auditors, MHA MacIntyre Hudson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



J.R. Mills
Director

Date: 25-09-19

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MHR GLOBAL HOLDINGS LIMITED

Opinion

We have audited the financial statements of MHR Global Holdings Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018, which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 '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 2018 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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 Auditors' 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

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MHR GLOBAL HOLDINGS LIMITED
(CONTINUED)**

knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Group 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 Group 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 Group Strategic Report or the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 3, 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MHR GLOBAL HOLDINGS LIMITED
(CONTINUED)

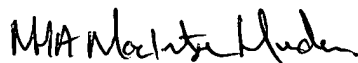
Auditors' responsibilities for the audit of the financial statements

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

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

Use of our 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 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 Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Steven Moore BA ACA (Senior Statutory Auditor)

for and on behalf of
MHA MacIntyre Hudson

Chartered Accountants
Statutory Auditors

Peterbridge House
The Lakes
Northampton
NN4 7HB

Date: 26-09-19

MHR GLOBAL HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

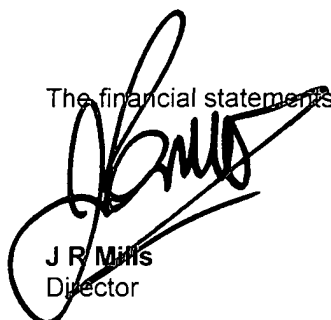
	Note	2018 £	2017 £
Turnover	4	65,402,518	60,162,799
Cost of sales		(4,384,858)	(4,740,054)
Gross profit		61,017,660	55,422,745
Administrative expenses		(54,915,286)	(49,803,441)
Exceptional administrative expenses		-	(4,735,959)
Other operating income	5	242,467	377,006
Operating profit	6	6,344,841	1,260,351
Interest receivable and similar income	10	174,190	80,141
Interest payable and expenses	11	(209,997)	(106,709)
Profit before tax		6,309,034	1,233,783
Tax on profit	12	(1,117,268)	(1,216,117)
Profit for the financial year		5,191,766	17,666
Total comprehensive income for the year		5,191,766	17,666
Profit for the year attributable to:			
Owners of the parent company		5,191,766	17,666

The notes on pages 16 to 36 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	15	15,474,653	13,312,548
Investment property	17	676,200	676,200
		<u>16,150,853</u>	<u>13,988,748</u>
Current assets			
Debtors: amounts falling due within one year	18	18,066,774	22,314,463
Cash at bank and in hand	19	13,376,279	12,114,049
		<u>31,443,053</u>	<u>34,428,512</u>
Creditors: amounts falling due within one year	20	(21,785,253)	(22,562,345)
Net current assets		<u>9,657,800</u>	<u>11,866,167</u>
Total assets less current liabilities		<u>25,808,653</u>	<u>25,854,915</u>
Creditors: amounts falling due after more than one year	21	(2,654,964)	(3,432,308)
Net assets		<u><u>23,153,689</u></u>	<u><u>22,422,607</u></u>
Capital and reserves			
Called up share capital	26	10,000	10,000
Merger relief reserve	27	3,032,219	3,032,219
Merger reserve	27	1,386,030	1,386,030
Profit and loss account	27	18,725,440	17,994,358
		<u>23,153,689</u>	<u>22,422,607</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



J R Mills
Director

Date: 25-09-19

The notes on pages 16 to 36 form part of these financial statements.

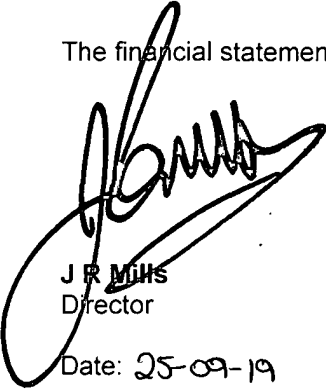
COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	15	3,242,136	3,268,752
Investments	16	6,600,000	6,280,000
		<u>9,842,136</u>	<u>9,548,752</u>
Current assets			
Debtors: amounts falling due within one year	18	876,742	4,180,873
Cash at bank and in hand	19	4,842,176	3,759,757
		<u>5,718,918</u>	<u>7,940,630</u>
Creditors: amounts falling due within one year	20	(436,317)	(1,151,463)
Net current assets		<u>5,282,601</u>	<u>6,789,167</u>
Total assets less current liabilities		<u>15,124,737</u>	<u>16,337,919</u>
Provisions for liabilities			
Deferred taxation	25	(55,648)	(46,939)
		<u>(55,648)</u>	<u>(46,939)</u>
Net assets		<u><u>15,069,089</u></u>	<u><u>16,290,980</u></u>
Capital and reserves			
Called up share capital	26	10,000	10,000
Merger relief reserve	27	3,032,219	3,032,219
Profit and loss account brought forward		13,248,761	10,907,810
Profit for the year		1,135,292	2,814,636
Other changes in the profit and loss account		(2,357,183)	(473,685)
Profit and loss account carried forward	27	<u>12,026,870</u>	<u>13,248,761</u>
		<u><u>15,069,089</u></u>	<u><u>16,290,980</u></u>

MHR GLOBAL HOLDINGS LIMITED
REGISTERED NUMBER: 03466181

COMPANY BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2018

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



J R Mills
Director
Date: 25-09-19

The notes on pages 16 to 36 form part of these financial statements.

MHR GLOBAL HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Merger relief reserve	Merger reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2017	10,000	3,032,219	1,386,030	18,450,377	22,878,626
Profit for the year	-	-	-	17,666	17,666
Dividends: Equity capital	-	-	-	(473,685)	(473,685)
At 1 January 2018	10,000	3,032,219	1,386,030	17,994,358	22,422,607
Profit for the year	-	-	-	5,191,766	5,191,766
Loans forgiven	-	-	-	(2,268,435)	(2,268,435)
Dividends: Equity capital	-	-	-	(2,192,249)	(2,192,249)
At 31 December 2018	10,000	3,032,219	1,386,030	18,725,440	23,153,689

MHR GLOBAL HOLDINGS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £	Other reserves £	Profit and loss account £	Total equity £
At 1 January 2017	10,000	3,032,219	10,907,810	13,950,029
Profit for the year	-	-	2,814,636	2,814,636
Dividends: Equity capital	-	-	(473,685)	(473,685)
At 1 January 2018	10,000	3,032,219	13,248,761	16,290,980
Profit for the year	-	-	1,135,292	1,135,292
Loans forgiven	-	-	(164,934)	(164,934)
Dividends: Equity capital	-	-	(2,192,249)	(2,192,249)
At 31 December 2018	10,000	3,032,219	12,026,870	15,069,089

MHR GLOBAL HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	5,191,766	17,666
Adjustments for:		
Depreciation of tangible assets	1,369,941	1,113,597
Loss on disposal of tangible assets	-	15,889
Revaluation of fixed assets	-	4,735,959
Interest paid	209,997	106,709
Interest received	(174,190)	(80,141)
Taxation charge	1,117,268	1,216,117
Decrease/(increase) in debtors	4,348,150	(2,232,708)
(Decrease)/increase in creditors	(600,417)	2,627,590
Corporation tax (paid)	(1,411,488)	(918,158)
Net cash generated from operating activities	10,051,027	6,602,520
Cash flows from investing activities		
Purchase of tangible fixed assets	(3,532,651)	(5,382,592)
Sale of tangible fixed assets	605	-
Interest received	174,190	80,141
HP interest paid	(57,282)	(106,709)
Net cash from investing activities	(3,415,138)	(5,409,160)
Cash flows from financing activities		
New secured loans	-	2,757,000
Repayment of loans	(332,000)	-
Repayment of/new finance leases	(428,260)	815,244
Loans forgiven	(2,268,435)	-
Dividends paid	(2,192,249)	(473,685)
Interest paid	(152,715)	-
Net cash used in financing activities	(5,373,659)	3,098,559
Net increase in cash and cash equivalents	1,262,230	4,291,919
Cash and cash equivalents at beginning of year	12,114,049	7,822,130
Cash and cash equivalents at the end of year	13,376,279	12,114,049
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	13,376,279	12,114,049

MHR GLOBAL HOLDINGS LIMITED

CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2018

	At 1 January 2018 £	Cash flows £	At 31 December 2018 £
Cash at bank and in hand	12,114,049	1,262,230	13,376,279
Debt due after 1 year	(2,425,000)	300,000	(2,125,000)
Debt due within 1 year	(355,389)	12,009	(343,380)
Finance leases	(1,951,755)	428,260	(1,523,495)
	<u>7,381,905</u>	<u>2,002,499</u>	<u>9,384,404</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. General information

MHR Global Holdings Limited is a private company limited by shares, registered in England and Wales, registered number 03466181. The registered office is The Old Hall, Ashwell, Oakham, Rutland, LE15 7LJ. The Group's principal place of business is Ruddington Hall, Loughborough Road, Ruddington, Nottinghamshire, NG11 6LL.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The Group has elected to apply all amendments to FRS 102, as set out in the triennial review published in December 2017, prior to the mandatory adoption for accounting periods beginning on or after 1 January 2019.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

Parent Company disclosure exemptions

In preparing the separate financial statements of the parent *Company*, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No Statement of Cash Flows has been presented for the parent *Company*;
- No disclosures have been given for the aggregate remuneration of the key management personnel of the parent *Company* as their remuneration is included in the totals for the Company as a whole.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Income and Retained Earnings from the date on which control is obtained. They are deconsolidated from the date control ceases.

Where an acquisition complies with Group reconstruction rules per FRS102 S19.29, merger accounting principles have been applied. For reconstructions in the current period, prior year balances are represented in accordance with these principles.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Revenue from rentals is recognised when the amount of revenue can be measured reliably, it is probable that the Company will receive the consideration due under the transaction and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.4 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 0% - 2% straight line
Leasehold improvements	- 10% straight line
Plant and machinery	- 10% straight line
Motor vehicles	- 15% - 25% straight line
Fixtures and fittings	- 5% - 20% straight line
Office equipment	- 20% - 50% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.5 Investment property

Investment property is carried at fair value determined annually by external valuers or the directors and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Consolidated Statement of Comprehensive Income.

2.6 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.10 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.12 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'other operating income'.

2.13 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.15 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.16 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.18 Borrowing costs

All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the year in which they are incurred.

2.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.20 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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.

There are no key sources of estimation uncertainty that have a significant effect on the amount recognised in the financial statements.

4. Turnover

The whole of the turnover is attributable to the principal activity of the Group.

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	65,227,769	60,040,598
Rest of Europe	174,749	122,201
	<u>65,402,518</u>	<u>60,162,799</u>

5. Other operating income

	2018 £	2017 £
Research and development tax credit	242,467	365,056
Sundry income	-	11,950
	<u>242,467</u>	<u>377,006</u>

MHR GLOBAL HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

6. Operating profit

The operating profit is stated after charging:

	2018	2017
	£	£
Depreciation of tangible fixed assets	1,369,941	1,113,597
Exchange differences	7,450	4,200
Other operating lease rentals	693,369	672,468
Loss on disposal of fixed assets	-	15,889
	<u><u> </u></u>	<u><u> </u></u>

7. Auditors' remuneration

	2018	2017
	£	£
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	38,550	36,425
	<u><u> </u></u>	<u><u> </u></u>
Fees payable to the Group's auditor and its associates in respect of:		
Taxation compliance services	7,425	6,585
	<u><u> </u></u>	<u><u> </u></u>

MHR GLOBAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

8. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Wages and salaries	34,233,852	30,055,474	427,680	380,233
Social security costs	3,960,273	3,406,479	54,279	47,973
Cost of defined contribution scheme	1,509,741	1,360,153	2,224	56,666
	<u>39,703,866</u>	<u>34,822,106</u>	<u>484,183</u>	<u>484,872</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Salaried staff	<u>691</u>	<u>622</u>

9. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	<u>406,900</u>	<u>277,242</u>

The highest paid director received remuneration of £200,000 (2017 - £200,000).

Key management personnel

The Group had no Key Management Personnel other than the directors during the year.

10. Interest receivable

	2018 £	2017 £
Other interest receivable	<u>174,190</u>	<u>80,141</u>

MHR GLOBAL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

11. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	78,240	48,791
Finance leases and hire purchase contracts	57,282	46,264
Other interest payable	74,475	11,654
	<u>209,997</u>	<u>106,709</u>

12. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	1,150,405	1,171,194
Adjustments in respect of previous periods	67,324	1,128
Total current tax	<u>1,217,729</u>	<u>1,172,322</u>
Deferred tax		
Origination and reversal of timing differences	(100,461)	43,795
Total deferred tax	<u>(100,461)</u>	<u>43,795</u>
Taxation on profit on ordinary activities	<u>1,117,268</u>	<u>1,216,117</u>

MHR GLOBAL HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

12. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>6,309,034</u>	<u>1,233,783</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	1,198,716	1,127,303
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	12,239	16,640
Utilisation of tax losses	(65,839)	-
Adjustments to tax charge in respect of prior periods	67,324	1,128
Other timing differences leading to an increase (decrease) in taxation	(95,172)	71,046
Total tax charge for the year	<u><u>1,117,268</u></u>	<u><u>1,216,117</u></u>

13. Dividends

	2018 £	2017 £
Dividends paid	<u>2,192,249</u>	<u>473,685</u>

14. Exceptional items

	2018 £	2017 £
Fair value adjustment of investment properties	<u>-</u>	<u>4,735,959</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**
15. Tangible fixed assets**Group**

	Freehold property £	Leasehold improve- ments £	Plant and machinery £	Motor vehicles £	Fixtures, fittings and office equipment £	Total £
Cost or valuation						
At 1 January 2018	10,716,530	273,976	70,869	209,136	5,210,783	16,481,294
Additions	199,804	2,296,483	1,940	-	1,034,424	3,532,651
Disposals	-	-	-	-	(605)	(605)
At 31 December 2018	<u>10,916,334</u>	<u>2,570,459</u>	<u>72,809</u>	<u>209,136</u>	<u>6,244,602</u>	<u>20,013,340</u>
Depreciation						
At 1 January 2018	-	2,591	44,802	148,055	2,973,298	3,168,746
Charge for the year on owned assets	40,110	9,551	7,200	25,749	632,160	714,770
Charge for the year on financed assets	-	-	-	-	655,171	655,171
At 31 December 2018	<u>40,110</u>	<u>12,142</u>	<u>52,002</u>	<u>173,804</u>	<u>4,260,629</u>	<u>4,538,687</u>
Net book value						
At 31 December 2018	<u>10,876,224</u>	<u>2,558,317</u>	<u>20,807</u>	<u>35,332</u>	<u>1,983,973</u>	<u>15,474,653</u>
At 31 December 2017	<u>10,716,530</u>	<u>271,385</u>	<u>26,067</u>	<u>61,081</u>	<u>2,237,485</u>	<u>13,312,548</u>

In August 2017 the Group's properties were valued by Musson Liggins, an independent valuer. This has formed the basis of the directors' assessment of the freehold properties' fair value at 31 December 2018.

If the land and buildings had not been included at valuation they would have been included under the historical cost convention at £16,288,382 (2017 - £16,128,688).

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2018 £	2017 £
Computer equipment	<u>508,680</u>	<u>1,239,598</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

15. Tangible fixed assets (continued)

Company

	Freehold property £	Plant and machinery £	Motor vehicles £	Office equipment £	Total £
Cost or valuation					
At 1 January 2018	3,214,077	70,869	93,978	121,257	3,500,181
Additions	-	1,940	-	-	1,940
At 31 December 2018	<u>3,214,077</u>	<u>72,809</u>	<u>93,978</u>	<u>121,257</u>	<u>3,502,121</u>
Depreciation					
At 1 January 2018	-	44,802	76,007	110,620	231,429
Charge for the year on owned assets	-	7,200	14,432	6,924	28,556
At 31 December 2018	<u>-</u>	<u>52,002</u>	<u>90,439</u>	<u>117,544</u>	<u>259,985</u>
Net book value					
At 31 December 2018	<u>3,214,077</u>	<u>20,807</u>	<u>3,539</u>	<u>3,713</u>	<u>3,242,136</u>
At 31 December 2017	<u>3,214,077</u>	<u>26,067</u>	<u>17,971</u>	<u>10,637</u>	<u>3,268,752</u>

MHR GLOBAL HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

16. Fixed asset investments**Company**

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2018	6,280,000
Additions	3,333,626
Distributions	(490,892)
Amounts written off	(2,522,734)
At 31 December 2018	<u>6,600,000</u>

During the year the Group has undertaken a reconstruction whereby MHR Estates Limited has been brought in to the Group, and MHR Treasury Services Limited has ceased trading. The group reconstruction has been accounted for under Merger Accounting principles.

Included within the additions figure is an amount of £3,313,626 which relates to the waiver of an intercompany loan in the year between MHR Global Holdings and MHR Estates Limited.

Direct subsidiary undertakings

The following were direct subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
MHR International UK Limited	Development and marketing of computer software	Ordinary	100%
MHR Estates Limited (formerly Ancaster Properties Limited)	Property ownership	Ordinary	100%
MHR Treasury Services Limited	Provision of services to Group	Ordinary	100%
Midland PBS Limited	Dormant	Ordinary	100%
MHR International Limited	Dormant	Ordinary	100%

MHR GLOBAL HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

16. Fixed asset investments (continued)**Indirect subsidiary undertakings**

The following were indirect subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
MHR International EMEA Limited	Dormant	Ordinary	100%
MHR International (Netherlands) BV	Dormant	Ordinary	100%
MHR International North America Inc	Dormant	Ordinary	100%
MHR International Asia Limited	Dormant	Ordinary	100%
MHR International Asia Pacific Pte Limited	Dormant	Ordinary	100%
MHR International South America SpA	Dormant	Ordinary	99%
MHR International Celtic Limited	Dormant	Ordinary	100%

17. Investment property**Group**

	Freehold investment property £
Valuation	
At 1 January 2018	676,200
At 31 December 2018	676,200

The 2018 valuations were made by Musson Liggins, on an open market value for existing use basis.

Included in the Profit and loss reserve is £128,768 upward valuation that is not realised and is therefore not distributable.

If the Investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2018 £	2017 £
Historic cost	547,432	547,432

MHR GLOBAL HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

18. Debtors

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade debtors	13,024,209	14,997,382	-	-
Amounts owed by group undertakings	-	-	858,214	4,003,232
Other debtors	148,180	2,710,494	18,528	177,475
Prepayments and accrued income	4,737,422	4,550,085	-	166
Deferred taxation	156,963	56,502	-	-
	<u>18,066,774</u>	<u>22,314,463</u>	<u>876,742</u>	<u>4,180,873</u>

19. Cash and cash equivalents

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Cash at bank and in hand	<u>13,376,279</u>	<u>12,114,049</u>	<u>4,842,176</u>	<u>3,759,757</u>

20. Creditors: Amounts falling due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Bank loans	300,000	332,000	-	-
Trade creditors	1,175,628	1,630,325	28,947	36,477
Corporation tax	251,509	445,268	251,509	324,484
Other taxation and social security	3,211,527	2,945,358	8,505	7,854
Obligations under finance lease and hire purchase contracts	993,531	944,447	-	-
Other creditors	1,044,616	1,901,787	132,710	773,809
Accruals and deferred income	14,808,442	14,363,160	14,646	8,839
	<u>21,785,253</u>	<u>22,562,345</u>	<u>436,317</u>	<u>1,151,463</u>

Obligations under finance leases and hire purchase contracts are secured on the assets to which they relate.

Bank loans are secured by a charge over certain property assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

21. Creditors: Amounts falling due after more than one year

	Group 2018 £	Group 2017 £
Bank loans	2,125,000	2,425,000
Obligations under finance leases and hire purchase contracts	529,964	1,007,308
	<u>2,654,964</u>	<u>3,432,308</u>

Obligations under finance leases and hire purchase contracts are secured on the assets to which they relate.

Bank loans are secured by a charge over certain property assets.

22. Loans

Analysis of the maturity of the loan is given below. Interest is charged at a margin of 1.9% over LIBOR.

	Group 2018 £	Group 2017 £
Bank loans		
Amounts falling due within one year	300,000	332,000
Amounts falling due 2-5 years	2,125,000	2,425,000
	<u>2,425,000</u>	<u>2,757,000</u>

23. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2018 £	Group 2017 £
Within one year	1,005,293	973,078
Between 1-5 years	533,081	1,015,681
	<u>1,538,374</u>	<u>1,988,759</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

24. Financial instruments

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	<u>16,844,493</u>	<u>20,253,755</u>	<u>292,288</u>	<u>154,086</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>(7,675,903)</u>	<u>(8,278,667)</u>	<u>(122,580)</u>	<u>(795,736)</u>

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts due from associated undertakings, and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, amounts due under finance lease and hire purchase agreements, amounts due to associated undertakings, and accruals.

25. Deferred taxation

Group

	2018 £	2017 £
At beginning of year	56,502	100,297
Charged to profit or loss	100,461	(43,795)
At end of year	<u>156,963</u>	<u>56,502</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

25. Deferred taxation (continued)

Company

	2018 £	2017 £
At beginning of year	(46,939)	(36,291)
Charged to profit or loss	(8,709)	(10,648)
At end of year	(55,648)	(46,939)

The deferred tax asset is made up as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Accelerated capital allowances	156,963	56,502	(55,648)	(46,939)
	156,963	56,502	(55,648)	(46,939)

26. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
5,200 (2017 - 5,200) Ordinary 'A' shares shares of £1.00 each	5,200	5,200
2,500 (2017 - 3,800) Ordinary 'C' shares shares of £1.00 each	2,500	3,800
2,300 (2017 - 1,000) Ordinary 'D' shares shares of £1.00 each	2,300	1,000
	10,000	10,000

During the year, 1,300 Ordinary "C" shares of £1 each were re-classified at par as 1,300 Ordinary "D" shares of £1 each. All shares rank parri passu except on the winding up of the company, where the "D" shares are entitled to be repaid after the "A" shares and "C" shares but in priority to any "B" shares.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

27. Reserves

Merger relief reserve

The balance on the merger relief reserve represents the fair value of the consideration given in excess of the nominal value of the ordinary shares issued in an acquisition made by the issue of shares. The opening balance on the reserve of £3,032,219 arose on a group re-organisation in 1997 whereby MHR Global Holdings Limited acquired the entire share capital of MHR International UK Limited by way of a share for share exchange.

Merger Reserve

The merger reserve arises on consolidation. It includes amounts of share premium from individual company accounts. The opening balance on the reserve of £1,386,030 arose on an issue of shares in MHR Estates Limited (formerly Ancaster Properties Limited).

Profit and loss account

This includes all current and prior period retained profits and losses.

28. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions totalling £243,537 (2017 - £206,934) were payable to the fund at the Balance Sheet date and are included in creditors.

29. Commitments under operating leases

At 31 December 2018 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2018 £	Group 2017 £
Not later than 1 year	1,470,629	1,156,563
Later than 1 year and not later than 5 years	146,665	16,310
	<u>1,617,294</u>	<u>1,172,873</u>

30. Transactions with directors

An advance of £200,000 was made to J R Mills. The amount was repaid in full in the year.

At the year end a director was owed an amount of £43,380 (2017 - £23,389) by the Group which is included in other creditors. During the year advances of £67,706 (2017 - £496,576) and repayments of £87,697 (2017 - £519,964) were made to/from the directors. There are no set terms for repayment for this loan account.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

31. Related party transactions

The Group has taken advantage of the provisions conferred in FRS102 from disclosure of transactions with companies within the group headed by MHR Global Holdings Limited.

J R Mills is a director of Mills Agricultural Limited. At the balance sheet date there were amounts due of £nil (2017 - £1,720,383) from Mills Agricultural Limited. Interest of £nil (2017 - £65,056) has been charged on a loan of £nil (2017 - £1,553,010), on which interest is payable at 4% above Bank of England base rate annually in arrears. The balance of the loan is interest free. There are no specific terms of repayment.

The Mills Trust is a shareholder of MHR Global Holdings Limited. At the balance sheet date there was an amount of £44,665 (2017 - £375,209) owed to The Mills Trust.

The Ruddington Trust is a shareholder of MHR Global Holdings Limited. At the balance sheet date there was an amount of £44,665 (2017 - £375,209) owed to The Ruddington Trust.

During the year dividends of £2,181,906 (2017 - £63,389) were paid to two (2017 - one) of the directors.

The distributions from reserves of £164,934 within the Company Statement of Changes in Equity and of £2,268,435 within the Group Statement of Changes in Equity relate to the waiver of related party loans in the year between the Group and companies with common control.

32. Controlling party

The Company is ultimately controlled by the Chairman, J R Mills, by virtue of his shareholding in MHR Global Holdings Limited.