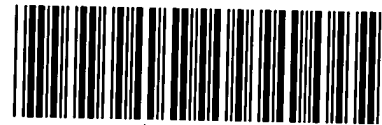


MHR INTERNATIONAL UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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MHR INTERNATIONAL UK LIMITED

COMPANY INFORMATION

Directors	Mr J R Mills Mr A Roe Miss J M Mills
Company secretary	Mr P Ward
Registered number	01852206
Registered office	Peterbridge House The Lakes Northampton NN4 7HB
Independent auditor	MHA MacIntyre Hudson Chartered Accountants & Statutory Auditors Peterbridge House The Lakes Northampton NN4 7HB
Bankers	Lloyds Bank plc Old Market Square Nottingham NG1 6FD

MHR INTERNATIONAL UK LIMITED

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

Introduction

The Directors present their report and the financial statements for the year ended 31 December 2020.

Business review

The Directors are pleased to report another successful year. Net assets have increased by 11% in the financial year due to profits paid for the year exceeding dividends 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 Company has a strong and sustainable business model, with c.1,360 (2019 - c.1,250) 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.

Financial review

Profit and Loss

The financial year 2020 was a success for revenue with organic growth of 8.2% to £79,393,139 (2019 - £73,400,859).

Profit before interest and tax was £11,541,791 (2019 - £3,595,880) and the operating profit margin was 11.7% (2019 – 4.9%).

Balance Sheet

The strong performance of the Company in 2020 resulted in an improved position in net assets in comparison to the prior year, 2020 closing at £2,866,096 (2019 - £2,571,648).

Principal risks and uncertainties

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

Cash flow risk:

The Company 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 Company is unable to recover sums due from customers. The Company 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.

COVID-19:

During the year and post year end, COVID-19 has had a significant impact on the worldwide economy and the UK market. Consideration has been given to meeting customer demands and maintaining the ability to effect payments on time to suppliers. The Company has not been significantly impacted by COVID-19.

MHR INTERNATIONAL UK LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Financial key performance indicators

The Directors consider the following Key Performance Indicators when assessing the performance of the Company:

Turnover

Turnover increased through organic growth by 8.2% to £79,393,139 (2019 - £73,400,859).

Profit before interest and tax

The Company achieved profit before interest and tax of £11,541,791 (2019 - £3,595,880).

Net profit margin

The Company achieved a net profit margin before interest and tax of 11.7% (2019 - 4.9%).

Other key performance indicators

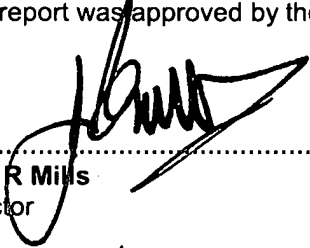
The Directors consider the following Key Performance Indicators when assessing the non-financial performance of the Company:

We support the management, development and payment of approximately 9.0% (2019 - 8.2%) of the UK workforce, equating to 2.9 million (2019 – 2.7 million) employees. This was due to the increase in the number of customer contracts won in the year.

Directors' statement of compliance with duty to promote the success of the Company

The Board of Directors of MHR International UK Limited consider that they have acted in the way they consider would be most likely to promote the success of the company in the decisions taken during the year ended 31 December 2020.

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


.....
Mr J R Mills
Director

Date: 16/12/21

MHR INTERNATIONAL UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their report and the financial statements for the year ended 31 December 2020.

Principal activity

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

Results and dividends

The profit for the year, after taxation, amounted to £9,294,448 (2019 - £3,060,639).

Dividends of £9,000,000 (2019 - £9,500,000) have been paid in the year.

Directors

The Directors who served during the year were:

Mr J R Mills
Mr A Roe
Miss J M Mills

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the 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 of the profit or loss of the Company for that period.

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

- select suitable accounting policies for the Company'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 Company 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Future developments

The Company is expected to continue to grow in 2021 through organic expansion into new international markets.

MHR INTERNATIONAL UK LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Engagement with employees

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

Engagement with suppliers, customers and others

As a Board of Directors, our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance.

Our strategy prioritises organic growth, driven through supporting our existing customers' growth plans and bringing new customers and prospects into the Company. To do this, we aim to develop and maintain strong customer relationships.

We value all of our suppliers and commercial partners in line with our long-term plans.

Disabled employees

The Company 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 Company'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 possible.

Disclosure of information to auditor

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's auditor is 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's auditor is aware of that information.

Post balance sheet events

There have been no post balance sheet events.

Auditor

The auditor, 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.



Mr J R Mills
Director

Date: 16/12/21

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MHR INTERNATIONAL UK LIMITED

Opinion

We have audited the financial statements of MHR International UK Limited (the 'Company') for the year ended 31 December 2020, which comprise the Statement of Income and Retained Earnings, the Balance Sheet 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 Company's affairs as at 31 December 2020 and of its 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company 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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MHR INTERNATIONAL UK LIMITED
(CONTINUED)**

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, 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 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MHR INTERNATIONAL UK LIMITED
(CONTINUED)**

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out 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 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 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:

- enquiry of management and those charged with governance around actual and potential litigation and claims;
- enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations;
- performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;
- reviewing minutes of meetings of those charged with governance;
- reviewing financial statement disclosures and testing to supporting documentation to access compliance with applicable laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities including those leading to 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/auditorsresponsibilities. This description forms part of our Auditor's Report.

MHR INTERNATIONAL UK LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MHR INTERNATIONAL UK LIMITED
(CONTINUED)**

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 Auditor's 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

Statutory Auditors
Northampton, UK

Date: 17 December 2021

MHR INTERNATIONAL UK LIMITED

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £	2019 £
Turnover	4	79,393,139	73,400,859
Cost of sales		(6,102,431)	(8,219,820)
Gross profit		73,290,708	65,181,039
Administrative expenses		(61,625,706)	(61,621,627)
Other operating income	5	-	36,468
Operating profit	6	11,665,002	3,595,880
Interest receivable and similar income		21,481	56,238
Interest payable and similar expenses	10	(144,692)	(66,324)
Profit before tax		11,541,791	3,585,794
Tax on profit	11	(2,247,343)	(525,155)
Profit after tax		9,294,448	3,060,639
Retained earnings at the beginning of the year		2,570,648	9,010,009
Profit for the year		9,294,448	3,060,639
Dividends declared and paid		(9,000,000)	(9,500,000)
Retained earnings at the end of the year		2,865,096	2,570,648

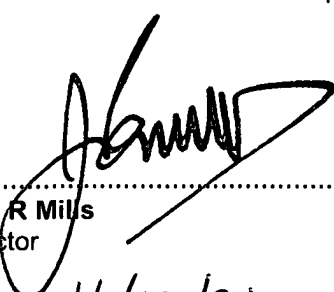
There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of income and retained earnings.

The notes on pages 11 to 24 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Tangible assets	13		8,458,461		5,242,109
Current assets					
Debtors: amounts falling due within one year	14	19,954,768		18,464,811	
Cash at bank and in hand	15	10,450,626		9,774,268	
		<u>30,405,394</u>		<u>28,239,079</u>	
Creditors: amounts falling due within one year	16	(30,773,448)		(29,401,448)	
Net current liabilities			(368,054)		(1,162,369)
Total assets less current liabilities			8,090,407		4,079,740
Creditors: amounts falling due after more than one year	17		(4,576,894)		(1,508,092)
Provisions for liabilities					
Other provisions			(647,417)		-
Net assets			2,866,096		2,571,648
Capital and reserves					
Called up share capital	22		1,000		1,000
Profit and loss account			2,865,096		2,570,648
			<u>2,866,096</u>		<u>2,571,648</u>

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


.....
Mr J R Mills
Director

Date: 16/12/21

The notes on pages 11 to 24 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1. General information

MHR International UK Limited is a private company limited by shares, domiciled in England and Wales, registered number 01852206. The registered office is Peterbridge House, The Lakes, Northampton NN4 7HB. The principal place of business is Ruddington Hall, Loughborough Road, Ruddington, Nottingham, 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 preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of MHR Global Holdings Limited as at 31 December 2020 and these financial statements may be obtained from the Registrar of Companies.

2.3 Going concern

The financial statements have been prepared on a going concern basis. The Directors have considered relevant information, including the annual budget, forecast future cash flows and the impact of subsequent events in making their assessment. In response to the COVID-19 pandemic, the Directors have performed a robust analysis of forecast future cash flows taking into account the potential impact on the business of possible future scenarios arising from the impact of COVID-19. This analysis also considers the effectiveness of available measures to assist in mitigating the impact.

Based on these assessments and having regard to the resources available to the Company, the Directors have concluded that there is no material uncertainty and that they can continue to adopt the going concern basis in preparing the annual report and accounts.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company 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 Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company 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 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.

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 Company 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.

2.5 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 2020**

2. Accounting policies (continued)

2.5 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:

Short-term leasehold improvements	- evenly over the lease term or 10% straight line
Motor vehicles	- 10% straight line
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 profit or loss.

2.6 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.

2.7 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.

2.8 Financial instruments

The Company 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.

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.

2.9 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 2020**

2. Accounting policies (continued)

2.10 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.

2.11 Finance costs

Finance costs are charged to profit or loss 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.

2.12 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.

2.13 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.14 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in profit or loss 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 Company in independently administered funds.

2.15 Interest income

Interest income is recognised in profit or loss using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

2.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company 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 Statement of Income and Retained Earnings in the year that the Company 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.

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company 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 profit or loss in the year that the Company 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 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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 operates and generates 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences. 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 2020**

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

In the application of the Company'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 Company's principal activity.

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	79,098,788	73,143,086
Rest of Europe	50,553	247,291
Rest of the world	243,798	10,482
	<u>79,393,139</u>	<u>73,400,859</u>

5. Other operating income

	2020 £	2019 £
Research and development tax credit receivable	-	36,468
	<u>-</u>	<u>36,468</u>

6. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Depreciation of tangible fixed assets	2,075,493	1,999,771
Exchange differences	4,494	6,932
Other operating lease rentals	2,120,395	1,282,655
	<u>4,200,382</u>	<u>3,289,358</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

7. Auditor's remuneration

	2020 £	2019 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>23,500</u>	<u>23,000</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

8. Employees

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

	2020 £	2019 £
Wages and salaries	36,578,918	35,502,639
Social security costs	4,221,086	4,065,434
Cost of defined contribution scheme	1,918,089	1,763,653
	<u>42,718,093</u>	<u>41,331,726</u>

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

	2020 No.	2019 No.
Salaried staff	<u>693</u>	<u>677</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

9. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	323,314	413,062
Company contributions to defined contribution pension schemes	23,000	27,308
	<u>346,314</u>	<u>440,370</u>

During the year retirement benefits were accruing to no Directors (2019 - 2) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £323,314 (2019 - £327,795).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £23,000 (2019 - £22,000).

During the year £nil (2019 - £30,000) was paid to a director as compensation for loss of office.

Key management personnel

The Company had no key management personnel other than the directors during the year (2019 - £nil).

10. Interest payable and similar expenses

	2020 £	2019 £
Finance leases and hire purchase contracts	144,692	66,324

MHR INTERNATIONAL UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

11. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	2,155,761	702,749
Adjustments in respect of previous periods	-	(119,441)
	<u>2,155,761</u>	<u>583,308</u>
Total current tax	<u>2,155,761</u>	<u>583,308</u>
Deferred tax		
Origination and reversal of timing differences	91,582	(58,153)
Total deferred tax	<u>91,582</u>	<u>(58,153)</u>
Taxation on profit on ordinary activities	<u>2,247,343</u>	<u>525,155</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	<u>11,541,791</u>	<u>3,585,794</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	2,192,940	681,301
Effects of:		
Expenses not deductible for tax purposes	10,841	6,848
Capital allowances for year in excess of depreciation	(54,965)	14,600
Adjustments to tax charge in respect of prior periods	-	(119,411)
Other timing differences leading to a decrease in taxation	98,527	(58,183)
Total tax charge for the year	<u>2,247,343</u>	<u>525,155</u>

MHR INTERNATIONAL UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

12. Dividends

	2020 £	2019 £
Dividends paid	<u>9,000,000</u>	<u>9,500,000</u>

13. Tangible fixed assets

	Short-term leasehold property £	Motor vehicles £	Equipment £	Total £
Cost or valuation				
At 1 January 2020	3,384,603	152,761	7,708,351	11,245,715
Additions	641,580	31,354	4,643,090	5,316,024
Disposals	-	-	(5,150)	(5,150)
At 31 December 2020	<u>4,026,183</u>	<u>184,115</u>	<u>12,346,291</u>	<u>16,556,589</u>
Depreciation				
At 1 January 2020	469,500	38,676	5,495,430	6,003,606
Charge for the year on owned assets	499,646	38,629	432,805	971,080
Charge for the year on financed assets	-	-	1,123,442	1,123,442
At 31 December 2020	<u>969,146</u>	<u>77,305</u>	<u>7,051,677</u>	<u>8,098,128</u>
Net book value				
At 31 December 2020	<u>3,057,037</u>	<u>106,810</u>	<u>5,294,614</u>	<u>8,458,461</u>
At 31 December 2019	<u>2,915,103</u>	<u>114,085</u>	<u>2,212,921</u>	<u>5,242,109</u>

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

	2020 £	2019 £
Equipment	<u>4,585,379</u>	<u>1,366,849</u>

MHR INTERNATIONAL UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

14. Debtors

	2020 £	2019 £
Trade debtors	12,039,008	9,350,019
Amounts owed by group undertakings	848,711	891,157
Other debtors	-	54,732
Prepayments and accrued income	6,887,867	7,898,139
Deferred taxation	179,182	270,764
	<u>19,954,768</u>	<u>18,464,811</u>

15. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	<u>10,450,626</u>	<u>9,774,268</u>

16. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	959,103	1,502,518
Amounts owed to group undertakings	-	1,569,668
Corporation tax	759,740	-
Other taxation and social security	3,897,371	2,993,047
Obligations under finance lease and hire purchase contracts	2,079,039	1,308,356
Other creditors	328,199	365,656
Accruals and deferred income	22,749,996	21,662,203
	<u>30,773,448</u>	<u>29,401,448</u>

Finance leases and hire purchase agreements are secured on the assets to which they relate.

MHR INTERNATIONAL UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

	2020 £	2019 £
Net obligations under finance leases and hire purchase contracts	3,101,629	1,508,092
Amounts owed to group undertakings	1,475,265	-
	<u>4,576,894</u>	<u>1,508,092</u>

Finance leases and hire purchase agreements are secured on the assets to which they relate.

18. Financial instruments

All financial instruments are held at amortised cost.

19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2020 £	2019 £
Within one year	2,079,039	1,427,189
Between 1-5 years	3,101,629	1,406,338
	<u>5,180,668</u>	<u>2,833,527</u>

20. Deferred taxation

	2020 £	2019 £
At beginning of year	270,764	212,611
Charged to profit or loss	(91,582)	58,153
At end of year	<u>179,182</u>	<u>270,764</u>

MHR INTERNATIONAL UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

20. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2020	2019
	£	£
Accelerated capital allowances	147,656	217,536
Provisions	31,526	53,228
	<u>179,182</u>	<u>270,764</u>

21. Provisions

	Other provision £
Charged to profit or loss	647,417
At 31 December 2020	<u>647,417</u>

MHR INTERNATIONAL UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

22. Share capital

	2020	2019
	£	£
Allotted, called up and fully paid		
1,000 (2019 - 1,000) Ordinary 'A' shares shares of £1.00 each	<u>1,000</u>	<u>1,000</u>

23. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. Contributions totalling £305,212 (2019 - £280,147) were payable to the fund at the Balance Sheet date.

24. Commitments under operating leases

At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020	2019
	£	£
Not later than 1 year	<u>1,444,280</u>	<u>1,179,313</u>

25. Related party transactions

The Company has taken advantage of the provisions conferred in FRS102 relating to 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 was an amount due of £5,119 (2019 - £102,012) from Mills Agricultural Limited. The loan is interest free and has no specific terms of repayment.

26. Controlling party

The Company's immediate and ultimate parent undertaking is MHR Global Holdings Limited, a company incorporated in England and Wales.

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